



# FIRST PARAMOUNT MODARABA

(An Islamic Financial Institution)

Managed by: Paramount Investments Limited

ANNUAL  
REPORT | 2017

#### CREDIT RATING

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

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## Mission & Vision

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



### STATEMENT OF ETHICS AND BUSINESS PRACTICES

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

## Corporate Information

### First Paramount Modaraba Managed By: Paramount Investments Limited

#### **BOARD OF DIRECTORS**

Mr. Tanveer Ahmed Magoon	Chairman
Mr. Syed Wajih Hassan	Chief Executive Officer
Mr. Nadeem Iqbal	Director
Mr. Pir Muhammad Kalia	Director
Mr. Abdul Razzak Jangda	Director
Mr. Humayun Mazhar Qureshi	Independent Director
Mr. Khalid Rehman	Independent Director

#### **AUDIT COMMITTEE**

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

#### **HUMAN RESOURCE COMMITTEE**

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

#### **CHIEF FINANCIAL OFFICER / COMPANY SECRETARY**

Mr. Abdullah Khan

#### **SHARIAH ADVISOR**

Mufti Muhammad Farhan Farooq

#### **SHARIAH CONSULTANT**

Mufti Muhammad Najeeb Khan

#### **CREDIT RATING**

Long term BBB  
Short Term A-3  
Out Look Stable  
By JCR Credit Rating Company

#### **AUDITORS OF THE MODARABA**

M/s Deloitte Yousuf Adil  
Chartered Accountants

#### **AUDITORS OF THE MODARABA COMPANY**

M/s Rahim Jan & Co.  
Chartered Accountants

#### **LEGAL ADVISOR**

M/s Raja Qasit Nawaz, Advocates

## **BANKERS**

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

## **REGISTERED OFFICE**

Suit # 107, 108, 1st Floor, P.E.C.H.S. Community Office Complex,  
Block-2 PECHS, Shahrah-e-Quaiden, Karachi.  
Phone: 34381037-38-52 & 34381101. Fax: 34534410  
E-mail: [info@fpm.com.pk](mailto:info@fpm.com.pk)  
Web: [www.fpm.com.pk](http://www.fpm.com.pk)

## **LAHORE BRANCH OFFICE**

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

## **SHARE REGISTRAR**

THK ASSOCIATES (PVT) LTD.  
1st Floor, 40-C, Block 6,  
PECHS Karachi – 75400,  
Telephone No: 021-111-000-322,  
Fax No: 021-34168271.  
Web: [www.thk.com.pk](http://www.thk.com.pk)  
Email: [secretariat@thk.com.pk](mailto:secretariat@thk.com.pk)

## DIRECTORS REPORT TO THE CERTIFICATE-HOLDERS OF FIRST PARAMOUNT MODARABA

Results of Modaraba for the financial year ended on June 30, 2017, are in your hands. In many respects this was an eventful year. During the period, Modaraba has successfully achieved the disposal arrangement of its ailing 'Weaving Unit & concluded the Sales of 3 Gensets – fast approaching obsolescence, from its Rental power project. Following Prudential Regulations, Modaraba had to provide for the unrecovered portion of a Short Term Morabaha facility (which by no means considered irrecoverable) and a general provision was also required to be made against Trade debts pertaining to Modaraba's technology and power solution wing – FPM Solutions. All of these transactions have an aggregate negative impact of PKR. 8.2 Million over the net profits for the year of Modaraba. Most of these transactions are not likely recur in future.

These losses were partly compensated by the reversal made for WWF provisions – adhering to the decision of Honorable Supreme Court of Pakistan, to the tune of PKR 2.7 million.

Modaraba's deposit base also reduced to PKR 187.4 Million (compared to PKR 227.74 Million at the end of last financial year). This reduction of deposits from customers was due to SECP's order of temporary suspension of fund raising permission of Modaraba that remained in place for six and a half months – from August 31, 2016 till March 16, 2017. This also has affected Modaraba's profits negatively.

Taking into account all of above, Net profits of Modaraba for the year ended June 30, 2017 stood at PKR 7,182,218/= as compared to PKR 13,042,109/- profits for the last year ended on June, 30, 2016.

### **Dividend:**

Modaraba had long standing unrecognized claims against the Income Tax Authorities. This year Modaraba has taken the impact of these claims retrospectively in its accounts, by adjusting the 'Retained Earnings' account. An amount of PKR 5.9 Million has been added in the reserves account this year against the abovementioned claim of Modaraba. This has allowed the Modaraba to distribute dividend to its certificate holders at 70 Paisa per certificate this year.

### **Potentials – Growth in Business & Profits, in the Financial Year 2017-18:**

Modaraba has absorbed brunt of the impact of losses in Generators Sales, Sales of Weaving Unit and provisions required against Trade related receivable and also Modaraba's in-house units, i.e. FPM-Solutions and FPM Petro Services, are performing better, Year 2017-18 InshAllah expected to be more Profitable.

For further strengthening its business and to improve its profitability to new levels, Modaraba is determined to grow its Balance Sheet by enhancing its paid-up Capital 'significantly' this year, InshAllah.

On the other hand, deposit base of Modaraba would likely to grow further to amplify Modaraba's overall business margins.

**Financial Results:**

Financial results are summarized as under:

	Year ended 30 <sup>th</sup> June, 2017 (Amount in Rupees)	Year ended 30 <sup>th</sup> June, 2016 (Amount in Rupees)
Profit after Taxation	7,180,218	13,040,109
Add: Unappropriated profit/(loss) brought forward	24,809,654	24,718,879
Profit available for appropriation	31,989,872	37,758,988
<b>APPROPRIATIONS</b>		
Profit distribution @ 7 % (2016 @7.5%)	(9,651,893)	(10,341,312)
Statutory reserve 20% (2016 @20%)	(1,436,043)	(2,608,022)
Unappropriated profit carried forward	20,901,935	24,809,654
EPS	0.52	1.01

**Dividend:**

The Board, in its meeting held on October 04, 2017, has approved the distribution of profit of Rs. 0.70 (7%) per certificate (2016: Rs.0.75 i.e 7.5%) of Rs. 10 each, subject to deduction of zakat and tax at source where applicable, for the year ended June 30, 2017.

An amount of Rs. 1.43 million has been transferred to statutory reserve in compliance with the Prudential Regulations for Modarabas which require that not less than 20% of the Modaraba's after tax profit be transferred to such reserve till such time as the reserve equals 100% of the paid-up capital.

**Compliance with Code of Corporate Governance**

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

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

- h) During the year under review, twelve (12) meetings of the Board of Directors were held. Attendance by each director was as follows:

Name of Director	Meetings Eligibility	Meeting Attended
Mr. Tanveer Ahmed Magoon, Chairman	12	5
Syed Wajih Hassan, Chief Executive	12	11
Mr. Pir Muhammad Kalia, Director	12	12
Mr. Abdul Razzak Jandga, Director	12	11
Mr. Nadeem Iqbal, Director	12	10
Mr. Humayun Mazhar Qureshi, Independent Director	12	10
Mr. Khalid Rehman, Independent Director	12	11

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

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

On the recommendation of the Audit Committee, the Board has approved the appointment of the auditors M/s. Deloitte Yousuf Adil, Chartered Accountants as auditors for the year ending June 30, 2018 subject to approval by the Registrar Modaraba Companies and Modarabas.

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

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

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

Karachi  
Date: October 04<sup>th</sup> 2017

Syed Wajih Hassan  
Chief Executive Officer

# First Paramount Modaraba

(An Islamic Financial Institution)



## Key operating & Financial Data

Particulars	2004-2005		2005-2006		2006-2007		2007-2008		2008-2009		2009-2010		2010-2011		2011-2012		2012-2013		2013-2014		2014-2015		2015-2016		2016-2017			
	Audited		Audited		Audited		Audited		Audited		Audited		Audited		Audited		Audited		Audited		Audited		Audited		Audited		Audited	
Paid up Capital	58,633,330		58,633,330		58,633,330		58,633,330		58,633,330		58,633,330		58,633,330		58,633,330		58,633,330		76,223,330		83,845,663		119,899,298		137,884,193		137,884,193	
Certificate Holders Equity	79,930,727		83,746,663		103,047,210		108,956,943		118,845,865		126,764,062		144,005,903		153,804,949		175,671,354		179,492,026		206,414,825		215,768,010		212,606,944			
Current Liabilities	21,567,497		19,530,297		45,489,658		78,898,671		92,633,029		105,622,723		61,613,599		42,062,560		42,547,400		61,773,184		88,724,801		89,490,384		66,711,658			
Total Liabilities	28,463,506		22,232,915		62,144,383		96,836,807		108,390,167		121,777,913		101,429,703		115,362,201		111,772,182		141,575,613		233,436,683		294,677,925		233,232,834			
Fixed Assets	19,790,319		29,347,504		53,122,040		53,830,034		59,309,743		29,103,860		31,584,091		31,698,742		52,561,369		60,188,077		55,644,542		34,132,161		24,617,224			
Current Assets	61,782,950		66,785,314		79,873,148		107,104,856		141,753,393		184,094,788		131,819,740		164,523,535		158,083,708		183,981,874		283,868,931		377,680,851		348,049,978			
Total Assets	108,394,234		105,979,579		165,191,592		205,788,751		227,236,032		248,541,975		245,435,606		269,167,150		266,954,068		321,067,638		439,851,508		510,445,965		465,859,778			
Operating Profit	10,645,672		13,068,262		9,342,801		13,732,666		20,108,430		18,570,219		30,884,267		26,506,919		18,564,957		14,013,133		11,473,070		14,734,586		8,113,241			
Profit before Tax	9,728,356		11,761,435		8,408,521		12,359,399		18,097,587		16,713,197		27,795,840		23,573,487		16,411,422		12,387,610		10,153,667		13,040,109		7,180,218			
Taxation	-		30,000		14,566		-		-		-		-		-		-		-		-		-		-			
Profit after Tax	9,728,356		11,731,435		8,393,956		12,359,399		18,097,587		16,713,197		27,795,840		23,573,487		16,411,422		12,387,610		10,153,667		13,040,109		7,180,218			
Dividend	13.5%		15.0%		11.0%		14.0%		15.0%		18.0%		23.5%		23.5%		11.0%		13.0%		8.0%		7.5%		7.0%			
Bonus Certificate	0%		0%		0%		0%		0%		0%		0%		0%		10.0%		10.0%		15.0%		0.0%		0.0%			
Earning per Certificate	1.66		2.00		1.43		2.11		3.09		2.85		4.74		4.02		2.20		1.48		1.02		0.95		0.52			
Break-up Value	13.63		14.28		17.57		18.58		20.27		21.62		24.56		26.23		23.05		21.41		17.22		15.65		15.42			

## **STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE**

FIRST PARAMOUNT MODARABA (THE MODARBA) MANAGED BY PARAMOUNT INVESTMENT LIMITED (MODARABA COMPANY) FOR THE YEAR ENDED JUNE 30, 2017

This statement is being presented to comply with the Code of Corporate Governance (the "CCG") contained in Regulation No.5.19.24 of the Rule Book of the Pakistan Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed entity is managed in compliance with the best practices of corporate governance.

