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AUDITORS OF THE MODARABA

KPMG Taseer Hadi & Co.
Chartered Accountants

AUDITORS OF THE MODARABA COMPANY

M/s. Rahim Jan & Co.
Chartered Accountants

LEGAL ADVISORS

M/s. Raja Qasit Nawaz, Advocates

BANKERS

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

REGISTERED OFFICE

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

Phone: 34381037 - 38 - 52 Fax: 34534410

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

Web: www.fpm.com.pk

REGISTRAR

THK ASSOCIATES (PVT) LTD.
Ground Floor, State Life Building No. 3,
Dr. Ziauddin Ahmed Road, Karachi - 75530.
Tel: 111-000-322 Fax: 35655595

Web: www.thk.com.pk

Email: secretariat@thk.com.pk

Directors Report to the Certificate Holders of First Paramount Modaraba

We have always been striving hard for the maximization of our profit from the given resources for Modaraba certificate-holders to meet with their expectations. However, due to the factors as explained here-under, your Modaraba could managed to earn profit of Rs.16,411,422 for the year under review compared to Rs.23,573,487 for the previous financial year and noted a decline in profit by about 44% over previous year's results which translates in earning per Modaraba certificate of Rs.2.22 against last year's weighted average of Rs.3.74 per share.

The financial statements duly audited by M/s: KPMG Taseer Hadi & Company, Chartered Accountants for the year ended 30th June, 2013 along with notes thereon are forwarded herewith together with the report of operations of Modaraba and other schedules as detailed below :-

- a) Statement of compliance with the best practices of Corporate Governance on page # 09.
- b) Key operating financial data for the last ten years on page # 08.
- c) Pattern of certificate holding is on page # 47 and categories of certificate holders is on page # 48.
- d) Notice of Annual Review Meeting is given on page # 49.

Reasons caused mitigation in profit for the year:

1. Reduction in volume of Morabaha Financing: The Management was very much conscious and took extra care during the period under review while approving the applications for Morabaha financial facilities to avoid subsequent problems due to uncertainty in the country and resultantly our over all volume of Morabaha financing declined.
2. Bench Mark rate for financial facilities and KIBOR decreased by about 4% to 5% in this financial year and consequently we also reduced our rate of profit on Morabaha facilities.
3. Musharika Investments:
 - i) Your directors wanted to promote widely acceptable and true Islamic based Musharika financing and therefore we explored various projects to work on profit and loss sharing basis instead of pre-agreed rate of profit on other modes of Islamic financing.
 - (ii) We hired highly qualified and experienced staff to coordinate with applicants, collect, survey and analyse data of all such projects in detail to select safe, viable and profitable ventures with honest and dedicated people to work for long-term period on profit and loss sharing basis and consequently our overhead expenses increased during this period, satisfactory fruits of which we are expecting Insha Allah in the months to come.

- i) Our generator remained unutilized for the last 3 months of this financial year which was employed with Patel Hospital for about ____ months and resultantly we lost rent of Rs.850,000/- in that period.
- ii) Profit from generators project also remained marginally low by about 2% in this financial year on account of higher repair and maintenance cost and inflation.

Declaration of Dividend @ 11% for the year:

i)	Profit earned for the year:	Rs. 16,411,422
ii)	Less: Your Directors approved 50% of profit to be transferred to statutory reserve:	<u>Rs. <8,205,711></u>
iii)	Balance available for distribution of dividend as unappropriated profit:	Rs. 8,205,711
iv)	Add: Unappropriated profit balance brought forward as of 30.06.2013:	<u>Rs. 21,451,541</u>
v)	Total unappropriated profit as of 30.06.2013:	Rs. 29,657,252
vi)	Less: 11% Dividend (Rs.1.10 per Modaraba Certificate:	Rs.<8,384,566>
vii)	Balance unappropriated profit carried forward:	<u>Rs.21,272,686</u>

Declaration of 10% Bonus Modaraba Certificates:

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

Balance as of 30.06.2013 of Statutory Reserve:	Rs. 67,673,238
Less: To be utilized for bonus certificates and be transferred to the paid-up capital:	<u>Rs. <7,622,333></u>
Balance of statutory reserve to be carried forward:	Rs. 60,050,905
	=====

Future Outlook: We anticipate that Insha Allah our profitability for the financial year 2014 will be higher :-

- i) due to expected additional volume of Murabaha financing in October 2013 and onward on account of focusing of the management on this segment of our business and,

ii) after controlling and shooting out problems of initial teething period for operation and settling of our Musharaka projects, we are hopeful to earn better rate of profit in the financial year 2013-14 since almost all our Musharaka based projects are now operational detail of which is as under :-

(a) FPM Weaving: 15 shuttle less looms were procured and installed under Musharaka Arrangement with a firm of two partners in which their investment is 35% whereas FPM has to contribute 65% of the total investment.

Premises was hired in the month of April 2013 and after completion of installation of all looms, electrical wiring and control panel the trial run was started in May and by the Grace of Allah, the project is now operating smoothly in which expected return on investment is 15% which can increase to around 19% to 20% in next few months. Our investment as of 30.06.2013 was Rs.15,213,198/-.

(b) Musharaka Arrangement with a trousers manufacturing unit: We entered into an agreement with a rankle-free trousers manufacturing unit in which our investment as on 30.06.2013 was Rs.4,340,054/-.

The unit started production of trousers subsequent to 30.06.2013 and our investment can go maximum up to 18.6 million with an expected average investment of around Rs.12 million, once the unit will operate at its full capacity. Expected return on investment in this venture is 20% or more Insha Allah in 2013/14.

Board Meetings:

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

S.No:	Name of Director	Meetings Attended	Out of Total Meetings
1.	Mr.Tanweer Ahmed Magoon	7	09
2.	Mr. Ahmed Kassam Parekh	7	09
3.	Mr. Abdul Ghaffar Umer	9	09
4.	Mr. Pir Muhammad Kaliya	9	09
5.	Mr. Abdul Razzak Jangda	9	09
6.	Mr. Nadeem Iqbal	9	09
7.	Mr. Mr. Abid Aziz	4	09

Resignation and Appointment of Directors

We regret to inform you that Mr. Abid Aziz (the Nominee Director of MK/s: Pak Libya Holding Company (Pvt) Limited, resigned from the directorship of Paramount Investments Limited which was accepted in BOD Meeting held on 23rd May, 2013. We very much appreciate his cooperation and guidance provided by him during his tenure of directorship of the company and wish him all the best and Blessings of Allah.

We report to inform you that Mr. Muhammad Khalid Mukashi has been appointed as director of the company (subject to approval of Registrar Modaraba, Securities And Exchange Commission o Pakistan, Islamabad) in place of Mr. Abid Aziz.

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

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

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

Karachi:
Date: 24th October 2013.

Abdul Ghaffar Umer
Chief Executive Officer

First Paramount Modaraba

(An Islamic Financial Institution)



Key operating & Financial Data

Particulars	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013
	Audited	Audited	Audited	Audited	Audited	Audited	Audited	Audited	Audited	Audited
Paid up Capital	50,000,000	58,633,330	58,633,330	58,633,330	58,633,330	58,633,330	58,633,330	58,633,330	58,633,330	76,223,330
Certificate Holders Equity	59,633,882	79,930,727	83,746,663	103,047,210	108,956,943	118,845,865	126,764,062	144,005,903	153,804,949	175,671,354
Current Liabilities	35,154,932	21,567,497	19,530,297	45,489,658	78,898,671	92,633,029	103,622,723	61,613,599	42,062,560	22,057,932
Total Liabilities	47,743,485	28,463,506	22,232,915	62,144,383	96,826,807	108,390,167	121,777,913	101,429,703	115,362,201	91,282,714
Fixed Assets	19,795,301	19,790,319	29,347,504	53,122,040	53,830,034	59,509,743	29,103,860	31,584,091	31,698,742	52,561,369
Current Assets	62,555,536	61,782,950	66,785,314	79,873,148	107,104,856	141,753,393	184,094,788	131,819,740	164,523,535	161,380,958
Total Assets	107,377,367	108,394,234	105,979,579	165,191,592	205,783,751	227,236,032	248,541,975	245,435,606	269,167,150	266,954,068
Operating Profit	8,569,255	10,645,672	13,068,262	9,342,801	13,732,666	20,108,430	18,570,219	30,884,267	26,506,919	18,564,957
Profit before Tax	7,817,106	9,728,356	11,761,435	8,408,521	12,359,399	18,097,587	16,713,197	27,795,840	23,573,487	16,411,422
Taxation	-	-	30,000	14,566	-	-	-	-	-	-
Profit after Tax	7,817,106	9,728,356	11,731,435	8,393,956	12,359,399	18,097,587	16,713,197	27,795,840	23,573,487	16,411,422
Dividend	12.5%	13.5%	15.0%	11.0%	14.0%	15.0%	18.0%	23.5%	23.5%	11.0%
Bonus Certificate	0%	0%	0%	0%	0%	0%	0%	0%	0%	10.0%
Earning per Certificate	1.56	1.66	2.00	1.43	2.11	3.09	2.85	4.74	4.02	2.20
Break-up Value	11.93	13.63	14.28	17.57	18.58	20.27	21.62	24.56	26.23	23.05

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

This statement is being presented to comply with the Code of Corporate Governance contained in the regulations of Karachi and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed entity is managed in compliance with the best practices of corporate governance.