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

1. The Board encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present, the Board includes:

<b>Category</b>	<b>Names</b>
Independent Directors	Mr. Humayun Mazhar Qureshi Mr. Khalid Rehman
Executive Director	Syed Wajih Hassan
Non-Executive Directors	Mr. Tanveer Ahmed Magoon Mr. Pir Muhammad Kalia Mr. Abdul Razzak Jangda Mr. Nadeem Iqbal

The independent directors meets the criteria of independence under clause 5.19.1. (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Management Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFII or, being a Broker of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred on the Board during the year.
5. The Modaraba has prepared a Code of Conduct 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. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms of conditions of employment of the CEO, other executives and non-executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. Three of the directors are exempted from taking the directors training course and one of the director has attended the directors training course conducted by the Institute of Chartered Accountants of Pakistan during the last year.
10. No new appointments of CFO and Company Secretary were made during the year.
11. The Directors' report for this year has been prepared in compliance with the requirements of the CCG 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 of whom all are non-executive directors of the Management Company and the Chairman of the Audit Committee is an Independent Director.
16. Four meetings of Audit Committee were held during the year prior to approval of interim and final results of the Modaraba as required by the CCG, however final results were approved in October 2016. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The Board has formed a HR and Remuneration Committee. It comprises four members, whom three are non-executive directors and one executive director and the chairman of the committee is a non-executive director.
18. The Board has outsourced the internal audit function to M/s Hafizullah & Co., Chartered Accountants, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Modaraba. However, a full time employee as a Head of Internal Audit has not been appointed or designated to act as coordinator between the firm 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 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.
22. Material/price sensitive information has not been disseminated among all market participants at once through stock exchange.
23. The Modaraba has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
24. We confirm that all other material principles enshrined in the CCG have been complied with except for the following, toward which reasonable progress is being made by the Modaraba to seek compliance by the end of next accounting year:
  - Internal audit reports are not discussed in Audit Committee meetings and have not been placed for Board's discussion. Further, outsourced internal audit function is reporting functionally to CEO instead of Audit Committee.
  - Related party transactions are not placed before the Audit Committee and the Board for Audit Committee's recommendation and Board's review and approval.
  - Audit Committee did not meet with external auditors without presence of CFO. Further, Audit Committee has not met with members of internal audit function without presence of CFO and external auditors.
  - Secretary to the audit committee is neither Company secretary nor Head of Internal Audit.

**Syed Wajih Hassan**  
**Chief Executive Officer**

Dated: October 04, 2017

## REVIEW REPORT TO THE CERTIFICATE HOLDERS ON THE STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) for the year ended June 30, 2017 prepared by the Board of Directors of **PARAMOUNT INVESTMETNS LIMITED (the Modaraba Company)** in respect of **FIRST PARAMOUNT MODARABA (the Modaraba)** to comply with the requirements of the regulations of Pakistan Stock Exchange Limited where the Modaraba is listed.

The responsibility for compliance with the Code 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 and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Modaraba personnel and review of various documents prepared by the Modaraba to comply with the Code.

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

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Management Company for the year ended June 30, 2017.

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

Sr #	Paragraph reference	Description
1	16	Four meetings of Audit Committee were held during the year prior to approval of interim and final results of the Modaraba as required by the CCG, however final results were approved in October 2016.
2	18	Internal audit function has been outsourced to a professional firm of Chartered Accountants, however, a full time employee as a Head of Internal Audit has not been appointed or designated to act as coordinator between the firm and the board.
3	22	Material information i.e. disposal of weaving unit and start of new segment as FPM Consulting, have not been communicated to the stock exchange.
4	24	<ul style="list-style-type: none"> <li>- Internal audit reports are not discussed in Audit Committee meetings and have not been placed Board's discussion. Further, outsourced internal audit function is reporting functionally to CEO instead of Audit Committee.</li> <li>- As required under 5.19.6 (b), related party transactions are not placed before the Audit Committee and the Board for Audit Committee's recommendation and Board's review and approval.</li> <li>- Audit Committee did not meet with external auditors without presence of CFO. Further, Audit Committee has not met with members of audit function without presence of CFO and external auditors.</li> <li>- Secretary to the audit committee is neither Company secretary nor Head of Internal Audit.</li> </ul>

**Chartered Accountants**  
**Date: 04 October, 2017**  
**Place: Karachi**

## AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of First Paramount Modaraba (the Modaraba) as at June 30, 2017 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

(a) in our opinion, proper books of account have been kept by the Modaraba Management Company in respect of the Modaraba required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981;

(b) in our opinion:

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of accounts and are further in agreement with accounting policies consistently applied;

(ii) the expenditure incurred during the year was for the purpose of the Modaraba's business;  
and

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, 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 June 30, 2017 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Modaraba company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The financial statements of the Modaraba for the year ended June 30, 2016 were audited by another firm of Chartered Accountants, who vide their report dated October 06, 2016 issued an unqualified opinion thereon.

Chartered Accountants

Engagement Partner:  
Mushtaq Ali Hirani

Dated: October 04, 2017  
Karachi

## Shariah Advisor's Report

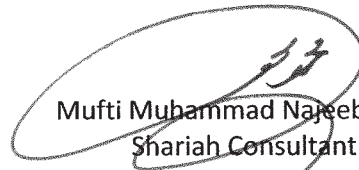
I have conducted the Shariah review of First Paramount Modaraba managed by Paramount Investments Limited Modaraba Company for the financial year ended June 30<sup>th</sup> 2017, in accordance with the requirements as reported hereunder, in my opinion:

1. The Modaraba has introduced a mechanism which has strengthened the Shariah compliance in letter and spirit and the systems, procedures and policies adopted by the Modaraba are in line with the Shariah principles.
2. Following were the major developments that took place during the year:
  - (A) Research and new product development (Brief on the research and new product development, if applicable)
3. The agreement(s) entered into by the Modaraba are Shariah compliant and the financing agreement(s) have been executed on the formats as approved by the Religious Board and all the related conditions have been met.
4. To the best of my information and according to the explanations given to me, the business transactions undertaken by the Modaraba and all other matters incidental thereto are in conformity with the Shariah requirements as well as the requirements of the Prospectus, Islamic Financial Accounting Standards as applicable in Pakistan and the Shariah Compliance and Shariah Audit Regulations for Modaraba's.
5. Profit sharing ratios, profits and charging of losses (if any) relating to any deposit raising product conforms to the basis and principles of Shariah.

Observation(s) Nil  
Recommendation (s) Nil  
Dated: September 30, 2017



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



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

**FIRST PARAMOUNT MODARABA  
BALANCE SHEET  
AS AT JUNE 30, 2017**

		June 30, 2017	June 30, 2016 (Restated)
	Note	----- (Rupees) -----	
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Fixed assets	5	24,617,224	34,152,161
Murabaha financing	6	61,711,672	58,775,197
Diminishing musharaka financing	7	14,123,935	5,319,835
Musharaka financing	8	16,550,000	15,000,000
Loans to employees	9	354,000	168,346
Long-term deposits		461,969	401,969
		<b>117,818,800</b>	<b>113,817,508</b>
<b>CURRENT ASSETS</b>			
Stores and spare parts		2,419,927	4,344,792
Trade debtors	10	64,681,950	72,159,412
Advances, deposits, prepayments and other receivables	11	29,367,016	30,872,143
Modaraba financing	12	25,237,915	25,826,000
Short-term murabaha financing	13	10,106,145	31,616,013
Current portion of murabaha financing	6	116,965,006	111,180,020
Current portion of diminishing musharaka financing	7	7,081,226	5,138,811
Current portion of musharaka financing	8	15,504,470	37,857,597
Current portion of loans to employees	9	227,000	279,996
Receivable against sale of weaving unit	14	5,230,000	-
Advances against murabaha	15	700,080	3,460,080
Accrued profit		4,848,203	6,310,007
Advance income tax		11,606,317	3,054,848
Cash and bank balances	16	54,065,723	45,581,132
		<b>348,040,978</b>	<b>377,680,851</b>
Assets classified as held for sale	17	-	18,947,606
		<b>348,040,978</b>	<b>396,628,457</b>
		<b>465,859,778</b>	<b>510,445,965</b>
<b>CAPITAL AND RESERVES</b>			
Authorised certificate capital 25,000,000 (2016: 25,000,000) certificates of Rs.10 each		250,000,000	250,000,000
Issued, subscribed and paid-up certificate capital	18	137,884,193	137,884,193
Capital reserves	19	44,168,925	42,732,881
Unappropriated profit		30,553,826	35,150,966
		<b>212,606,944</b>	<b>215,768,040</b>
<b>NON CURRENT LIABILITIES</b>			
Deferred income	20	15,839,670	11,842,010
Certificates of musharaka	21	170,701,506	190,676,006
		<b>186,541,176</b>	<b>202,518,016</b>
<b>CURRENT LIABILITIES</b>			
Creditors, accrued and other liabilities	22	17,443,915	17,997,842
Current portion of deferred income	20	18,854,228	20,820,957
Current portion of certificates of musharaka	21	16,715,000	37,065,000
Payable to Management Company		-	928,277
Unclaimed profit distributions		13,698,515	12,678,308
		<b>66,711,658</b>	<b>89,490,384</b>
Liabilities associated with assets classified as held for sale	17	-	2,669,525
		<b>66,711,658</b>	<b>92,159,909</b>
		<b>253,252,834</b>	<b>294,677,925</b>
		<b>465,859,778</b>	<b>510,445,965</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	23		

The annexed notes from 1 to 41 form an integral part of these financial statements.