The Modaraba has applied principles contained in the Code in the following manner:

1. The Board encourages representation of independent non-executive directors on its Board of Directors. Presently, the Board comprises of:

Category	Number
Independent Directors	Nil*
Executive Directors	1**
Non-Executive Directors	6

*Independent Director will be appointed at the date of next election of Directors.

**The Chief Executive Officer is also the Company Secretary of the Modaraba.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Management Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. There was one casual vacancy in the Board during the year which was filled up the Board on the same date.
5. The Modaraba has adopted corporate values supported by "Statement of ethics and business practice" and has ensured that appropriate steps have been taken to disseminate it throughout the Management Company and Modaraba along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Modaraba which were approved in 2007. A complete record of particulars of significant policies along with the dates on which they were approved has been maintained. However, the management considering to revise / update it to incorporate new and additional requirements.
7. All the powers of the Board have been duly exercised and decisions on all material transactions including appointment and determination of remuneration and terms of conditions of employment of the CEO have been taken by the Board

8. The meetings of the Board were presided over by the Chairman and, in his absence by a director elected by the Board for this purpose. The Board met Nine times which includes meeting in at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, for four meetings were not circulated in time before the meeting. The minutes of the meetings were appropriately recorded and circulated.
9. No training programs / orientation courses were arranged for the directors during the year. Directors are fully aware of the relevant laws applicable to the Modaraba, its policies and procedures, Prospectus of the Modaraba and Memorandum and Articles of Association of the Modaraba's Management Company. Majority of the directors have more than 14 years of education and 15 years of experience on the Board of at least one listed company, in terms of section (xi) of the Code of Corporate Governance. The Company however intends to facilitate further training for the directors in near future as defined in the Code of Corporate Governance.
10. No new appointment of CFO and Company Secretary has been made during the year.
11. The Directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Modaraba were duly endorsed by the CEO and CFO before approval of the Board.
13. The Directors CEO, and executives do not hold any interest in the certificate of the Modaraba other than that disclosed in the pattern of certificate holding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises three members and all of them are non-executive directors of the management company including the Chairman of the Committee. The Code requires that the Audit Committee of a listed company shall appoint a secretary of the committee who shall either be the Company Secretary or Head of Internal Audit. However, CEO of the Management Company is the present secretary of the Audit Committee.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The Board has formed a Human Resource & Remuneration Committee. It comprises 4 members. The Terms of Reference of Human Resource & Remuneration Committee has been approved by the BOD and noted by the Human Resource & Remuneration Committee for compliance.
18. The Board has outsourced an internal audit function and appointed consulting firm during the year to carry out the entire internal audit function independently that is considered suitably qualified and experienced for the purpose and is conversant with policies and procedures of the Modaraba. A full time existing employee has been designated to act as coordinator between consulting firm providing internal audit services and the Board.
19. The statutory auditors of the Modaraba have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold certificates of the Modaraba and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Modaraba's securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all other material principles enshrined in the Code have been complied with except for those stated above towards which reasonable progress is being made by the Company to seek compliance by the end of next accounting year.

Abdul Ghaffar Umer
Chief Executive Officer

Dated: 24 October 2013

Review Report to the Certificate Holders on Statement of Compliance With Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Paramount Investments Limited in respect of First Paramount Modaraba to comply with the Listing Regulations of the Karachi and Islamabad Stock Exchanges where the Modaraba is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Modaraba Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Modaraba's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Modaraba Management Company personnel and review of various documents prepared by the Modaraba Management Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Modaraba's corporate governance procedures and risks.

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

As more fully explained in paragraph 6 which describes inconsistency in respect of records of significant policies towards which reasonable progress is being made by the Management Company.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Modaraba's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance for the year ended 30 June 2013.

Date: 24th October 2013.

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

Auditors' Report to the Certificate Holder

We have audited the annexed balance sheet of **First Paramount Modaraba** ("the Modaraba") as at 30 June 2013 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

These financial statements are the Modaraba Company's [Paramount Investments Limited] responsibility who is also responsible to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards as applicable in Pakistan and the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by the Modaraba Company, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion, proper books of accounts have been kept by the Modaraba Company in respect of First Paramount Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of accounts and are further in accordance with the accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the Modaraba's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba;

- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at 30 June 2013 and of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Modaraba and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Date: 24th October 2013.

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Muhammad Nadeem

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 30 2013, in accordance with the requirements as reported hereunder, in my opinion:

1. The Modaraba has introduced a mechanism which has strengthened the Shariah compliance in letter and spirit and the systems, procedures and policies adopted by the Modaraba are in line with the Shariah principles.
2. Following were the major developments that took place during the year:
 - (A) Research and new product development (Brief on the research and new product development, if applicable)
 - (B) Training and Development
 - (i) A training program for the Directors and staff was arranged on 23rd May, 2013 on Shariah based financial products which was conducted by Mufti Muhammad Najeeb Khan.
 - (ii) A half-day workshop on Shariah Compliant Stock Market Operations was attended by our 2 senior executives on 12th March, 2013 arranged by NBF & Modaraba Association of Pakistan.
3. The agreement(s) entered into by the Modaraba are Shariah compliant and the financing agreement(s) have been executed on the formats as approved by the Religious Board and all the related conditions have been met.
4. To the best of my information and according to the explanations given to me, the business transactions undertaken by the Modaraba and all other matters incidental thereto are in conformity with the Shariah requirements as well as the requirements of the Prospectus, Islamic Financial Accounting Standards as applicable in Pakistan and the Shariah Compliance and Shariah Audit Regulations for Modarabas.
5. Profit sharing ratios, profits and charging of losses (if any) relating to any deposit raising product conforms to the basis and principles of Shariah.
6. The earnings that have been realized from the sources or by means prohibited by Shariah have been credited to charity accounts.

Observation(s) Nil
Recommendation (s) Training and awareness session for clients
Conclusion

Dated: October 24 2013.



Mufti Muhammad Najeeb Khan
Shariah Advisor

FIRST PARAMOUNT MODARABA BALANCE SHEET AS AT JUNE 30, 2014		June 30, 2014	June 30, 2013
ASSETS	Note	----- (Rupees) -----	
Non - current assets			
Operating fixed assets	4	60,188,077	52,561,369
Long term portion of murabaha receivables	5	52,761,308	38,198,313
Long term portion of diminishing musharaka financing	6	19,272,329	14,800,000
Long Term Mushrikah Investment		12,000,000	-
Long term deposits		10,428	13,428
Total non-current assets		144,232,142	105,573,110
Current assets			
Investments classified as available for sale	7	-	2,235,421
Musharaka investments	8	13,662,686	7,442,304
Cash and bank balances	9.	41,631,483	37,119,973
Current portion of long term murabaha receivables	5	69,072,116	87,348,371
Current portion of long term diminishing musharaka financing	6	7,878,500	7,400,000
Short term murabaha receivables	10.	17,892,380	14,398,701
Advances against murabaha		14,400,080	663,000
Stores and spares		1,546,792	683,337
Trade debts		3,275,076	1,023,974
Receivable from Modaraba's management company - a related party		-	166,065
Advances, deposit, prepayments and other receivables	11.	13,818,298	2,899,812
Total current assets		183,177,410	161,380,958
TOTAL ASSETS		327,409,552	266,954,068
EQUITY AND LIABILITIES			
Capital and reserves			
Certificate capital			
Authorised			
25,000,000 (June 30, 2013: 25,000,000) certificates of Rs.10 each		250,000,000	250,000,000
Issued, subscribed and paid-up	12.	83,845,663	76,223,330
Capital reserves	13.	61,986,065	69,608,398
Unrealised gain on revaluation of investments classified as available-for-sale		-	182,374
Unappropriated profit		35,049,716	29,657,252
Total certificate holders' equity		180,881,444	175,671,354
LIABILITIES			
Non current liabilities			
Deferred income	14.	28,559,151	28,912,638
Certificates of musharaka	15.	72,018,000	40,312,144
Total non current liabilities		100,577,151	69,224,782
Current liabilities			
Creditors, accrued and other liabilities	16.	14,940,975	5,959,455
Certificates of musharaka	15.	19,185,000	5,190,643
Deferred income		998,879	1,059,860
Payable to Modaraba's management company - a related party		170,670	-
Unclaimed profit distributions		10,655,434	9,847,974
Total current liabilities		45,950,958	22,057,932
TOTAL EQUITY AND LIABILITIES		327,409,553	266,954,068

The annexed notes 1 to 31 form an integral part of these financial statements.