Chief Executive

Director

Director

**FIRST PARAMOUNT MODARABA  
PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED JUNE 30, 2017**

	Note	June 30, 2017 ----- (Rupees) -----	June 30, 2016 -----
<b>Continuing operations</b>			
Operating income	24	202,191,071	145,624,336
Operating costs			
Operating expenses	25	178,129,713	114,244,545
Provision / ( reversal) for doubtful recoveries - net	26	2,697,358	(469,783)
		(180,827,071)	(113,774,762)
		<b>21,364,000</b>	31,849,574
Gain / (loss) on sale of fixed assets - net		505,702	(1,321,757)
Impairment loss on weaving unit	17.1	(2,114,399)	-
Other income	27	1,632,226	2,085,661
		<b>21,387,529</b>	32,613,478
Financial charges	28	(16,021,601)	(16,706,762)
Reversal / (provision) of workers' welfare fund	22.1	2,747,313	(300,706)
		<b>8,113,241</b>	15,606,010
Modaraba company's management fee inclusive of sales tax	29	(933,023)	(1,694,477)
<b>Profit before tax</b>		<b>7,180,218</b>	13,911,533
Taxation	30	-	-
<b>Profit for the year from continuing operations</b>		<b>7,180,218</b>	13,911,533
<b>Discontinued operations</b>			
Loss from discontinued operations	17	-	(871,424)
<b>Profit for the year</b>		<b>7,180,218</b>	13,040,109
<b>Earnings per certificate - basic and diluted</b>			
from continuing operations	31	0.52	1.01
from discontinued operations		-	(0.06)

The annexed notes from 1 to 41 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, 2017**

	June 30, 2017	June 30, 2016
	----- (Rupees) -----	
Profit for the year	7,180,218	13,040,109
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<u><u>7,180,218</u></u>	<u><u>13,040,109</u></u>

The annexed notes from 1 to 41 form an integral part of these financial statements.

\_\_\_\_\_  
 Chief Executive

\_\_\_\_\_  
 Director

\_\_\_\_\_  
 Director

**FIRST PARAMOUNT MODARABA  
CASH FLOW STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2017**

Note	June 30, 2017 ----- (Rupees) -----	June 30, 2016
Profit before tax	7,180,218	13,040,107
<b>Adjustments for:</b>		
Depreciation	1,568,266	2,829,590
Amortisation	387,757	453,343
(Reversal) / provision for workers' welfare fund	(2,747,313)	300,706
Financial charges	16,021,601	16,706,762
Provision for / (reversal of) doubtful debts	2,697,358	(469,783)
(Gain) / loss on sale of fixed assets - net	(505,702)	1,321,757
Loss on disposal of weaving unit	2,114,399	-
Operating profit before working capital changes	<u>26,716,584</u>	<u>34,182,482</u>
<b>(Increase) / decrease in assets</b>		
Murabaha receivables - net	11,591,048	(23,452,558)
Diminishing musharaka receivables - net	(10,746,515)	10,202,318
Musharaka financing - net	20,803,127	12,859,935
Modaraba financing - net	588,085	(5,712,000)
Stores and spares	1,924,865	(2,820,706)
Long-term deposits	(60,000)	(112,700)
Trade debts	5,977,462	(61,266,004)
Loan to employees	(132,658)	(49,327)
Advance against murabaha	2,760,000	17,040,000
Advances, deposit, prepayments and other receivables	6,620,724	(14,627,517)
Accrued profit	1,461,804	(1,611,933)
Receivable against sale of weaving unit	(5,230,000)	-
<b>Increase / (decrease) in liabilities</b>		
Creditors, accrued and other liabilities	(2,193,386)	2,877,710
Payable to Management Company	(2,423,419)	(179,474)
Net cash generated from / (used in) operations	<u>57,657,721</u>	<u>(32,669,774)</u>
Income tax paid	(8,551,469)	(2,049,567)
Financial charges paid	(16,021,601)	(16,706,762)
<b>Net cash generated from / (used in) operating activities</b>	<u>33,084,651</u>	<u>(51,426,103)</u>
<b>Cash flows from investing activities</b>		
Purchase of tangible assets	(2,008,942)	(902,917)
Purchase of intangible assets	(234,722)	-
Additions to capital work-in-progress - net	(422,000)	(78,000)
Proceed from sale of weaving unit	14,915,751	-
Proceed from sale of tangible assets	10,750,280	2,855,030
<b>Net cash generated from investing activities</b>	<u>23,000,367</u>	<u>1,874,113</u>
<b>Cash flows from financing activities</b>		
Musharaka financing - net	(40,324,500)	52,363,590
Deferred income	2,030,931	-
Profit distributed	(9,321,107)	(8,697,140)
<b>Net cash (used in) / generated from financing activities</b>	<u>(47,614,676)</u>	<u>43,666,450</u>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<u>8,470,342</u>	<u>(5,885,540)</u>
<b>Cash and cash equivalents at beginning of the year</b>	<u>45,595,381</u>	<u>51,480,921</u>
<b>Cash and cash equivalents at end of the year</b>	<u>54,065,723</u>	<u>45,595,381</u>

16.3

The annexed notes from 1 to 41 form an integral part of these financial statements.

Chief Executive

Director

Director

**FIRST PARAMOUNT MODARABA  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED JUNE 30, 2017**

	Issued, subscribed and paid up certificate capital	Capital reserve		Reserves		Total Reserve	Total equity
		Merger reserve	Statutory reserve	Revenue reserve			
				Unappropriated profit			
	(Rupees)						
Balance at July 01, 2015 - as reported	119,899,298	1,935,160	56,174,594	28,405,773	86,515,527	206,414,825	
Prior period adjustment (note 4)	-	-	-	5,905,050	5,905,050	-	
Balance at July 01, 2015 - as restated	119,899,298	1,935,160	56,174,594	34,310,823	92,420,577	212,319,875	
<b>Transactions with owners</b>							
Profit distribution for the year ended June 30, 2015 @ Re.0.8 per certificate	-	-	-	(9,591,944)	(9,591,944)	(9,591,944)	
Issuance of bonus certificates @ 15%	17,984,895	-	(17,984,895)	-	(17,984,895)	-	
<b>Total comprehensive income for the year ended June 30, 2016</b>							
Profit for the year	-	-	-	13,040,109	13,040,109	13,040,109	
Other comprehensive income	-	-	-	-	-	-	
	-	-	-	13,040,109	13,040,109	13,040,109	
Transferred to statutory reserve @ 20%	-	-	2,608,022	(2,608,022)	-	-	
Balance at June 30, 2016 - as restated	<b>137,884,193</b>	<b>1,935,160</b>	<b>40,797,721</b>	<b>35,150,966</b>	<b>77,883,847</b>	<b>215,768,040</b>	
<b>Transactions with owners</b>							
Profit distribution for the year ended June 30, 2016 @ Re.0.75 per certificate	-	-	-	(10,341,314)	(10,341,314)	(10,341,314)	
<b>Total comprehensive income for the year ended June 30, 2017</b>							
Profit for the year	-	-	-	7,180,218	7,180,218	7,180,218	
Other comprehensive income	-	-	-	-	-	-	
	-	-	-	7,180,218	7,180,218	7,180,218	
Transferred to statutory reserve @ 20% (refer note 19.1)	-	-	1,436,044	(1,436,044)	-	-	
Balance at June 30, 2017	<b>137,884,193</b>	<b>1,935,160</b>	<b>42,233,765</b>	<b>30,553,826</b>	<b>74,722,751</b>	<b>212,606,944</b>	

The annexed notes from 1 to 41 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, 2017**

**1. LEGAL STATUS AND OPERATIONS**

First Paramount Modaraba (the Modaraba) is a multi purpose, perpetual and multidimensional Modaraba floated under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the rules framed there under and is managed by Paramount Investments Limited (the Management Company), a company incorporated in Pakistan. The Modaraba is listed on the Pakistan Stock Exchange Limited (formerly Karachi and Islamabad Stock Exchange). The registered office of the Modaraba is situated at Karachi. Modaraba's principal activities include deployment of funds on murabaha, modaraba and musharaka arrangements and its in-house ventures are (A) Generator rental and sale project under the name "AL-BURQ Associates", (B) Electrical maintenance and troubleshooting services' under the name of "FPM Solutions" and (C) Chemical business under the name of "FPM Petro Services"

During the year Modaraba has disposed weaving unit which was working under the name of "FPM Weaving" and started new business under the name of "FPM Consulting" to provide various consultancy services.

**2. BASIS OF PREPARATION**

**2.1 Statement of compliance**

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the repealed Companies Ordinance, 1984 (now Companies Act, 2017), provisions of and directives issued under Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and repealed Companies Ordinance, 1984. In case requirements differ, the provisions of or directives issued under the repealed Companies Ordinance, 1984, Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Islamic Financial Accounting Standards (IFAS) or the directives issued by the Securities and Exchange Commission of Pakistan shall prevail.

During the year, the Companies Act, 2017 (the new Companies Act) was enacted and promulgated by the SECP on May 30, 2017. However, SECP has notified through Circular No. 17 of July 20, 2017 that companies whose financial year closes on or before June 30, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Accordingly, the Company shall prepare the financial statements for periods closing after June 30, 2017 in accordance with the provisions of the new Companies Act. The Company is currently in process of determining impact, if any, on future financial statements due to implementation of the Act.

The SECP, Special Compliance Division, vide Circular no. 10 of 2004 dated February 13, 2004 deferred the application of IAS 17 'Leases' to Modarabas till further orders.

**2.2 Basis of measurement**

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

Permissible Islamic financial products including murabaha, musharaka and modaraba have been used by the Modaraba. In line with the similar industry practices, the accounting and presentation of the same are in line with the substance of the 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 Pakistani Rupees, which is the Modaraba's functional currency. All financial information presented in Pakistani Rupees has been rounded to the nearest rupees, except otherwise stated.

## 2.4 New Standards, Interpretations and Amendments

### **New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2017**

The following standards, amendments and interpretations are effective for the year ended June 30, 2017. These standards, interpretations and the amendments are either not relevant to the Modaraba's operations or are not expected to have significant impact on the Modaraba's financial statements other than certain additional disclosures.