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

	Note	June 30, 2014 ----- (Rupees) -----	June 30, 2013 -----
Operating income	17.	56,262,112	42,027,539
Operating costs			
Operating expenses	18.	35,628,979	23,768,937
Provision / Reversal for doubtful recoveries		289,584	(746,393)
		(35,918,563)	(23,022,544)
		20,343,549	19,004,995
Other income - net	19.	1,460,549	5,276,692
		21,804,098	24,281,687
Financial charges	20.	(5,901,165)	(5,337,853)
Provision for workers' welfare fund		(318,059)	(378,877)
		15,584,874	18,564,957
Modaraba company's management fee	21.	(1,807,845)	(2,153,535)
Profit before tax		13,777,029	16,411,422
Taxation	23	-	-
Profit for the year		13,777,029	16,411,422
Earnings per certificate - basic and diluted	22.	1.64	2.22

The annexed notes 1 to 31 form an integral part of these financial statements.

Chief Executive

Director

Director

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

	Note	June 30, 2014 ----- (Rupees) -----	June 30, 2013 -----
Profit for the year		13,777,029	16,411,422
Other comprehensive income			
Items to be reclassified to income statement in subsequent periods:			
Unrealised gain on revaluation of investments classified as available-for-sale	7	-	177,982
Total comprehensive income for the year		<u><u>13,777,029</u></u>	<u><u>16,589,404</u></u>

The annexed notes 1 to 31 form an integral part of these financial statements.

 Chief Executive

 Director

 Director

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

Note	June 30, 2014 ----- (Rupees) -----	June 30, 2013 -----
Profit before tax	13,777,029	16,411,422
Adjustments for:		
Depreciation on tangible fixed assets	3,219,560	3,575,201
Amortisation on intangible assets	56,849	81,212
Impairment on generator marked for sale	-	78,881
Provision for workers' welfare fund	318,059	378,877
Financial charges	5,901,165	5,337,853
Reversal of provision for doubtful recoveries	289,584	(746,393)
(Gain) / loss on sale of fixed assets - net	12,079	(492,860)
Operating profit before working capital changes	<u>23,574,325</u>	<u>24,624,193</u>
(Increase) / decrease in assets		
Murabaha receivables - net	(714,838)	21,722,066
Diminishing musharaka receivables - net	(4,720,476)	3,585,126
Stores and spares	(863,455)	(142,087)
Long term deposits	3,000	(6,000)
Trade debts	(2,251,102)	(1,023,974)
Receivable from Modaraba's management company - a related party	166,065	(166,065)
Advances, deposit, prepayments and other receivables	(10,918,458)	(1,704,132)
Increase / (decrease) in liabilities		
Creditors, accrued and other liabilities	8,663,461	884,299
Payable to Modaraba Management Company	170,670	(2,547,259)
Net cash flows from operations	<u>13,109,192</u>	<u>45,226,167</u>
Financial charges paid	(5,901,165)	(5,337,853)
Net cash from operating activities	<u>7,208,027</u>	<u>39,888,314</u>
Cash flows from investing activities		
Musharaka arrangements	(18,220,382)	(7,442,304)
Advances against murabaha	(13,737,080)	21,023,000
Capital expenditure including capital work in progress	(11,148,052)	(26,422,066)
Investment - net	2,053,047	(53,047)
Proceeds from sale of operating assets	232,842	2,317,020
Net cash (used in) investing activities	<u>(40,819,625)</u>	<u>(10,577,397)</u>
Cash flows from financing activities		
Murabaha financing repaid - net	-	-
Musharaka financing - net	45,700,213	(17,962,951)
Proceeds from right issue	-	17,590,000
Profit distributed	(7,577,105)	(10,771,602)
Net cash (used in) / from financing activities	<u>38,123,108</u>	<u>(11,144,553)</u>
Net increase in cash and cash equivalents	<u>4,511,510</u>	<u>18,166,364</u>
Cash and cash equivalents at beginning of the year	<u>37,119,973</u>	<u>18,953,609</u>
Cash and cash equivalents at end of the year	<u>41,631,483</u>	<u>37,119,973</u>

The annexed notes 1 to 31 form an integral part of these financial statements.

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

	Certificate capital	Merger reserve	Statutory reserve	Reserves Unrealised gain on revaluation of available for sale investment (Rupees)	Unappropriated profit	Total reserve	Total equity
Balance as at July 01, 2012	58,633,330	1,935,160	59,467,527	4,392	33,764,540	95,171,619	153,804,949
Transactions with owners recorded directly in equity:							
Profit distribution for the year ended June 30, 2012 @ Rs.2.10 per certificate	-	-	-	-	(12,312,999)	(12,312,999)	(12,312,999)
Issuance of right certificates of Rs.10 each	17,590,000	-	-	-	-	-	17,590,000
Total comprehensive income for the year							
Profit for the year	-	-	-	-	16,411,422	16,411,422	16,411,422
Other comprehensive income							
Items to be reclassified to income statement in subsequent periods:							
Unrealized gain on revaluation of available-for-sale investments	-	-	-	177,982	-	177,982	177,982
	-	-	-	177,982	16,411,422	16,589,404	16,589,404
Transferred to statutory reserve @ 50%	-	-	8,205,711	-	(8,205,711)	-	-
Balance as at June 30, 2013	58,633,330	1,935,160	67,673,238	182,374	29,657,252	99,448,024	175,671,354
Transactions with owners recorded directly in equity:							
Profit distribution for the year ended June 30, 2013 @ Rs.1.10 per certificate	-	-	-	-	(8,384,565)	(8,384,565)	(8,384,565)
Issuance of Bonus certificates @ 10%	7,622,333	-	(7,622,333)	-	-	(7,622,333)	-
Total comprehensive income for the year							
Profit for the year	-	-	-	-	13,777,029	13,777,029	13,777,029
Other comprehensive income							
Items to be reclassified to income statement in subsequent periods:							
Unrealized gain on revaluation of available-for-sale investments	-	-	-	(182,374)	-	(182,374)	(182,374)
	-	-	-	(182,374)	13,777,029	13,594,655	13,594,655
Transferred to statutory reserve @ 50% (refer note 13.1)	-	-	-	-	-	-	-
Balance as at June 30, 2013	<u>66,255,663</u>	<u>1,935,160</u>	<u>60,050,905</u>	<u>-</u>	<u>35,049,716</u>	<u>97,035,781</u>	<u>180,881,444</u>

The annexed notes 1 to 31 form an integral part of these financial statements.

Chief Executive

Director

Director

FIRST PARAMOUNT MODARABA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

1. LEGAL STATUS AND OPERATIONS

First Paramount Modaraba (the Modaraba) is a multi-purpose, perpetual and multi-dimensional 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, a company incorporated in Pakistan. The Modaraba is listed on the Karachi and Islamabad Stock Exchanges. The registered office of the Modaraba is situated at Karachi. Modaraba's principal activities includes deployment of funds on murabaha and musharika arrangements and its In-house ventures are, (A) Generator rental and sale project under the name "Advance Trading Corporation", (B) Weaving business under the name of "FPM Weaving" and (C) Electrical maintenance and troubleshooting services' business under the name of "FPM Solutions".

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

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

2.2 Basis of measurement

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

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

2.3 Functional and presentation currency

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

2.4 New / Revised Standards, Interpretations and Amendments

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

IAS 19 – Employee Benefits – (Revised)

- IFRS 7 – Financial Instruments: Disclosures – (Amendments)
 - Amendments enhancing disclosures about offsetting of financial assets and financial liabilities
- IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine
- IFAS 3 – Profit and Loss Sharing on Deposits
- IAS 1 – Presentation of Financial Statements - Clarification of the requirements for comparative information
- IAS 16 – Property, Plant and Equipment – Clarification of Servicing Equipment
- IAS 32 – Financial Instruments: Presentation – Tax Effects of Distribution to Holders of Equity Instruments
- IAS 34 – Interim Financial Reporting – Interim Financial Reporting and Segment Information for Total Assets and Liabilities

The adoption of the above amendments of the standards did not have any impact on the financial statements except for additional disclosures as required by IAS 1 amendment. Certain amendments were also introduced in the fourth schedule to the Companies Ordinance, 1984 resulting in additional disclosure relating to receivable from related party, provident fund's details and number of employees of the Company. The adoption of these amendments also did not have any impact on the financial statements except for additional disclosure as required by amendments in fourth schedule.

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

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

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

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

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

2.6 Significant accounting estimates and judgements

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Tangible fixed assets

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

Depreciation is charged to profit and loss account applying the reducing balance method except for generators which are depreciated using units of production method on the basis of working hours of generators. In respect of additions and disposals during the year, depreciation is charged proportionately for the period of use.

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

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

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

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

3.2 Intangible assets

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

3.3 Investments and other financial assets

3.3.1 Classification

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

The Modaraba classifies its financial assets in the following categories:

a) Financial assets at fair value through profit or loss

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

b) Loans and receivables

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

c) Held to maturity

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

d) Available-for-sale

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

3.3.2 Regular way contracts

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

Mission & Vision

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



STATEMENT OF ETHICS AND BUSINESS PRACTICES

We believe a complete code of ethics is a prerequisite for all Directors and employees of First Paramount Modaraba. We endeavour to the philosophy behind the code of ethics to carry out honestly activities assigned to them. Our aim is to have highest standard of excellence for the product and the betterment for all those involved directly or indirectly with our Modaraba.

Corporate Information

MODARABA COMPANY Paramount Investments Limited

BOARD OF DIRECTORS

Main Tanveer Ahmed Magoon	Chairman
Mr. Abdul Ghaffar Umer	CEO / Director
Mr. Ahmed Kassam Parekh	Director
Mr. Nadeem Iqbal	Director
Mr. Abdul Razzak Jangda	Director
Mr. Pir Mohammad A. Kalia	Director
Mr. Muhamad Khalid Mukashi	Director

AUDIT COMMITTEE

Mr. Pir Mohammad A. Kalia	Chairman
Mr. Ahmed Kassam Parekh	Member
Mr. Nadeem Iqbal	Member

HUMAN RESOURCE COMMITTEE

Mr. Tanveer Magoon	Chairman
Mr. Abdul Ghaffar Umer	CEO / Director
Mr. Ahmed Kassam Parekh	Director
Mr. Nadeem Iqbal	Director

GENERAL MANAGER OPERATIONS

Mr. Syed Wajih Hassan

CHIEF FINANCIAL OFFICER

Naseemuddin Zubairi

SHARIAH ADVISOR OF MODARABA

Mufti Muhammad Najeeb Khan

CREDIT RATING

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

3.4 Murabaha receivables

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

3.5 Musharaka

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

a) Diminishing Musharaka

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

b) Musharakah investment

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

3.6 Cash and cash equivalents

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

3.7 Stock in trade

Stock-in-trade are valued at the lower of cost and net realizable value. Cost is determined using weighted average basis except for those in transit which are stated at invoice price plus other charges paid thereon upto the balance sheet date.

Net realizable value signifies the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

3.8 Stores and spares

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

3.9 Trade debtors and other receivables

Trade debts and other receivables are carried at original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at the year end. Balances considered bad or irrecoverable are written off when identified.

3.10 Musharaka arrangements

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

3.11 Certificates of musharaka

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

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

3.12 Creditors and other liabilities

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

3.13 Employee Benefit Costs

Defined contribution plan

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

Compensated absences

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

3.14 Offsetting

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

3.15 Impairment

3.15.1 Financial Assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

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

3.15.2 Non-financial assets

The Modaraba assesses at each balance sheet date whether there is any indication that assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of initial cost of the asset. Reversal of impairment loss is recognised as income.

3.16 Revenue recognition

- Profit / return on deposits / investments is recognised using effective interest rate method.
- Income form Murabaha is accounted for on consummation of Murabaha transaction. However, profit on that portion of revenue not due for payment (deferred murabaha income) is deferred and recognized on time proportionate basis.
- Musharaka management fee is recognised when related services are provided.
- Rental income from generators is recognized on time proportionate basis.
- Revenue from sales of goods is recorded on dispatch of goods to customers and is recognised when the significant risks and rewards of ownership are transferred to customer.
- Profit on Diminishing Musharakah financing is recognised using effective interest rate method.
- Profit on Musharakah investments is recognised on declaration of profit by Musharaka partners.
- Dividend income is recognised when the right to receive the same is established i.e. on the date of book closure of the investee company / institution declaring the dividend.
- Realised capital gains / (losses) arising on sale of investments are included in the profit and loss account on the date at which the transaction takes place.
- Unrealised gains / (losses) arising on revaluation of investments classified as ' Available for sale ' are included in the statement of Comprehensive income in the period in which they arise.
- Processing income from weaving is recognised when services are rendered.

Earnings per certificate (EPC)

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

3.17 Taxation

Current

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

Deferred

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

3.18 Operating segments

An operating segment is a component of the Modaraba that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Modaraba's other components. All operating segments' operating results are reviewed regularly by the Management Company's Chief Executive Officer and Board of Directors to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available. In review and evaluation performance process, the business is considered as a single operating segment and the Modaraba's business is evaluated on an overall basis other than musharaka arrangement with joint venture partner which is monitored separately.

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

Segment capital expenditure is the total cost incurred during the year to acquire tangible fixed assets and intangible assets other than goodwill.

3.19 Provisions

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

3.20 Profit distributions and appropriations

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

3.21 Foreign currency transactions

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

	Note	June 30, 2014	June 30, 2013
		----- (Rupees) -----	
4. OPERATING FIXED ASSETS			
Tangible fixed assets	4.1	59,244,004	51,390,705
Capital work in progress - Advance to suppliers		639,647	564,448
Intangible assets	4.2	132,647	189,496
Generator marked for sale	4.3	171,799	416,720
		<u>60,188,097</u>	<u>52,561,369</u>

4.1 Tangible fixed assets

	2014					2013					Written down value as at June 30, 2014	
	As at July 01, 2013	Additions	Disposals	Adjustment	As at June 30, 2014	Rate %	As at July 01, 2013	For the year	Depreciation On disposals	Adjustment		As at June 30, 2013
Machinery												
Generators	39,397,352	8,153,722	-	-	47,551,074	*	6,690,343	1,656,596	-	-	8,346,939	39,204,135
Sutleless looms	14,429,269	1,914,079	-	-	16,343,348	5	60,122	793,523	-	-	853,645	15,489,703
Computers	1,175,442	165,393	-	-	1,340,835	30	892,044	101,367	-	-	993,411	347,424
Office and other equipment	989,330	460,564	-	-	1,449,894	10	232,133	101,447	-	-	333,580	1,116,314
Furniture and fixtures	1,952,842	146,662	-	-	2,099,504	10	865,946	117,245	-	-	983,191	1,116,313
Vehicles	3,098,618	232,433	-	-	3,331,051	20	911,554	449,382	-	-	1,360,936	1,970,115
	61,042,853	11,072,853	-	-	72,115,706		9,652,142	3,219,560	-	-	12,871,702	59,244,004
												59,244,004
Machinery												
Generators	33,007,887	8,809,221	(2,419,756)	-	39,397,352	*	5,300,747	2,872,116	(1,478,404)	-	6,694,459	32,702,893
Sutleless looms	-	14,458,129	-	-	14,458,129	5	-	60,603	-	-	60,603	14,397,526
Computers	1,056,824	118,619	-	-	1,175,443	30	801,407	90,637	-	-	892,044	283,399
Office and other equipment	1,167,970	528,660	(736,160)	-	960,470	10	254,532	62,996	(89,985)	-	227,543	732,927
Furniture and fixtures	1,600,582	352,261	-	-	1,952,843	10	778,412	87,533	-	-	865,945	1,086,898
Vehicles	2,169,399	1,590,728	(661,510)	-	3,098,617	20	979,594	401,316	(469,355)	-	911,555	2,187,062
	39,002,662	25,857,618	(3,817,426)	-	61,042,854		8,114,692	3,575,201	(2,037,744)	-	9,652,149	51,390,705

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

4.2 Intangible assets

	Cost		Rate %	2014			Written down value as at June 30, 2014
	As at July 01, 2013	As at July 01, 2014		As at July 01, 2013	For the year	As at July 01, 2014	
	----- (Rupees)	----- (Rupees)		----- (Rupees)	----- (Rupees)	----- (Rupees)	
Computer software	271,154	-	30	81,658	56,849	138,507	132,647
	<u>271,154</u>	<u>-</u>		<u>81,658</u>	<u>56,849</u>	<u>138,507</u>	<u>132,647</u>

	Cost		Rate %	2013			Written down value as at June 30, 2014
	As at July 01, 2013	As at July 01, 2014		As at July 01, 2013	For the year	As at July 01, 2014	
	----- (Rupees)	----- (Rupees)		----- (Rupees)	----- (Rupees)	----- (Rupees)	
Computer software	271,154	-	30	446	81,212	81,658	189,496
	<u>271,154</u>	<u>-</u>		<u>446</u>	<u>81,212</u>	<u>81,658</u>	<u>189,496</u>

4.3 During the year 2012, a generator model number CAT 3412 was retired from active operations. Written down value (WDV) as at 30 June 2012 was Rs.540,064 after part disposal of the engine and charging off the impairment. During the year ending 30 June 2013, cooling tower of book value of Rs.44,463 has been disposed off and impairment of Rs.78,881 has been charged on residual parts of the generator. WDV of residual parts of Rs.416,720 represents Modaraba's share of 52.09%.

5. LONG TERM PORTION OF MURABAHA RECEIVABLES - secured

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

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

5.2 Movement of provision against long term murabaha receivables

Opening balance	2,683,081	3,484,895
Charge for the year	340,561	-
Reversal for the year	(69,254)	(801,814)
Closing balance	<u>2,954,388</u>	<u>2,683,081</u>

June 30,
2014
June 30,
2013
----- (Rupees) -----

6. LONG TERM PORTION OF DIMINISHING MUSHARAKAH FINANCING - secured

Considered good	27,150,829	22,200,000
Current portion of long term diminishing musharakah financing	<u>(7,878,500)</u>	<u>(7,400,000)</u>
	<u>19,272,329</u>	<u>14,800,000</u>

This represents finance provided to individuals under diminishing musharakah arrangement for purchase of hospital building and Residential Flat and CNG Equipments. The effective profit rates on this arrangement are ranges between 19.65% to 20.75% (2013: 20.75) per annum and are repayable on monthly basis over a maximum period of 4 years. The financing is secured by mortgage of properties, hypothecation and personal guarantee of the borrower.