Amendments	Effective from accounting period beginning on or after:
Amendments to IFRS 10 'Consolidated Financial Statements', IFRS 12 'Disclosure of Interests in Other Entities' and IAS 28 'Investments in Associates and Joint Ventures' - Investment Entities: Applying the consolidation exception	January 01, 2016
Amendments to IFRS 11 'Joint Arrangements' - Accounting for acquisitions of interests in joint operations	January 01, 2016
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure initiative	January 01, 2016
Amendments to IAS 16 'Property Plant and Equipment' and IAS 38 'Intangible Assets' - Clarification of acceptable methods of depreciation	January 01, 2016
Amendments to IAS 16 'Property Plant and Equipment' and IAS 41 'Agriculture' - Measurement of bearer plants	January 01, 2016
Amendments to IAS 27 'Separate Financial Statements' - Equity method in separate financial statements	January 01, 2016
Certain annual improvements have also been made to a number of IFRSs.	

### **New accounting standards / amendments and IFRS interpretations that are not yet effective**

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Modaraba's operations or are not expected to have significant impact on the Modaraba's financial statements other than certain additional disclosures.

Standards or Interpretations	Effective from accounting period beginning on or after:
Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions	January 01, 2018
Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture	Date to be determined. Earlier application is permitted.
Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative.	January 01, 2017
Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealised losses	January 01, 2017
Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property	January 01, 2018. Earlier application is permitted.
IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency.	January 01, 2018. Earlier application is permitted.

## Standards or Interpretations

Effective from accounting period  
beginning on or after:

IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'

January 01, 2019

Certain annual improvements have also been made to a number of IFRSs.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 15 – Revenue from Contracts with Customers
- IFRS 16 – Leases
- IFRS 17 – Insurance Contracts

## 2.5 Significant accounting estimates and judgments

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

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

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

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

- i) Provision for doubtful recoveries (note 3.12)
- ii) Estimation of useful lives of tangible and intangible assets (note 3.1 and 3.3)
- iii) Classification and valuation of investment and financing facilities (note 3.4, 3.6, 3.7 and 3.8)

## 2.6 Discontinued operations

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

- The operation and its assets (19 shuttleless looms) are available for immediate sale and can be sold to Mr. Aquil Patel (existing Musharik of FPM Weaving Unit) in its current condition.
- The Board has received a proposal from the existing musharik and expects the sale to be completed within 12 months period, effective from July 01, 2016. For more details on the discontinued operation, refer note 17.

## 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

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

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

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

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

The assets' useful lives, method of depreciation and residual value are reviewed, and adjusted if appropriate at each reporting date.

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

### 3.2 Non current assets held for sale and discontinued operations

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

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

Tangible assets and intangible assets are not depreciated or amortized once classified as held for sale.

### 3.3 Intangible assets

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

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

### 3.4 Investments and other financial assets

#### 3.4.1 Classification

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

The Modaraba classifies its financial assets in the following categories:

**a) Financial assets at fair value through profit or loss**

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

**b) Loans and receivables**

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

**c) Held to maturity**

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

**d) Available for sale**

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

**3.4.2 Regular way contracts**

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

**3.5 Loans to employees**

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

**3.6 Murabaha Financing**

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

**3.7 Modaraba Financing**

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

**3.8 Musharaka Financing**

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

**a) Diminishing Musharaka**

In diminishing musharaka based financing, the Modaraba enters into a Musharaka based on Shirkat-ul-mulk for financing an agreed share of fixed asset (e.g. house, land, plant or machinery) with its customers and enters into periodic profit payments agreement for the utilization of the Modaraba's Musharaka share by the customer. The customer with each rental payments also purchases Modaraba's Musharaka share by paying additional amount and therefore becomes the sole owner of the subject asset at the maturity of the diminishing musharaka.

**b) Musharaka Financing**

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

**3.9 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.

**3.10 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.

**3.11 Stores and spare parts**

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

**3.12 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 reporting date. The provision is established when there is objective evidence that modaraba will not be able to recover that amount and write off such debts which are considered irrecoverable.

**3.13 Joint Operations (Musharaka arrangements)**

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

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

**3.14 Certificates of musharaka**

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

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

**3.15 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.

### **3.16 Employee benefits**

#### **Defined contribution plan**

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

#### **Compensated absences**

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

### **3.17 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.

### **3.18 Impairment**

#### **3.18.1 Financial assets**

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

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

#### **3.18.2 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 recognized in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to lower of revised recoverable amount or initial cost of asset less accumulated depreciation (if any) to date. Reversal of impairment loss is recognized as income.

### **3.19 Revenue recognition**

- Profit / return on deposits / investments is recognized using tentative profit rates.
- Income from Murabaha is accounted for on consummation of Murabaha transaction. However, profit on that portion of revenue not due for payment (deferred murabaha income) is deferred and recognized on time proportionate basis.
- Musharaka management fee is recognized 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 recognized when the significant risks and rewards of ownership are transferred to customer.
- Profit on diminishing musharaka financing is recognized using tentative profit rates.
- Profit on musharaka financing is recognized on declaration of profit by musharaka partners on accrual basis.
- Dividend income is recognized 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.
- Realized capital gains / (losses) arising on sale of investments are included in the profit and loss account on the date at which the transaction takes place.
- Unrealized 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.

statement of comprehensive income in the period in which they arise.

- Processing income from weaving is recognized when services are rendered.

### **3.20 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

### **3.21 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. For trading income, Provision for taxation is based on taxable income for the year at the current rates of taxation after taking into account tax credits and exemptions available, if any.

#### *Deferred*

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

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

### **3.22 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.

### **3.23 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.

### 3.24 Profit distributions and appropriations

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

### 3.25 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.

## 4. PRIOR PERIOD ADJUSTMENT

During the year, management has rectified error relating to income tax refundable for the year ended June 30, 2009 and June 30, 2010 which were expensed out erroneously. Management has restated its financial statements to reflect the effect of rectification in accordance with requirements of IAS 8 - 'Accounting Policies, Changes in Accounting Estimates and Errors'. Additional comparative balance sheet as at June 30, 2015 under International Accounting Standard 1 'Presentation of Financial Statements' has not been presented as the amount is not material and the effect of restatement is of same amount and same heads of account in all years as disclosed below:

#### Effect on balance sheet

	Income tax refundable ----- (Rupees) -----	Unappropriated profit -----
Balances as reported	-	34,310,823
Rectification of error relating to income tax refundable		
- For the year ended June 30, 2009	2,808,171	2,808,171
- For the year ended June 30, 2010	3,096,879	3,096,879
	5,905,050	5,905,050
Balances as restated	5,905,050	40,215,873

#### Effect on statement of changes in equity

	Rupees
Unappropriated profit as at July 01, 2015 as reported	34,310,823
Rectification of error relating to income tax refundable	
- For the year ended June 30, 2009	2,808,171
- For the year ended June 30, 2010	3,096,879
	5,905,050
Unappropriated profit as at July 01, 2015 as restated	40,215,873

	Note	June 30, 2017 ----- (Rupees) -----	June 30, 2016 -----
<b>5. FIXED ASSETS</b>			
Tangible	5.1	23,212,456	33,016,358
Intangible	5.2	904,768	1,057,803
Capital work-in-progress	5.3	500,000	78,000
		24,617,224	34,152,161
		24,617,224	34,152,161



## 5.2 Intangible

	2017							
	Cost			Rate %	Accumulated amortisation			Written down value at June 30, 2017
	At July 01, 2016	Additions	At June 30, 2017		At July 01, 2016	For the year	At June 30, 2017	
Computer software	1,905,841	234,722	2,140,563	30	848,038	387,757	1,235,795	904,768

	2016							
	Cost			Rate %	Accumulated amortisation			Written down value at June 30, 2016
	At July 01, 2015	Additions	At June 30, 2016		At July 01, 2015	For the year	At June 30, 2016	
Computer software	1,905,841	-	1,905,841	30	394,695	453,343	848,038	1,057,803

## 5.3 Capital work-in-progress

	Note	June 30, 2017	June 30, 2016
Opening balance		78,000	-
Additions during the year		500,000	78,000
Expensed during the year		(78,000)	-
Closing balance		500,000	78,000

## 6. MURABAHA FINANCING - secured

Considered good		178,676,678	169,955,217
Considered doubtful		2,763,090	2,565,731
	6.1	181,439,768	172,520,948
Provision for doubtful recoveries	6.2	(2,763,090)	(2,565,731)
		178,676,678	169,955,217
Current portion of murabaha financing		(116,965,006)	(111,180,020)
		61,711,672	58,775,197

6.1 Murabaha sale price is receivable in installments. Effective profit rate on these arrangements ranges between 16% to 21% (2016: 16% to 25.21%) per annum. These arrangements are secured by way of mortgage of properties, hypothecation of goods and demand promissory notes.

	June 30, 2017	June 30, 2016
Opening balance	2,565,731	3,035,514
Charge for the year	293,842	247,777
Reversal for the year	(96,483)	(717,560)
	197,359	(469,783)
Closing balance	2,763,090	2,565,731

	June 30, 2017 ----- (Rupees) -----	June 30, 2016 -----
<b>7. DIMINISHING MUSHARAKA FINANCING - secured</b>		
Considered good	21,205,161	10,458,646
Less: Current portion of diminishing musharaka financing	(7,081,226)	(5,138,811)
	<u>14,123,935</u>	<u>5,319,835</u>

This represents finance provided to individuals under diminishing musharaka arrangement for purchase of vehicles and building. The effective profit rates on these arrangements range between 19% to 21% (2016: 19.08% to 20.75%) per annum and these are receivable on monthly basis over a maximum period of 5 years. Financing is secured by mortgage of properties, hypothecation and personal guarantee of the borrower.

	Note	June 30, 2017 ----- (Rupees) -----	June 30, 2016 -----
<b>8. MUSHARAKA FINANCING - secured, considered good</b>			
<b>Musharakah agreements for:</b>			
- garments	8.1	15,504,470	17,163,597
- food products	8.2	12,000,000	12,000,000
- books printing	8.3	4,550,000	-
- fabric		-	694,000
- printing		-	3,000,000
- confectionery items		-	20,000,000
		<u>32,054,470</u>	<u>52,857,597</u>
Less: Current portion of musharaka financing		(15,504,470)	(37,857,597)
		<u>16,550,000</u>	<u>15,000,000</u>

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

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

**8.3** The Modaraba has signed a Musharaka arrangement with New Century Education for purchase of course books. The profit on the investment is shared between Modaraba and musharaka partner respectively in the ratio of 57 : 43 respectively. The financing is secured by way of mortgage of property.