7. INVESTMENTS CLASSIFIED AS AVAILABLE-FOR-SALE

7.1 Name of investees

		2014				Unrealised gain on revaluation of investments
Note	Number of units	Percentage of holding	Carrying value	Market value		
			----- (Rupees) -----		-----	
Open end mutual funds						
Meezan Cash Fund	7.2	0.03%			-	
Meezan Sovereign Fund	7.2	0.00%			-	
			<u>0</u>	<u>0</u>	<u>0</u>	
		2013				Unrealised gain on revaluation of investments
	Number of units	Percentage of holding	Carrying cost	Market value		
			----- (Rupees) -----		-----	
Open end mutual fund						
Meezan Cash Fund	7.2	0.03%	2,004,392	2,181,038	176,646	
Meezan Sovereign Fund	7.2	0.00%	53,047	54,383	1,336	
			<u>2,057,439</u>	<u>2,235,421</u>	<u>177,982</u>	
		June 30, 2014		June 30, 2013		
		----- (Rupees) -----				

8. MUSHARAKA INVESTMENTS

Musharika for Fabric	8.1	1,044,000	1,800,000
Musharika for Garments	8.2	15,618,686	4,340,054
Pacific Distributers	8.3	6,000,000	-
Musharika for Printing	8.4	3,000,000	-
Musharika for Generator		-	1,302,250
		25,662,686	7,442,304

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

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

- 8.3** Modaraba has entered into a Musharakah arrangement with Pacific Distributors of Market renowned Food Brands Like Milk , Biscuits etc, Investment amount of Rs. million Profit sharing ratio between Modaraba and musharaka partner is 30:70 respectively.
- 8.4** Modaraba has signed a Musharakah arrangement with Friends Printers for a High Quality Colour Printing Machine the expected rate of return through this business is at an Investments of Rs: 3,000,000/-

	Note	June 30, 2014	June 30, 2013
		----- (Rupees) -----	
9. CASH AND BANK BALANCES			
Cash in hand		77,772	143,542
Cash at banks			
- Current accounts	9.1	10,462,936	7,065,972
- Deposit accounts	9.2	31,090,775	29,910,459
Modaraba certificates		-	-
		<u>41,631,483</u>	<u>37,119,973</u>
9.1 This includes balance of Rs: 3,722,500 (2013: Rs. 105,500) in respect of Redemption Reserve Fund established on account of Certificate of Musharaka (refer note 7.2).			
9.2 Effective profit rate in respect of deposit accounts is ranging from 3.5% to 5.07% (2013: 3.50% TO 7 %) per annum.			
10. SHORT TERM MURABAHA RECEIVABLES - secured			
Considered good		17,892,380	14,398,701
Considered doubtful		31,294	121,774
		<u>17,923,674</u>	<u>14,520,475</u>
Provision for doubtful recoveries	10.2	(31,294)	(121,774)
		<u>17,892,380</u>	<u>14,398,701</u>
10.1 Murabaha sale price is receivable in installments. Effective profit rate on these arrangements is Ranging between 17.92% to 21.20% (2013: 21.57%) per annum receivable on agreed terms. These arrangements are secured by way of mortgage of properties, hypothecation of goods and demand promissory notes.			
10.2 Movement of provision against short term murabaha receivables			
Opening balance		121,774	66,353
Charge for the year		-	55,421
Reversal for the year		(85,541)	-
Closing balance		<u>31,294</u>	<u>121,774</u>
11. ADVANCES, DEPOSIT, PREPAYMENTS AND OTHER RECEIVABLES - unsecured, considered good			
Advance against expenses		3,648,677	205,000
Advance salaries		10,003	14,954
Advance income tax		378,684	271,108
Advance given to weaving project for meeting expenses		3,257,637	938,865
Advance given to FPM Solution project for meeting expenses		2,844,101	-
Security deposit		236,672	195,000
Prepayments		367,682	337,961
Accrued profit		1,097,628	381,699
Bank guarantee charges		-	-
Musharaka investment receivable		-	292,592
Other receivables		1,977,214	262,633
		<u>13,818,298</u>	<u>2,899,812</u>

12. CERTIFICATE CAPITAL

June 30, 2014	June 30, 2013		Note	June 30, 2014	June 30, 2013
Number of certificates				----- (Rupees) -----	
<u>25,000,000</u>	<u>25,000,000</u>	Authorized		<u>250,000,000</u>	<u>250,000,000</u>
		Modaraba certificates of Rs.10 each			
5,000,000	5,000,000	Issued, subscribed and paid up		50,000,000	50,000,000
		Modaraba certificates of Rs.10 each fully paid in cash			
1,759,000	1,759,000	Right issue of Rs.10 each	12.1	17,590,000	17,590,000
863,333	863,333	Modaraba certificates of Rs.10 issued for consideration other than cash		8,633,330	8,633,330
762,233	-			7,622,333	
<u>8,384,566</u>	<u>7,622,333</u>			<u>83,845,663</u>	<u>76,223,330</u>

12.1 Paramount Investments Limited hold 1,752,967 (2013 1,653,607) certificates as at June 30, 2014.

13. CAPITAL RESERVES

Statutory reserve	13.1	60,050,905	67,673,238
Merger reserve		1,935,160	1,935,160
		<u>61,986,065</u>	<u>69,608,398</u>

13.1 Statutory reserve represents profit set aside to comply with the Prudential Regulations for modarabas issued by the SECP vide Circular No. 4 of 2004 dated January 28, 2004 and subsequent amendments made therein. These regulations require Modaraba to transfer not less than 20% and not more than 50% of its after tax profits till such time that the reserve equals 100% of the paid up capital. Thereafter, a sum not less than 5% of the after tax profits is to be transferred. During the year, Modaraba transferred 25% (June 30, 2013: 50%) of its after tax profits.

14. DEFERRED INCOME

Deferred murabaha income	22,589,791	23,173,631
Deferred musharaka income	5,969,360	5,739,007
	<u>28,559,151</u>	<u>28,912,638</u>

15. CERTIFICATES OF MUSHARAKA

These certificates have different denominations and are repayable within three months to five years. The expected share of profit on these certificates ranges from 9.18 % to 10.38% (2013: 8% to 11.25%) per annum.

	Note	June 30, 2014	June 30, 2013
		----- (Rupees) -----	
16. CREDITORS, ACCRUED AND OTHER LIABILITIES			
Creditors		-	167,600
Accrued expenses		8,300	455,290
Audit fee payable		350,000	320,550
Sindh sales tax payable		177,190	282,740
Musharaka profit payable		2,135,964	532,178
Charity payable		849,924	120,850
Legal and professional		110,600	200,000
Liabilities related to generator project		1,266,711	71,783
Payable to workers' welfare fund		2,244,540	1,436,628
Liabilities related to weaving project		2,450,108	1,926,481
Liabilities related to FPM Solution project		4,038,196	
Others		1,309,442	445,355
		<u>14,940,975</u>	<u>5,959,455</u>
17. OPERATING INCOME			
Profit on murabaha receivables		23,093,849	24,763,764
Profit on diminishing musharaka		3,673,443	3,814,874
Profit on musharika projects		2,868,285	
Trading Income		290,245	
Rental income	17.1	13,644,086	12,599,451
Income from weaving project	17.2	8,724,130	849,450
Income from FPM Solution		3,968,074	
		<u>56,262,112</u>	<u>42,027,539</u>
17.1	This represents income generated from rental business of AL-BURQ Associates representing Modaraba's share of 52.09 percent.		
17.2	This represents income generated from weaving business of FPM Weaving representing Modaraba's share of 55 percent.		
18. OPERATING EXPENSES			
Salaries, allowances and benefits	18.1	13,366,571	9,372,338
Electricity, gas and water		3,059,305	590,414
Repairs and maintenance		3,195,190	2,662,035
Insurance		569,284	611,161
Rent, rates and taxes		576,115	400,729
Transportation		1,813,715	966,581
Communications		488,367	444,407
Printing and stationery		519,917	460,229
Auditors' remuneration	18.2	450,000	400,000
Legal and professional		465,608	626,000
Fees and subscription		2,004,648	1,629,826
News papers and periodicals		11,840	7,535
Other expenses		4,045,644	300,028
Advertisement and publicity		365,271	263,496
Depreciation	4.1	3,081,220	3,564,910
Amortization	4.2	56,849	81,212
Impairment on generator marked for sale	4.3	-	78,881
Commission expense		-	129,800
5% charity		335,010	271,844
3% Modaraba's management fee - AL-BURQ Associates		190,956	154,951
10% Management fee - FPM Weaving unit		67,317	1,048
15% P.M Group's management fee - AL-BURQ Associates		926,136	751,512
Contractual Management fee (FPM Solution)		40,016	
		<u>35,628,979</u>	<u>23,768,937</u>

18.1 Salaries, allowances and other benefits include Rs. 269,837 (2012: Rs. 169,964) on account of Modaraba's contribution to the staff provident fund.