	June 30, 2017 ----- (Rupees) -----	June 30, 2016 -----
<b>9. LOANS TO EMPLOYEES - Secured</b>		
Loans to employees	581,000	448,342
Less: Current portion as shown under current assets	(227,000)	(279,996)
	<u>354,000</u>	<u>168,346</u>

This represents profit free personal loans provided to employees of Modaraba ranging from Rs.50,000 to Rs.400,000. These are repayable over a maximum period of 5 years. These loans are secured against vehicles.

	June 30, 2017	June 30, 2016
Note	----- (Rupees) -----	
<b>10. TRADE DEBTORS - unsecured</b>		
Trade debtors	66,181,950	72,159,412
Provision on doubtful recoveries	(1,500,000)	-
Considered good	<u>64,681,950</u>	<u>72,159,412</u>
<b>10.1 Movement of provision for doubtful recoveries</b>		
Opening balance	-	-
Charge for the year	1,500,000	-
Closing balance	<u>1,500,000</u>	<u>-</u>
<b>11. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES - unsecured, considered good</b>		
Advances against		
- purchase of stocks	20,005,573	6,895,734
- expenses	1,183,337	1,245,337
- salaries	48,604	43,394
	<u>21,237,514</u>	8,184,465
Prepayments		
- insurance	144,015	37,162
- rent	30,000	-
- fees and subscriptions	210,950	577,831
	<u>384,965</u>	614,993
Income tax refundable	5,905,050	5,905,050
Receivable from Al-Akhuwwat Group	-	15,000,000
Receivable from Management Company	562,119	-
Other receivables	1,277,368	1,167,635
	<u>29,367,016</u>	<u>30,872,143</u>

**11.1** During the year, the Modaraba has made a retrospective adjustment to record receivable of Rs. 5,905,090 which relates to income tax refundable on account of net advance tax paid / withheld aggregating to Rs. 2,808,171 and Rs.3,096,879 relating to its CNG business for tax years 2009 and 2010 respectively which were expensed out in the respective accounting periods. These amounts are recorded as refundable as the management filed an application for the refund of the same under section 170 of the Income Tax Ordinance, 2001 (the Ordinance). The effects of such retrospective statements are disclosed in note 4.

	June 30, 2017	June 30, 2016
Note	----- (Rupees) -----	
<b>12. MODARABA FINANCING - secured, considered good</b>		
<b>Modaraba financing for:</b>		
- UPS system	25,237,915	16,826,000
- Garments	-	9,000,000
	<u>25,237,915</u>	<u>25,826,000</u>

**12.1** The Modaraba has signed an arrangement with Advanced Power Solutions and Technologies (APS) for installation of new UPS systems and upgrading of existing UPS systems of a bank, at its branches all over Pakistan. The profit on the investment is shared between Modaraba and APS in the ratio of 50:50. The financing is secured by way of mortgage of property.

**12.2** The Modaraba has signed an arrangement with Mr. Ather Sultan for the fulfillment of garment orders including shirts, trousers etc. The profit on the investment is shared between Modaraba and Ather Sultan in the ratio of 50:50. The financing is secured by way of mortgage of property.

	June 30, 2017	June 30, 2016
Note	----- (Rupees) -----	
<b>13. SHORT-TERM MURABAHA FINANCING - secured</b>		
Considered good	10,106,145	31,616,013
Considered doubtful	1,000,000	-
	13.1 <u>11,106,145</u>	31,616,013
Provision for doubtful recoveries	13.2 <u>(1,000,000)</u>	-
	<u>10,106,145</u>	<u>31,616,013</u>

**13.1** Murabaha sale price is receivable in installments. Effective profit rate on these arrangements ranges between 16% to 21% (2016: 17% to 19.34%) per annum receivable on agreed terms. These financing are secured by way of mortgage of properties, hypothecation of goods and demand promissory notes.

	June 30, 2017	June 30, 2016
	----- (Rupees) -----	
<b>13.2 Movement of provision against short term murabaha financing</b>		
Opening balance	-	-
Charge for the year	1,000,000	-
Closing balance	<u>1,000,000</u>	-

**14. RECEIVABLE AGAINST SALE OF WEAVING UNIT**

Due as per agreement	14,930,000	-
Received during the year	<u>(9,700,000)</u>	-
	<u>5,230,000</u>	-

**14.1** During the year, an agreement was signed between Mr. Aquil Iqbal (counter musharik) and Modaraba on December 26, 2016 (effective from July 01, 2016). As per agreement the counter musharik purchased modaraba's musharik share of 65% at an agreed value of Rs. 14,350,000 receivable in 10 equal monthly installments starting from July 15, 2016. However, the agreement was revised on June 26, 2017 in which agreed value of waeaving segment was assessed to be Rs. 14,930,000 and payment schedule is revised and counter musharik is required to pay 5,465,000 (remaining balance) in 5 equal monthly installments starting from August 15, 2017.

	June 30, 2017	June 30, 2016
Note	----- (Rupees) -----	
<b>15. ADVANCES AGAINST MURABAHA - secured, considered good</b>		
Advance	<u>700,080</u>	<u>3,460,080</u>

This represents advance given to a party against murabaha financing which have not been executed yet.

**16. CASH AND BANK BALANCES**

Cash in hand	32,307	57,252
Cash at banks		
- Current accounts	24,247,595	7,491,531
- Deposit accounts	16.1&16.2 <u>29,785,821</u>	<u>38,032,349</u>
	<u>54,065,723</u>	<u>45,581,132</u>

**16.1** This includes balance of Rs.9,891,235 (2016: Rs.10,463,893) in respect of Redemption Reserve Fund established on account of Certificates of Musharaka (refer note 21).

**16.2** Effective profit rate in respect of deposit accounts ranges from 2.40% to 3.2% (2016: 2.40% to 3.64%) per annum.

**16.3** For the purpose of cash flows statement, cash and cash equivalents comprise the following:

	Note	June 30, 2017 ----- (Rupees) -----	June 30, 2016 -----
Cash in hand		32,307	57,252
Cash at banks			
- Current accounts		24,247,595	7,491,531
- Deposit accounts		29,785,821	38,032,349
Cash at bank attributable to a discontinued operation	17	-	14,249
		<u>54,065,723</u>	<u>45,595,381</u>

#### 17. DISCONTINUED OPERATIONS

The Board of Directors in its 153rd meeting held on April 29, 2016 resolved to dispose-off FPM's share of FPM Weaving Unit to existing Musharik and hence the segment was classified as discontinued operation on June 30, 2016.

	June 30, 2017 ----- (Rupees) -----	June 30, 2016 -----
<b>Assets</b>		
Fixed assets	-	15,013,576
Long term deposits	-	280,800
Cash and bank	-	14,249
Stores and spare parts	-	136,500
Advances, deposits, prepayments and other receivables	-	566,620
Trade debtors	-	2,935,861
	-	<u>18,947,606</u>
<b>Liabilities</b>		
Creditors	-	(2,669,525)
<b>Net assets directly associated with discontinued operations</b>	<u>-</u>	<u>16,278,081</u>

Revenues and expenses during the year from FPM Weaving unit are, as follows:

Revenues	-	6,602,424
Operating expenses	-	(7,473,848)
Loss before tax from discontinued operations	-	(871,424)
Taxation	-	-
<b>Loss for the year from discontinued operations</b>	<u>-</u>	<u>(871,424)</u>

Net cash flows from operating activities of FPM Weaving unit:

Operating	-	2,286,001
<b>Net cash flow</b>	<u>-</u>	<u>2,286,001</u>

#### 17.1 Impairment loss on weaving unit

Agreed value of net assets	14,930,000	-
Carrying value of net assets	(16,278,081)	-
Unabsorbed losses	(766,318)	-
	<u>(2,114,399)</u>	<u>-</u>

## 18. ISSUED, SUBSCRIBED AND PAID-UP CERTIFICATE CAPITAL

June 30, 2017	June 30, 2016		Note	June 30, 2017 ----- (Rupees)	June 30, 2016 -----
<b>11,989,930</b>	11,989,930	Certificates capital of Rs.10 each fully paid in cash		<b>119,899,298</b>	119,899,298
<u>1,798,490</u>	<u>1,798,490</u>	Bonus certificates of Rs.10 each		<u>17,984,895</u>	<u>17,984,895</u>
<b>13,788,420</b>	<b>13,788,420</b>		18.1	<b>137,884,193</b>	<b>137,884,193</b>

18.1 Paramount Investments Limited holds 1,965,768 certificates as at June 30, 2017 (2016: 2,015,909).

## 19. CAPITAL RESERVES

	Note	June 30, 2017 ----- (Rupees)	June 30, 2016 -----
Statutory reserve	19.1	<b>42,233,765</b>	40,797,721
Merger reserve		<u>1,935,160</u>	<u>1,935,160</u>
		<b>44,168,925</b>	<b>42,732,881</b>

19.1 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 profit till such time that the reserve equals 100% of the paid-up capital. Thereafter, a sum not less than 5% of the after tax profit is to be transferred. During the year, Modaraba transferred 20% of its after tax profits amounting to Rs. 1,436,044 (2016: 2,608,022)

## 20. DEFERRED INCOME

	June 30, ----- (Rupees)	June 30, -----
Deferred murabaha income	<b>28,736,815</b>	30,618,397
Deferred diminishing musharaka income	<u>5,957,083</u>	<u>2,044,570</u>
	<b>34,693,898</b>	32,662,967
Less: Current portion shown under current liabilities	<u>(18,854,228)</u>	<u>(20,820,957)</u>
	<b>15,839,670</b>	<b>11,842,010</b>

## 21. CERTIFICATES OF MUSHARAKA

Certificates of musharaka	<b>187,416,506</b>	227,741,006
Less: Current portion shown under current liabilities	<u>(16,715,000)</u>	<u>(37,065,000)</u>
	<b>170,701,506</b>	<b>190,676,006</b>

A Redemption Reserve Fund is established on account of Certificates of Musharaka. These certificates have different denominations and are repayable within three months to five years. The expected share of profit on these certificates ranges from 6% to 8% (2016: 6% to 10.75%) per annum. (refer note 16.1)

During the year, SECP through its notice SC/M/PRDD-ADJ/PARAMOUNT/2016-53 dated August 31, 2016, imposed restrictions to rollover or issue fresh certificate of musharaka and to restrict the floatation of certificates of musharaka to a equity balance. This restriction was waived by SECP on March 16, 2017.

	Note	June 30, 2017 ----- (Rupees) -----	June 30, 2016 -----
<b>22. CREDITORS, ACCRUED AND OTHER LIABILITIES</b>			
Creditors		317,337	828,018
Accrued expenses		441,945	488,691
Audit fee		575,000	405,000
Sales tax	29.2	-	4,374,945
Liabilities related to generator project		186,082	185,382
Workers' welfare fund	22.1	-	2,747,313
Liabilities related to FPM Solutions business		3,322,747	5,195,960
Liabilities related to FPM Petro Services		8,169,254	1,939,668
Others		<u>4,431,550</u>	<u>1,832,865</u>
		<u>17,443,915</u>	<u>17,997,842</u>

**22.1** Through the Finance Act, 2008 an amendment was made in Section 2(f) of the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance) whereby the definition of 'Industrial Establishment' has been made applicable to any establishment to which West Pakistan Shops and Establishment Ordinance, 1969 applies. As a result of this amendment, the Modaraba was considered to be subject to the provisions of the WWF Ordinance. The Lahore High Court has struck down the aforementioned amendments to the WWF Ordinance. However, a three member larger bench of Sindh High Court (SHC) has held that such amendments were validly made. Subsequent to this judgment, various petitions have been filed before SHC challenging the vires of such amendments and stay has been granted by a Division Bench of SHC.

The judgment of three member larger bench of SHC had also been challenged before Supreme Court of Pakistan (SCP). The SCP passed a judgement declaring the insertion of amendments introduced in the Finance Acts pertaining to Worker Welfare Fund Ordinance, 1971, as unlawful and thereby striking down such amendments.

On November 10, 2016 the Supreme Court of Pakistan (SCP) has passed a judgment declaring the amendments made in the Finance Acts 2006 and 2008 pertaining to WWF as illegal citing that WWF was not in the nature of tax and could, therefore, not have been introduced through money bills. Accordingly, the aforesaid amendments have been struck down by the SCP. It has been learnt that Federal Board of Revenue has filed a review petition in the SCP against the said judgment, which is pending. Pursuant to the SCP judgement, the Modaraba reversed the provision held for WWF.

## 23. CONTINGENCIES AND COMMITMENTS

**23.1** In Sindh Assembly, on June 04, 2015, passed The Sindh Workers Welfare Fund Act, 2014 (the WWF Act). As per Section 5(1) of the WWF Act, contributions are payable with effect from the date of closing of account on or after December 31, 2013, that corresponds to Modaraba's account year ended on June 30, 2014. As per definitions Section 2(g) of the WWF Act, the Modarabas were considered to be an industrial establishment, despite the fact that even remotely they could not be considered as industrial establishment due to their nature of business. The NBF & Modaraba Association of Pakistan is contemplating to file petition against such levy, as Sindh High Court has granted stay to various Banks and Financial Institutions in Suit No.610 of 2017. Therefore the management of the Modaraba is of the opinion that no provision is required for the year ended June 30, 2014 and onwards. Had this provision been made since July 01, 2013 it would amounting to Rs. 1,184,748.

	June 30, 2017 ----- (Rupees) -----	June 30, 2016 -----
<b>23.2 Commitments for capital expenditure in respect of</b>		
Intangible assets - computer software	<u>150,000</u>	<u>22,500</u>

	Note	June 30, 2017	June 30, 2016
		----- (Rupees) -----	
<b>24. OPERATING INCOME</b>			
Profit on:			
- murabaha financing		<b>25,992,035</b>	28,696,729
- diminishing musharaka financing		<b>1,949,252</b>	3,178,454
- musharaka financing		<b>2,050,159</b>	4,514,536
- modaraba financing		<b>1,632,200</b>	5,567,730
Income from:			
- dry batteries modaraba		<b>1,670,004</b>	9,505,874
- FPM Solutions	24.1	<b>16,610,454</b>	39,365,701
- FPM Petro Income	24.2	<b>151,001,612</b>	50,182,420
Rental income	24.3	<b>1,285,355</b>	4,612,892
		<b>202,191,071</b>	145,624,336

**24.1** This represents income generated from Project Power solution business of FPM Solutions representing Modaraba's share of 100%. This also includes income from Service Level Agreements (SLA) entered into by FPM Solutions with various clients to provide services in respect of stand by generators, UPS and other power back up solutions.

**24.2** This represents income generated from chemical business of FPM Petro Services representing Modaraba's share of 100%.

**24.3** This represents income generated from rental business of AL-BURQ Associates representing Modaraba's share of 52.09%.

	Note	June 30, 2017	June 30, 2016
		----- (Rupees) -----	
<b>25. OPERATING EXPENSES</b>			
Direct cost related to			
- FPM Solutions		<b>9,422,011</b>	26,290,736
- dry batteries modaraba		<b>1,628,217</b>	5,102,961
- FPM Petro		<b>127,484,066</b>	40,907,409
Salaries, allowances and benefits	25.1	<b>13,610,195</b>	16,894,941
Electricity, gas and water		<b>638,293</b>	857,764
Repairs and maintenance		<b>856,862</b>	1,362,022
Insurance		<b>284,398</b>	373,441
Rent, rates and taxes	25.2	<b>1,634,896</b>	1,573,531
Travelling and conveyance		<b>2,057,569</b>	1,881,242
Communications		<b>704,057</b>	743,336
Printing and stationery		<b>410,770</b>	475,639
Auditors' remuneration	25.3	<b>575,000</b>	520,000
Legal and professional		<b>489,300</b>	670,225
Fees and subscription		<b>4,212,870</b>	3,505,114
News papers and periodicals		<b>10,930</b>	9,201
Advertisement and publicity		<b>633,058</b>	1,373,267
Depreciation	5.1	<b>1,568,267</b>	2,132,534
Amortization	5.2	<b>387,757</b>	453,343
Commission expense		<b>40,000</b>	54,192
Contractual management fee			
- FPM Solutions		-	2,736,518
- FPM Petro		<b>8,868,060</b>	3,390,122
- FPM		-	1,938,136
Others		<b>2,613,137</b>	998,873
		<b>178,129,713</b>	114,244,545

**25.1** Salaries, allowances and other benefits include Rs. 393,775 (2016: Rs.554,391) on account of Modaraba's contribution to the staff provident fund.

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

	June 30, 2017	June 30, 2016
	----- (Rupees) -----	
Size of the fund - total assets	<u>4,097,684</u>	<u>4,409,733</u>
Cost of investments made	<u>1,400,000</u>	<u>1,400,000</u>
Percentage of investments made	<u>40%</u>	<u>40%</u>
Fair value of investments	<u>4,097,684</u>	<u>4,409,733</u>
Details of fair value of investments:		
Bank balances	<u>2,079,686</u>	<u>1,894,251</u>
Debt securities	<u>2,017,998</u>	<u>2,515,482</u>
	<u>4,097,684</u>	<u>4,409,733</u>

	June 30, 2017	June 30, 2016
<b>Number of employees</b>		
The detail of number of employees is as follows:		
Average number of employees during the year	Numbers <u>24</u>	Numbers <u>25</u>
Number of employees	Numbers <u>28</u>	Numbers <u>29</u>

25.2 This includes Rs. 527,076 paid to a director (2016: Rs.500,940) in respect of rent for FPM Solutions.

	June 30, 2017	June 30, 2016
	----- (Rupees) -----	
<b>25.3 Auditors' remuneration</b>		
Statutory audit fee	<u>400,000</u>	<u>350,000</u>
Half yearly review fee	<u>100,000</u>	<u>115,000</u>
Certifications	<u>75,000</u>	<u>55,000</u>
	<u>575,000</u>	<u>520,000</u>

26. PROVISION / ( REVERSAL) FOR DOUBTFUL RECOVERIES - NET

	June 30, 2017			
	Murabaha Financing	Trade Debtors	Short term Murabaha Financing	Total
	----- Rupees -----			
Opening balance	2,565,731	-	-	2,565,731
Charged for the year	293,842	1,500,000	1,000,000	2,793,842
Reversal for the year	(96,484)	-	-	(96,484)
	<u>197,358</u>	<u>1,500,000</u>	<u>1,000,000</u>	<u>2,697,358</u>
Closing balance	<u>2,763,089</u>	<u>1,500,000</u>	<u>1,000,000</u>	<u>5,263,089</u>

	June 30, 2016			
	Murabaha Financing	Trade Debtors	Short term Murabaha Financing	Total
	----- Rupees -----			
Opening balance	3,035,514	-	-	3,035,514
Charged for the year	247,777	-	-	247,777
Reversal for the year	(717,560)	-	-	(717,560)
	<u>(469,783)</u>	<u>-</u>	<u>-</u>	<u>(469,783)</u>
Closing balance	<u>2,565,731</u>	<u>-</u>	<u>-</u>	<u>2,565,731</u>

	Note	June 30, 2017	June 30, 2016
		----- (Rupees) -----	
<b>27. OTHER INCOME</b>			
Income from financial assets:			
Profit on bank deposits		<b>804,969</b>	1,158,444
Income on certificates of Investment		-	302,465
Income from non-financial assets:			
Miscellaneous income		<b>827,257</b>	502,795
Trading commission		-	121,957
		<u><b>1,632,226</b></u>	<u>2,085,661</u>
<b>28. FINANCIAL CHARGES</b>			
Profit on certificates of musharaka	21	<b>15,888,952</b>	16,619,180
Bank charges		<u><b>132,649</b></u>	<u>87,582</u>
		<u><b>16,021,601</b></u>	<u>16,706,762</u>
<b>29. MODARABA COMPANY'S MANAGEMENT FEE</b>			
<b>29.1</b>			
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, 2017 has been recognized at 10% (2016: 10%) of profit for the year.			
<b>29.2</b>			
The Sindh Government has levied Sales Tax at the rate of 15% (2016: 17%) on the remuneration of the Management Company through Sindh Sales Tax on Services Act, 2011 effective from November 01, 2011. The Management fee charged to profit and loss account during the year includes General Sales Tax, however, the Modaraba Association of Pakistan (including the Management Company) had filed an appeal before Sindh High Court against the said levy and the matter is pending adjudication.			
<b>30. TAXATION</b>			
<i>Current</i>			
Clause 100 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 provides exemption from tax of any income, not being income of trading activity derived by a Modaraba, if not less than ninety percent of its total profits in a year, as reduced by the amount transferred to mandatory reserve under the provisions of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance 1980 is distributed to the certificate holders. The Management Company has distributed sufficient accounting income of the Modaraba (subsequent to reporting date, see note 36) for the year ended June 30, 2016 which meets the requirement of above stated clause. No provision has been made on income from trading activity of the modaraba due to net losses from trading activities.			
<i>Deferred</i>			
Income of modaraba enjoys tax exemption subject to distribution of 90% its profits in the year, therefore no deferred tax has been booked in these financial statements.			
<b>31. EARNINGS PER CERTIFICATE</b>		2017	2016
		----- (Rupees) -----	
Profit for the year attributable to certificate holders			
from continuing operation		<u><b>7,180,218</b></u>	<u>13,911,533</u>
from discontinued operation		<u>-</u>	<u>(871,424)</u>
		<b>(Number of Certificates)</b>	
Weighted average number of certificates		<u><b>13,788,419</b></u>	<u>13,788,420</u>
Earnings / (loss) per certificate - basic and diluted			
from continuing operation		<u><b>0.52</b></u>	<u>1.01</u>
from discontinued operation		<u>-</u>	<u>(0.06)</u>

There is no dilutive effect on the basic earnings per share of the Modaraba, since there are no convertible instruments in issue as at June 30, 2017 and June 30, 2016 which would have any effect on the earnings per share if the option to convert is exercised.