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

Note	June 30, 2014	June 30, 2013
	----- (Rupees) -----	
Size of the fund - Total assets	<u>2,260,240</u>	1,790,259
Cost of investments made	<u>1,650,000</u>	1,600,000
Percentage of investments made	<u>87%</u>	93%
Fair value of investments	<u>2,260,240</u>	1,790,259
Detail of fair value of investments:		
Bank balances	283,171	126,481
Government securities	-	263,778
Debt securities	<u>1,977,069</u>	1,400,000
	<u>2,260,240</u>	1,790,259

NUMBER OF EMPLOYEES

The detail of number of employees are as follows:

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

18.2 Auditors' remuneration

Statutory audit fee	300,000	285,000
Half yearly review fee	100,000	75,000
Certifications	50,000	30,000
Out of pocket expenses	-	10,000
	<u>450,000</u>	400,000

19. OTHER INCOME

Gain / (loss) on sale of fixed assets - net	(12,079)	492,860
Capital gain on sale of investments	-	53,047
Profit on bank deposits	735,346	872,413
Income on modaraba certificates	2,640	287,173
Modaraba's management fee	366,588	297,468
Rental income from Patel Hospital	227,531	2,698,033
Miscellaneous income	140,523	575,698
	<u>1,460,549</u>	5,276,692

20. FINANCIAL CHARGES

Profit on murabaha financing	-	-
Profit on certificates of musharaka	15	5,865,526
Bank charges	35,639	31,907
	<u>5,901,165</u>	5,337,853

21. 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 June 30, 2014 has been recognised at 10% (2013: 10%) of profit for the year.

Sindh government has levied General Sales Tax at the rate of 16% on the remuneration of the Management Company through Sindh Sales Tax on Services Act, 2011 effective from November 01, 2011. Accordingly, the Management fee charged to profit and loss account during the year inclusive of General Sales Tax.

With effect from June 13, 2013, the Federal Government has levied Federal Excise Duty at the rate of 16% on the remuneration of the Management Company through Finance Act, 2013.

22. EARNINGS PER CERTIFICATE	Note	June 30, 2014	June 30, 2013
		----- (Rupees) -----	
Profit for the year attributable to certificate holders		<u>13,777,029</u>	<u>16,411,422</u>
		(Number of Certificates)	
Weighted average number of certificates		<u>8,384,566</u>	<u>7,391,029</u>
Earnings per certificate - basic and diluted		<u>1.64</u>	<u>2.22</u>

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

The number of certificates for the prior year has been adjusted for the effect of subscription received on account of right certificates during the current year. Hence, the figures for the prior year's earnings per certificate have also been restated (refer note 12.1).

23. TAXATION

Clause 100 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 provides exemption from tax of any income, not being income of trading activity derived by a Modaraba, if not less than ninety percent of its total profits in a year, as reduced by the amount transferred to mandatory reserve under the provisions of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance 1980. The Management Company has distributed a sufficient accounting income of the Modaraba (subsequent to reporting date refer note 30) for the year ended 30 June 2013 which meets the requirement of above stated clause.

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

24. RELATED PARTIES TRANSACTIONS

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

Transactions with related party

Modaraba's Management Company

Management fee	<u>1,807,845</u>	<u>2,153,535</u>
Fund received	<u>-</u>	<u>-</u>
Fund transferred	<u>1,174,071</u>	<u>4,886,859</u>
Certificates issued [No. of certificates 111,752 (June 30, 2012: Nil)]	<u>1,592,466</u>	<u>1,592,466</u>
Right issue subscribed [No. of certificates 355,813 (June 30, 2012: Nil)]	<u>3,558,130</u>	<u>3,558,130</u>

Musharaka Investors - Generator Project

Share of profit	<u>5,248,106</u>	<u>4,258,568</u>
Modaraba's management fee	<u>366,588</u>	<u>297,468</u>
Management fee	<u>1,777,954</u>	<u>1,442,718</u>

Musharaka Investors - Weaving Project

Share of profit	<u>605,855</u>	<u>9,434</u>
Management fee	<u>122,395</u>	<u>1,905</u>

Key Management Personnels

Chief Executive Officer		
Right issue subscribed 3,600 (30 June 2012: Nil)	<u>-</u>	<u>36,000</u>
Spouse of Chief Executive Officer		
Right issue subscribed 4,050 (30 June 2012: Nil)	<u>-</u>	<u>40,500</u>
Chief Financial Officer		
Right issue subscribed 150 (30 June 2012: Nil)	<u>-</u>	<u>1,500</u>
Directors		
Right issue subscribed 13,950 (30 June 2012: Nil)	<u>-</u>	<u>139,500</u>
Spouse of directors		
Right issue subscribed 16,500 (30 June 2012: Nil)	<u>-</u>	<u>165,000</u>

	Note	June 30, 2014 ----- (Rupees) -----	June 30, 2013 -----
Balances with related parties			
Modaraba's Management Company			
Balance receivable / (payable)		<u>170,670</u>	<u>166,065</u>
Musharaka Investors - Generator Project			
Modaraba's management fee receivable		<u>366,588</u>	<u>297,468</u>
Management fee payable		<u>1,777,954</u>	<u>1,442,718</u>
Musharaka Investors - Weaving Project			
Management fee payable		<u>122,395</u>	<u>1,905</u>
Advance given to weaving project for meeting expenses		<u>3,257,637</u>	<u>938,865</u>
Key Management Personnels			
Chief Executive Officer			
No. of certificates held 15,600 (30 June 2012: 12,000)		<u>-</u>	<u>222,300</u>
Spouse of Chief Executive Officer			
No. of certificates held 17,550 (30 June 2012: 13,500)		<u>-</u>	<u>250,088</u>
Chief Financial Officer			
No. of certificates held 650 (30 June 2012: 500)		<u>10,189</u>	<u>9,263</u>
Directors			
No. of certificates held 60,529 (30 June 2012: 46,579)		<u>1,287,302</u>	<u>862,538</u>
Spouse of directors			
No. of certificates held 71,500 (30 June 2012: 55,000)		<u>1,798,877</u>	<u>1,018,875</u>
25. REMUNERATION OF OFFICERS			
Remuneration		<u>3,611,240</u>	<u>3,427,168</u>
Short-term employee benefits		<u>235,974</u>	<u>163,303</u>
Post-employment benefits		<u>182,712</u>	<u>109,858</u>
		<u>4,029,926</u>	<u>3,700,329</u>
Number of officers		<u>5</u>	<u>5</u>

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

26. FINANCIAL INSTRUMENTS

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

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

- Credit risk
- Liquidity risk
- Market risk

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

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.

26.1 Credit risk

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

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

	June 30, 2014	June 30, 2013
	----- (Rupees) -----	
Bank balances	41,553,711	36,976,431
Investments classified as available for sale	-	2,235,421
Musharaka investments	13,662,686	7,442,304
Long term murabaha receivables	121,833,424	125,546,684
Short term murabaha receivables	17,892,380	14,398,701
Long term diminishing musharaka financing	27,150,829	22,200,000
Advances against murabaha	14,400,080	663,000
Advances, deposit and other receivables	6,579,154	2,085,743
Trade debts	3,275,076	1,023,974
Receivable from Modaraba's management company - a related party	-	166,065
Long term deposit	10,428	13,428
	246,357,768	212,751,751

26.1.1 Description of collateral held

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

26.1.2 Concentration

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

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions. The Modaraba believes that it is not exposed to major concentration of credit risk. Details of the industrial sector analysis of Murabaha portfolio are as follows:

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

Modaraba's operations are restricted to Pakistan only.