### 32. RELATED PARTY TRANSACTIONS

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

	June 30, 2017	June 30, 2016
	----- (Rupees) -----	
<b>Transactions with related parties</b>		
<b>Modaraba's Management Company</b>		
Management fee including sale tax on fee	933,023	1,694,477
Payments made during the year	2,073,997	1,694,595
Bonus Nil (2016: @ 15%)	-	20,159,090
Profit distribution	1,474,326	1,402,371
<b>Musharaka Investors - Generator Project</b>		
Share of loss	(2,424,759)	(873,318)
<b>Musharaka Investors - weaving unit</b>		
Share of loss	-	(871,424)
Loss on disposal of weaving unit	(2,114,399)	-
Receipt against disposal of weaving unit	9,700,000	-
<b>Directors</b>		
Rent paid	527,076	479,160
Security deposit	217,800	217,800
Certificate of musharaka issued	-	10,000,000
Profit distributed	218,810	203,634
<b>Spouse of a director</b>		
Profit distributed	77,250	89,566
<b>Paramount Investment Limited - Employees Provident Fund</b>		
Contribution to the Fund	393,775	554,391
Profit paid on certificate of musharaka during the year	163,033	236,682
<b>Balances with related parties</b>		
<b>Modaraba's Management Company</b>		
No. of certificates held 1,965,768 (2016: 2,015,906)	16,866,291	20,461,446
Receivable / (payable) from management company	562,119	(928,277)
<b>Musharaka Investors - weaving unit</b>		
Advance given to weaving project	-	1,200,000
Receivable against sale of weaving unit	5,230,000	-
<b>Directors</b>		
No. of certificates held 291,746 (2016: 291,746)	2,308,878	2,961,222
Security deposit	217,800	217,800
<b>Spouse of a director</b>		
No. of certificates held 128,749 (2016: 128,749)	1,104,666	1,306,802
<b>Paramount Investment Limited - Employees Provident Fund</b>		
Certificates of musharaka	1,400,000	1,400,000
Accrued profit on certificate of musharaka	5,195	4,417

### 33. REMUNERATION OF OFFICERS

		June 30, 2017	June 30, 2016
		----- (Rupees) -----	
Remuneration	33.1 & 33.2	4,965,560	7,695,540
Short-term employee benefits		199,367	346,739
Post-employment benefits		<u>248,278</u>	<u>378,985</u>
		<u>5,413,205</u>	<u>8,421,264</u>
Number of officers		<u>4</u>	<u>7</u>

**33.1** It includes remuneration paid to chief financial officer.

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

### 34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The Modaraba's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

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

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

- Credit risk
- Liquidity risk
- Market risk

#### 34.1 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 financing facilities and trade debts. The Modaraba's policy is to enter into financial contracts in accordance with the risk management policies and the requirements of the Modaraba rules and regulations.

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

	June 30, 2017	June 30, 2016
	----- (Rupees) -----	
Long-term deposit	461,969	401,969
Murabaha financing	188,782,823	201,571,230
Diminishing musharaka financing	21,205,161	10,458,646
Musharaka financing	32,054,470	52,857,597
Trade debtors	64,681,950	72,159,412
Modaraba financing	25,237,915	25,826,000
Advances, deposit and other receivables	1,839,487	1,211,029
Advances against murabaha	700,080	3,460,080
Accrued profit	4,848,203	6,310,007
Receivable against sale of weaving unit	5,230,000	-
Bank balances	<u>54,016,075</u>	<u>45,516,539</u>
	<u>399,058,133</u>	<u>419,772,509</u>

### 34.1.1 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 modaraba, murabaha receivables, diminishing musharaka, advance against murabaha and musharaka investments.

### 34.1.2 Concentration of credit risk

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

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

	2017		2016	
	(Rupees)	%	(Rupees)	%
Construction material	475,924	0.25	6,188,542	3.03
Chemical, fertilizer and pharmaceutical	15,718,373	8.17	38,739,305	18.98
Fuel and energy	2,852,885	1.48	4,471,259	2.19
Food, tobacco and beverages	85,899,417	44.61	40,583,020	19.88
Paper and board	2,650,989	1.38	8,307,339	4.07
Steel, engineering and automobiles	3,551,755	1.84	8,843,112	4.33
Transportation and communication	36,813,776	19.12	56,386,036	27.62
Others	44,582,791	23.15	40,618,348	19.90
	<b>192,545,910</b>	<b>100.00</b>	<b>204,136,961</b>	<b>100.00</b>

Modaraba's operations are restricted to Pakistan only.

### 34.1.3 Aging analysis of murabaha and short term murabaha

	2017			2016		
	Carrying amount		Provision held	Carrying amount		Provision held
	Not impaired	Impaired		Not impaired	Impaired	
Not past due	157,186,702	-	-	167,732,146	-	
Past due 0 days - 90 days	23,253,151	-	-	24,155,166	-	
Past due 91 days - 1 year	4,000,291	5,000,000	1,000,000	8,897,173	-	
Past due 1 year - 2 year	-	-	-	-	800,961	160,192
Past due 2 year - 3 year	-	684,003	341,327	-	291,952	145,976
Past due more than 3 years	-	2,421,763	2,421,763	-	2,259,563	2,259,563
Total	<b>184,440,144</b>	<b>8,105,766</b>	<b>3,763,090</b>	<b>200,784,485</b>	<b>3,352,476</b>	<b>2,565,731</b>

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

**34.1.4** Diminishing musharaka receivable of Rs. 21.2 million(2016: Rs.10.46 million) is not past due as at June 30, 2017 and June 30, 2016.

**34.1.5 Aging analysis of trade debts**

	June 30, 2017	June 30, 2016
	----- (Rupees) -----	
Past due 0 day - 90 days	<b>46,327,756</b>	48,763,023
Past due 91 days - 1 year	<b>9,147,533</b>	26,281,686
Past due 1 year - 2 years	<b>9,148,515</b>	1,759,186
Past due 2 years - 3 years	<b>1,558,146</b>	-
Total	<b>66,181,950</b>	76,803,895

**34.2 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:

	2017			
	Carrying amount	Contractual cash flows	Maturity upto one year	Maturity after one year and upto three years
	----- (Rupees) -----			
Creditors, accrued and other liabilities	<b>17,443,915</b>	<b>17,443,915</b>	<b>17,443,915</b>	-
Certificates of musharaka	<b>187,416,506</b>	<b>187,416,506</b>	<b>16,715,000</b>	<b>170,701,506</b>
Unclaimed profit distribution	<b>13,698,515</b>	<b>13,698,515</b>	<b>13,698,515</b>	-
	<b>218,558,936</b>	<b>218,558,936</b>	<b>47,857,430</b>	<b>170,701,506</b>

	2016			
	Carrying amount	Contractual cash flows	Maturity upto one year	Maturity after one year and upto three years
	----- (Rupees) -----			
Creditors, accrued and other liabilities	17,997,842	10,875,584	10,875,584	-
Certificates of musharaka	227,741,006	227,741,006	37,065,000	190,676,006
Pavable to Management Company	928,277	-	928,277	-
Unclaimed profit distribution	12,678,308	12,678,308	12,678,308	-
	259,345,433	251,294,898	61,547,169	190,676,006

**34.3 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:

### 34.3.1 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	June 30, 2017					Not exposed to profit rate risk
			Upto one month	Upto one to 3 months	Over three months to six months	Over six months to one year	Over one year	
(Rupees)								
<b>Financial assets</b>								
Long-term deposit	-	461,969	-	-	-	-	-	461,969
Musharaka financing	16% - 19%	32,054,470	-	-	-	15,504,470	16,550,000	32,054,470
Cash and bank balances	2.40% - 3.64%	54,065,723	29,785,821	-	-	-	-	24,279,902
Murabaha financing	16% - 21%	192,545,910	15,577,831	30,218,879	37,193,302	59,256,762	61,890,187	-
Diminishing musharaka financing	19% - 21%	21,205,161	-	-	-	7,081,226	14,123,935	-
Receivable against sale of weaving unit	-	5,230,000	1,093,000	3,279,000	858,000	-	-	-
Trade debtors	-	64,681,950	-	-	-	-	-	64,681,950
Advance against murabaha	-	700,080	700,080	-	-	-	-	700,080
Advance, accrued profit and other receivables	-	1,325,972	-	-	-	-	-	1,325,972
		<u>372,271,235</u>	<u>47,156,732</u>	<u>33,497,879</u>	<u>38,051,302</u>	<u>81,842,458</u>	<u>92,564,122</u>	<u>123,504,343</u>
<b>Financial liabilities</b>								
Creditors, accrued and other liabilities	-	5,509,969	-	-	-	-	-	5,509,969
Certificate of Musharaka	6.00% - 8.00%	187,416,506	5,515,306	15,440,000	13,300,000	22,310,000	130,851,200	-
Unclaimed profit distribution	-	13,698,515	-	-	-	-	-	13,698,515
		<u>206,624,990</u>	<u>5,515,306</u>	<u>15,440,000</u>	<u>13,300,000</u>	<u>22,310,000</u>	<u>130,851,200</u>	<u>19,208,484</u>
<b>On balance sheet gap - 2017</b>		<u>165,646,245</u>	<u>41,641,426</u>	<u>18,057,879</u>	<u>24,751,302</u>	<u>59,532,458</u>	<u>(38,287,078)</u>	<u>104,295,859</u>