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

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

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

26.1.3 Aging Analysis of murabaha receivables

	2014			2013		
	Carrying amount		Provision held	Carrying amount		Provision held
	Not impaired	Impaired		Not impaired	Impaired	
Not Past due	94,828,122			117,040,496		
Past due 0 days - 90 days	27,040,498			966,614		

Past due 91 days - 1 year	16,548,953	-	-	21,784,711	-	-
Past due 1 year - 2 year	-	1,579,001	334,576	-	232,044	78,479
Past due 2 year - 3 year	-	127,593	63,796	-	243,724	243,724
Past due more than 3 years	-	2,587,309	2,587,309	-	2,482,651	2,482,652
Total	<u>138,417,573</u>	<u>4,293,903</u>	<u>2,985,681</u>	139,791,821	2,958,419	2,804,855

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

26.1.4 Diminishing musharaka receivable of Rs. 22.2 is not past due as at 30 June 2013 and 30 June 2012.

26.2 Liquidity risk

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

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

	2014			
	Carrying amount	Contractual cash flows	Maturity upto one year	Maturity after one year and upto three years
Creditors, accrued and other liabilities	14,940,975	12,696,435	12,696,435	-
Certificates of musharaka	91,203,000	91,203,000	19,185,000	72,018,000
Unclaimed profit distribution	10,655,434	10,655,434	10,655,434	-
	<u>116,799,409</u>	<u>114,554,869</u>	<u>42,536,869</u>	<u>72,018,000</u>
	2013			
	Carrying amount	Contractual cash flows	Maturity upto one year	Maturity after one year and upto three years
Creditors, accrued and other liabilities	5,959,455	4,032,974	4,032,974	-
Certificates of musharaka	45,502,787	45,502,787	5,240,643	40,262,144
Payable to Modaraba Management Company - a related party	-	-	-	-
Unclaimed profit distribution	9,847,974	9,847,974	9,847,974	-
	<u>61,310,216</u>	<u>59,383,735</u>	<u>19,121,591</u>	<u>40,262,144</u>

26.3 Market risk

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

26.3.1 Profit / Mark-up rate risk

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

	Effective yield / profit rates	Carrying amount	Upto one month	30 June 2014			Over one year	Not exposed to profit rate risk
				Upto one to 3 months	Over three months to six months	Over six months to one year		
(Rupees)								
Financial assets								
Long term deposit		10,428	-	-	-	-	-	10,428
Investments classified as available for sale		-	-	-	-	-	-	-
Musharaka investments		25,662,686	-	-	-	13,662,686	12,000,000	-
Cash and bank balances	3.5% - 7%	41,631,483	31,090,775	-	-	-	-	10,540,708
Murabaha receivable	21.57%	142,711,486	7,081,491	12,405,681	34,628,682	30,176,367	58,419,255	10
Diminishing musharakah financing	20.75%	27,150,829	-	-	-	7,878,500	19,272,329	-
Trade debts		3,275,076	1,350,749	2,263,446	-	-	-	(339,119)
Receiveable from Modaraba's management company		-	-	-	-	-	-	-
Advance against murabaha		14,400,080	6,900,000	7,500,080	-	-	-	-
Advance and other receivables		6,579,154	-	-	-	-	-	6,579,154
		<u>261,421,221</u>	<u>46,423,015</u>	<u>22,169,208</u>	<u>34,628,682</u>	<u>51,717,553</u>	<u>89,691,584</u>	<u>16,791,180</u>
Financial liabilities								
Creditors, accrued and other liabilities		8,362,149	-	-	-	-	-	8,362,149
Certificate of Musharaka	8% - 11.25%	91,203,000	2,750,000	1,050,000	8,850,000	4,435,000	74,118,000	-
Unclaimed profit distribution		10,655,434	-	-	-	-	-	10,655,434
		<u>110,220,583</u>	<u>2,750,000</u>	<u>1,050,000</u>	<u>8,850,000</u>	<u>4,435,000</u>	<u>74,118,000</u>	<u>19,017,583</u>
On balance sheet gap - 2013		<u>151,200,638</u>	<u>43,673,015</u>	<u>21,119,208</u>	<u>25,778,682</u>	<u>47,282,553</u>	<u>15,573,584</u>	<u>(2,226,403)</u>

	Effective yield / profit rates	Carrying amount	Upto one month	30 June 2013			Over one year	Not exposed to profit rate risk
				Upto one to 3 months	Over three months to six months	Over six months to one year		
(Rupees)								
Financial assets								
Long term deposit		13,428	-	-	-	-	-	13,428
Investments classified as available for sale		2,235,421	-	-	-	-	-	2,235,421
Musharaka investments		7,442,304	-	1,800,000	5,642,304	-	-	-
Cash and bank balances	3.5% - 7%	37,119,973	29,910,459	-	-	-	-	7,209,514
Murabaha receivable	21.57%	142,750,240	8,866,467	15,729,353	37,533,777	27,901,768	52,718,875	-
Diminishing musharakah financing	20.75%	22,200,000	616,667	1,233,333	1,850,000	3,700,000	14,800,000	-
Trade debts		1,023,974	-	-	-	-	-	1,023,974
Receiveable from Modaraba's management company		166,065	-	-	-	-	-	166,065
Advance against murabaha		663,000	-	-	-	-	-	663,000
Advance and other receivables		2,085,743	-	-	-	-	-	2,085,743
		<u>215,700,148</u>	<u>39,393,593</u>	<u>18,762,686</u>	<u>45,026,081</u>	<u>31,601,768</u>	<u>67,518,875</u>	<u>13,397,145</u>
Financial liabilities								
Creditors, accrued and other liabilities		3,094,944	-	-	-	-	-	3,094,944
Certificates of musharaka	9.50% - 13.25%	45,502,787	1,639,625	800,000	1,405,000	1,346,018	40,312,144	-
Payable to Modaraba Management Company		-	-	-	-	-	-	-
Unclaimed profit distribution		9,847,974	-	-	-	-	-	9,847,974
		<u>58,445,705</u>	<u>1,639,625</u>	<u>800,000</u>	<u>1,405,000</u>	<u>1,346,018</u>	<u>40,312,144</u>	<u>12,942,918</u>
On balance sheet gap - 2012		<u>157,254,443</u>	<u>37,753,968</u>	<u>17,962,686</u>	<u>43,621,081</u>	<u>30,255,750</u>	<u>27,206,731</u>	<u>454,227</u>

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have (decreased) / increased profit for the year by the amounts shown below. This analysis assumes that all other variables remain constant. The following information summarizes the estimated effects of hypothetical increases and decreases in interest rates on cash flows from financial assets and liabilities that are subject to interest rate risk.

	Profit and loss 100 bp	
	Increase	Decrease
As at 30 June 2014		
Cash flow sensitivity - Variable rate financial liabilities	(161,413)	161,413
Cash flow sensitivity - Variable rate financial assets	(310,908)	310,908
Net effect	<u>(472,321)</u>	<u>472,321</u>
As at 30 June 2013		
Cash flow sensitivity - Variable rate financial liabilities	(634,657)	634,657
Cash flow sensitivity - Variable rate financial assets	136,169	(136,169)
Net effect	<u>(498,489)</u>	<u>498,489</u>

First Paramount Modaraba

(An Islamic Financial Institution)



27. INFORMATION ABOUT BUSINESS SEGMENTS

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

Generator Project Musharaka finance:

The Generator project is engaged in trading of generators and supply of generators on rent. The Modaraba started generator project with effect from 17 September 2008. Agreement with the investors has been signed. As per the arrangement, the Modaraba has contributed 52.09% of the required fund and AL-BURQ Associates has contributed 47.91%. As per the agreement, the P.M Group, comprised of certain members of AL-BURQ Associates, is responsible for the management of generator project (renting out and sale of generators) for which a management fee of 15% of net profit of generator project after deducting 5% charity and 3% Modaraba management fee is charged by them.

FPM Weaving Musharaka finance:

FPM Weaving is engaged in weaving of yarn on overhead basis. Modaraba has started the project during the year with effect from 1 May 2013. Agreement with the investors has not yet been finalised. Modaraba's and musharaka partner's share in fixed assets (weaving machines) is 65.35 and entitle to profit share of 55:45 respectively. Musharaka partner is responsible for the operations/management of weaving under the 3 years licensing agreement and entitle to 10% management fee of net profit in this respect.

F.P.M. Solutions

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

Financing:

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

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

27.2 Segment revenue and results

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

Note	2014						2013						
	Generator project		Weaving project		FPM Solution	Financing	Total	Generator project		Weaving project		Financing	
	Total	Modaraba's share	Total	Modaraba's share				Total	Modaraba's share	Total	Modaraba's share		
	(Rupees)												
Revenue	26,193,293	13,644,086	15,862,055	8,724,130	3,968,074	28,866,464	55,202,755	24,187,850	12,599,451	1,544,455	849,450	28,578,638	42,027,539
Reversal for doubtful recoveries	-	-	-	-	-	(297,066)	(297,066)	-	-	-	-	-	746,393
Operating expenses	(16,624,929)	(8,659,926)	(14,760,385)	(8,118,212)	(3,873,218)	(14,977,625)	(35,628,981)	(17,255,358)	(8,988,316)	(1,527,303)	(840,017)	(13,940,604)	(23,768,937)
Other operating income	517,646	269,642	-	-	-	1,089,988	1,359,630	1,262,028	657,390	-	-	4,619,302	5,276,692
Operating (loss) / profit	10,086,010	5,253,802	1,101,670	605,919	94,856	14,681,761	20,636,337	8,194,520	4,268,525	17,152	9,433	20,003,729	24,281,687
Finance costs	(10,936)	(5,696)	(116)	(64)	(1,485)	(5,230,270)	(5,237,515)	(19,116)	(9,957)	-	-	(5,327,896)	(5,337,853)
	10,075,074	5,248,106	1,101,554	605,855	93,371	9,451,491	15,398,822	8,175,404	4,258,568	17,152	9,433	14,675,833	18,943,834
Provision for workers' welfare fund	(201,501)	(104,962)	(22,031)	(12,117)	(1,867)	(169,030)	(307,976)	(163,508)	(85,171)	(343)	(189)	(293,517)	(378,877)
Modaraba company's management fee	(1,145,334)	(596,605)	(125,225)	(68,874)	(10,614)	(1,074,445)	(1,750,538)	(929,380)	(484,114)	(1,950)	(1,072)	(1,668,349)	(2,153,535)
Profit for the year	8,728,238	4,546,539	954,299	524,864	80,889	8,188,015	13,340,308	7,082,516	3,689,283	14,859	8,172	12,713,967	16,411,422
27.2.1 Revenue													
Rental income	26,193,293	13,644,086	-	-	-	-	13,644,086	24,187,850	12,599,451	-	-	-	12,599,451
Weaving income	-	-	15,862,055	8,724,130	-	-	8,724,130	-	-	1,544,455	849,450	-	849,450
FPM Solution income	-	-	-	-	3,968,074	-	3,968,074	-	-	-	-	-	-
Profit on murabaha finance	-	-	-	-	-	22,034,491	22,034,491	-	-	-	-	24,763,764	24,763,764
Profit on diminishing musharaka finance	-	-	-	-	-	3,673,443	3,673,443	-	-	-	-	3,814,874	3,814,874
Profit from Musharika Projets	-	-	-	-	-	2,868,285	2,868,285	-	-	-	-	-	-
Trading Income	-	-	-	-	-	290,245	290,245	-	-	-	-	-	-
	26,193,293	13,644,086	15,862,055	8,724,130	3,968,074	28,866,464	55,202,755	24,187,850	12,599,451	1,544,455	849,450	28,578,638	42,027,539
27.2.2 Operating expenses													
Salaries, allowances and benefits	4,469,220	2,328,017	4,540,451	2,497,248	684,985	7,856,321	13,366,571	4,403,448	2,293,756	560,565	308,311	6,770,271	9,372,338
Electricity, gas and water	137,965	71,866	4,561,462	2,508,604	-	478,635	3,059,305	160,834	83,778	292,984	161,141	345,494	590,413
Repairs and maintenance	3,160,187	1,656,559	2,441,389	1,342,764	13,250	182,617	3,195,190	4,404,379	2,294,241	113,595	62,477	305,317	2,662,035
Insurance	601,130	313,129	108,500	59,675	-	196,480	569,284	741,917	386,485	-	-	224,896	611,161
Rent, rates and taxes	250,455	130,462	525,675	289,121	44,462	112,070	576,115	468,000	243,781	86,000	47,300	109,648	400,729
Travelling and entertainment	985,340	513,264	526,994	289,847	21,483	989,122	1,813,715	734,593	382,649	61,600	33,880	550,052	966,581
Communications	79,335	41,326	23,085	12,697	41,377	392,968	488,367	63,495	33,075	-	-	411,332	444,407
Printing and stationery	112,201	58,446	23,392	12,866	8,660	439,946	519,917	69,143	36,017	61,687	33,928	390,285	460,230
Auditors' remuneration	-	-	-	-	-	450,000	450,000	-	-	-	-	400,000	400,000
Legal and professional	62,600	32,608	5,000	2,750	-	430,250	465,608	-	-	-	-	626,000	626,000
Fees and subscription	-	-	2,000	1,100	-	2,003,548	2,004,648	60,000	31,254	-	-	1,598,572	1,629,826
News papers and periodicals	-	-	-	-	-	11,840	11,840	-	-	-	-	-	7,535
Other expenses	512,780	267,107	496,644	273,154	2,990,748	514,635	4,045,644	55,706	29,017	10,050	5,528	265,483	300,028
Advertisement and publicity	240,489	125,271	-	-	20,000	220,000	365,271	291,795	151,906	-	-	111,500	263,496
Depreciation	3,205,547	1,669,769	1,383,398	760,869	8,237	642,345	3,081,220	3,388,556	1,765,099	102,916	56,604	1,743,207	3,564,910
Amortization	-	-	-	-	-	56,849	56,849	-	-	-	-	81,212	81,212
Impairment on generator marked for sale	-	-	-	-	-	-	-	151,433	78,881	-	-	-	78,881
Commission expense	-	-	-	-	-	-	-	-	-	236,000	129,800	-	129,800
5% charity	643,138	335,010	-	-	-	-	335,010	521,873	271,844	-	-	-	271,844
3% Modaraba's management fee	366,588	190,956	-	-	-	-	190,956	297,468	154,951	-	-	-	154,951
10% Management fee	-	-	122,395	67,317	40,016	-	107,333	-	-	1,906	1,048	-	1,048
15% P.M Group's management fee	1,777,954	926,136	-	-	-	-	926,136	1,442,718	751,512	-	-	-	751,512
	16,624,929	8,659,926	14,760,385	8,118,212	3,873,218	14,977,625	35,628,981	17,255,358	8,988,316	1,527,303	840,017	13,940,604	23,768,937
27.2.3 Other income													
Gain / (loss) on sale of fixed assets	(23,189)	(12,079)	-	-	-	-	(12,079)	320,403	166,898	-	-	325,962	492,860
Capital gain on sale of investment	-	-	-	-	-	-	-	-	-	-	-	53,047	53,047
Profit on bank deposits	-	-	-	-	-	634,427	634,427	-	-	-	-	872,413	872,413
Income on modaraba certificates	-	-	-	-	-	2,640	2,640	-	-	-	-	287,173	287,173
Modaraba's management fee	-	-	-	-	-	366,588	366,588	-	-	-	-	297,468	297,468
Trading Commission	436,804	227,531	-	-	-	86,333	227,531	-	-	-	-	2,698,033	2,698,033
Miscellaneous income	104,031	54,190	-	-	-	140,523	140,523	941,625	490,492	-	-	85,206	575,698
	517,646	269,642	-	-	-	1,089,988	1,359,630	1,262,028	657,390	-	-	4,619,302	5,276,692
27.2.4 Finance cost													
Profit in Murabaha	-	-	-	-	-	5,201,876	5,201,876	-	-	-	-	5,305,946	5,305,946
Profit on Musharaka	-	-	-	-	1485	28,394	35,639	-	-	-	-	21,950	31,907
Bank charges	10,936	5,696	116	64	-	-	-	19,116	9,957	-	-	-	-
	10,936	5,696	116	64	1,485	5,230,270	5,237,515	19,116	9,957	-	-	5,327,896	5,337,853

27.2.5 Revenue reported in above segments generated from external customers.

27.2.6 The accounting policies of the reportable segments are the same as the Modaraba's accounting policies described in note 3 to these financial statements.

27.2.7 Revenue from major services includes revenue from murabaha financing to individuals and group of customers which approximates 90% of the total revenue from murabaha.

27.2.8 The Modaraba operates in Pakistan only.

27.2.9 Segment assets and liabilities

	2014				2013				Total			
	Generator project		Weaving project		Generator project		Weaving project			Murabaha financing		
	Total	Modaraba's share	Total	Modaraba's share	Total	Modaraba's share	Total	Modaraba's share				
	(Rupees)											
Segment assets	63,986,348	33,330,489	31,586,257	20,531,067	174,284,369	327,409,552	61,407,146	31,986,982	26,212,340	17,038,021	217,879,083	266,954,068
Segment liabilities	2,431,774	1,266,711	3,769,397	2,450,108	142,811,290	146,528,109	2,757,973	1,436,628	110,435	71,783	89,774,303	91,282,714

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

27.2.11 Other segment information

	2014				2013				Total			
	Generator project		Weaving project		Financing	Total	Generator project			Weaving project		Murabaha financing
	Total	Modaraba's share	Total	Modaraba's share			Total	Modaraba's share	Total	Modaraba's share		
	(Rupees)											
Capital expenditure - net	14,212,900	7,403,500	3,600,871	2,340,566	1,615,317	11,359,383	17,251,740	8,986,431	23,404,920	12,872,706	2,222,437	24,081,574
Depreciation, amortisation and impairment	3,205,547	1,669,769	1,383,398	899,208	699,194	3,268,171	3,539,989	1,843,980	102,916	56,604	1,824,419	3,725,003
Non-cash items (excluding depreciation and amortisation)	(23,189)	(12,079)	-	-	(297,066)	(309,145)	320,403	166,898	-	-	1,072,355	1,239,253

28. FAIR VALUE OF INSTRUMENTS

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

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

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

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

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

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1). The investments classified as available for sale is categorised in this level and is stated in note 7 to these financial statements.
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2). There are no items to report therein as on 30 June 2013.
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3). There are no items to report therein as on 30 June 2013.

29. CAPITAL RISK MANAGEMENT

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

The Modaraba manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Modaraba may adjust the amount of profit distribution to certificate holders or issue new certificates / right certificates. The Modaraba is not exposed to external capital requirements.

30. NON - ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors of the Management Company in their meeting held on _____ have proposed a final profit distribution of Rs. _____ per certificate (2013: Rs.2.10 Cash Dividedn and 10% Bonus per certificate), amounting to Rs. _____ (30 June 2013: Rs.8,384,562) for the year ended 30 June 2014.

31. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on _____.

Chief Executive

Director

Director