	Effective yield / profit rates	Carrying amount	June 30, 2016					Not exposed to profit rate risk
			Upto one month	Upto one to 3 months	Over three months to six months	Over six months to one year	Over one year	
(Rupees)								
<b>Financial assets</b>								
Long-term deposit	-	396,500	-	-	-	-	-	396,500
Musharaka financing	19% - 25.21%	52,857,597	-	-	-	37,857,597	15,000,000	-
Cash and bank balances	2.40% - 3.64%	45,581,132	38,032,349	-	-	-	-	7,548,783
Murabaha financing	16% - 25.21%	204,136,961	15,577,831	30,218,879	37,193,302	59,256,762	61,890,187	-
Diminishing musharaka financing	19.08% - 20.39%	10,458,646	-	-	-	5,138,811	5,319,835	-
Trade debtors	-	76,803,895	-	-	-	-	-	76,803,895
Advance against murabaha	-	3,960,080	3,960,080	-	-	-	-	-
Advance, accrued profit and other receivables	-	1,216,498	-	-	-	-	-	1,216,498
		<u>395,411,309</u>	<u>57,570,260</u>	<u>30,218,879</u>	<u>37,193,302</u>	<u>102,253,170</u>	<u>82,210,022</u>	<u>85,965,676</u>
<b>Financial liabilities</b>								
Creditors, accrued and other liabilities	-	3,322,556	-	-	-	-	-	3,322,556
Certificate of Musharaka	6.00% - 10.75%	227,741,006	5,515,306	15,440,000	13,300,000	22,310,000	171,175,700	-
Unclaimed profit distribution	-	12,678,308	-	-	-	-	-	12,678,308
		<u>243,741,870</u>	<u>5,515,306</u>	<u>15,440,000</u>	<u>13,300,000</u>	<u>22,310,000</u>	<u>171,175,700</u>	<u>16,000,864</u>
<b>On balance sheet gap - 2016</b>		<u>151,669,439</u>	<u>52,054,954</u>	<u>14,778,879</u>	<u>23,893,302</u>	<u>79,943,170</u>	<u>(88,965,678)</u>	<u>69,964,812</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 profit rate risk.

	Profit and loss 100 bp	
	Increase	Decrease
<b>As at June 30, 2017</b>		
Cash flow sensitivity - variable rate financial liabilities	(1,832,512)	1,832,512
Cash flow sensitivity - variable rate financial assets	297,858	(297,858)
Net effect	<u>(1,534,654)</u>	<u>1,534,654</u>
<b>As at June 30, 2016</b>		
Cash flow sensitivity - variable rate financial liabilities	(2,235,757)	2,235,757
Cash flow sensitivity - variable rate financial assets	380,323	(380,323)
Net effect	<u>(1,855,434)</u>	<u>1,855,434</u>

## 35. INFORMATION ABOUT BUSINESS SEGMENTS

35.1 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. 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**

in 2016, FPM Weaving unit was classified as held for sale under 'IFRS 5 Non-current Assets Held for Sale and Discontinued Operations' and sold during the year as disclosed in note 17 to the financial statements.

### **FPM Solutions**

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

### **FPM Petro Services**

FPM petro services engaged in provision of various chemical components to different sectors nationally and internationally. Modaraba has started this project with effect from February 18, 2015. Agreement with the investor has been signed. As per the arrangement, the Modaraba has contributed 83.33% of the required fund and is entitled to profit share of 60%, where as loss shall be shared as per capital sharing ratio. Mudarib is responsible for the operations/management of the project.

### **FPM Consulting**

During the year, Modaraba has started new line of business under the name of 'FPM Consulting'. This segment will provide various consultancy services.

### **Financing**

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

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



2017

Generator project	2017					Total
	Modaraba's share	FPM Solutions	Petro Services	FPM Consulting	Financing / Others	
						(Rupees)
Rental income	2,467,566	-	-	-	-	1,285,355
FPM Solutions income	-	16,610,454	-	-	-	16,610,454
FPM Petro income	-	-	151,001,612	-	-	151,001,612
Profit on murabaha finance	-	-	-	-	25,992,035	25,992,035
Profit on diminishing musharaka finance	-	-	-	-	1,949,252	1,949,252
Profit from Musharaka Projects	-	-	-	-	2,050,159	2,050,159
Profit from Mudaraba	-	-	-	-	1,632,200	1,632,200
Trading income	-	-	-	-	1,670,004	1,670,004
<b>Total</b>	<b>2,467,566</b>	<b>16,610,454</b>	<b>151,001,612</b>	<b>-</b>	<b>33,293,650</b>	<b>202,191,071</b>

35.2.1 Revenue

Generator project	2016					Total
	Modaraba's share	FPM Solutions	Petro Services	FPM Consulting	Financing / others	
						(Rupees)
Rental income	8,855,620	-	-	-	-	4,612,892
Weaving income	-	-	-	-	-	-
FPM Solutions income	-	39,365,701	-	-	-	39,365,701
FPM Petro income	-	-	50,182,420	-	-	50,182,420
Profit on murabaha finance	-	-	-	-	28,696,729	28,696,729
Profit on diminishing musharaka finance	-	-	-	-	3,178,454	3,178,454
Profit from Musharaka Projects	-	-	-	-	4,514,536	4,514,536
Profit from Mudaraba	-	-	-	-	5,567,730	5,567,730
Trading income	-	-	-	-	9,505,874	9,505,874
<b>Total</b>	<b>8,855,620</b>	<b>28,235,697</b>	<b>50,182,420</b>	<b>-</b>	<b>51,463,323</b>	<b>145,624,336</b>

2017

	Generator project						Total
	Modaraba's share	FPM Solutions	FPM Petro Services	FPM Consulting	Financing / others	Total	
<b>35.2.2 Operating expenses</b>							
Salaries, allowances and benefits	1,688,514	2,516,258	120,480	-	10,093,910	13,610,195	
Electricity, gas and water	-	202,629	-	-	435,664	638,293	
Repairs and maintenance	544,032	117,525	78,160	-	377,791	856,862	
Insurance	134,137	28,427	-	-	186,099	284,398	
Rent, rates and taxes	-	551,060	464,339	-	619,497	1,634,896	
Travelling and entertainment	526,919	603,725	137,763	-	1,041,609	2,057,569	
Communications	94,700	104,325	9,240	-	541,163	704,057	
Printing and stationery	-	12,300	21,680	9,000	367,790	410,770	
Auditors' remuneration	-	-	-	-	575,000	575,000	
Legal and professional	-	10,000	7,060	-	472,240	489,300	
Fees and subscription	126,200	1,706,385	-	-	2,440,747	4,212,870	
News papers and periodicals	-	-	-	-	10,930	10,930	
Direct cost related to FPM	-	9,422,011	-	-	-	9,422,011	
Direct cost related to dry batteries modaraba	-	-	-	-	1,628,217	1,628,217	
Direct cost related to FPM Petro	-	-	127,484,066	-	-	127,484,066	
Other expenses	165,681	1,649,438	715,340	12,000	150,056	2,613,137	
Advertisement and publicity	208,903	-	-	-	524,240	633,058	
Depreciation	416,890	648,404	-	1,815	700,890	1,568,267	
Amortisation	-	-	-	-	387,757	387,757	
Commission expense	-	-	30,000	-	10,000	40,000	
Contractual Management fee	-	-	8,868,060	-	-	8,868,060	
	<b>3,905,976</b>	<b>17,572,487</b>	<b>137,936,188</b>	<b>22,815</b>	<b>20,563,600</b>	<b>178,129,713</b>	

2016

	Generator project						Total
	Modaraba's share	FPM Solutions	Petro Services (Rupees)	FPM Consulting	Financing / others	Total	
Salaries, allowances and benefits	2,783,201	1,449,769	5,929,411	60,000	-	9,455,761	16,894,941
Electricity, gas and water	82,132	42,783	227,885	-	-	587,096	857,764
Repairs and maintenance	1,843,942	960,509	56,083	67,640	-	277,790	1,362,022
Insurance	310,307	161,639	69,683	-	-	142,119	373,441
Rent, rates and taxes	479,917	249,989	500,940	171,883	-	650,719	1,573,531
Travelling and entertainment	1,149,348	598,695	666,919	2,002	-	613,626	1,881,242
Communications	58,145	30,288	120,140	880	-	592,028	743,336
Printing and stationery	29,403	15,316	13,730	18,650	-	427,943	475,639
Auditors' remuneration	-	-	-	-	-	520,000	520,000
Legal and professional	-	-	-	-	-	670,225	670,225
Fees and subscription	47,700	24,847	2,033	50,000	-	3,428,234	3,505,114
News papers and periodicals	-	-	-	-	-	9,201	9,201
Direct cost related to FPM	-	-	26,290,736	-	-	-	26,290,736
Direct cost related to dry batteries modaraba	-	-	-	-	-	5,102,961	5,102,961
Direct cost related to FPM Petro	-	-	-	40,907,407	-	-	40,907,407
Other expenses	81,283	42,340	242,216	502,739	-	211,578	998,873
Advertisement and publicity	194,254	101,187	-	-	-	1,272,080	1,373,267
Depreciation	1,300,850	677,613	779,716	-	-	675,205	2,132,534
Amortisation	-	-	-	-	-	453,343	453,343
Impairment on generator marked for sale	-	-	-	-	-	-	-
Commission expense	17,647	9,192	-	30,000	-	15,000	54,192
5% charity	-	-	-	-	-	-	-
3% Modaraba's management fee	-	-	-	-	-	-	-
10% Management fee	-	-	-	-	-	-	-
15% P. M Group's management fee	-	-	-	-	-	-	-
Contractual Management fee	-	-	2,736,518	3,390,122	-	1,938,136	8,064,776
	8,378,129	4,364,167	37,636,010	45,201,323	-	27,043,045	114,244,545

2017						
Generator project						
	Modaraba's share	FPM Solutions	Petro Services (Rupees)	FPM Consulting	Financing / others	Total
-	-	3,671	18,238	-	783,059	804,968
-	-	-	-	-	-	-
438,584	228,458	-	-	-	598,799	827,257
438,584	228,458	3,671	18,238	-	1,381,858	1,632,225

### 35.2.3 Other income

Profit on bank deposits  
Trading commission  
Miscellaneous income

2016						
Generator project						
	Modaraba's share	FPM Solutions	Petro Services (Rupees)	FPM Consulting	Financing / others	Total
-	-	-	7,761	-	1,453,148	1,460,909
-	-	-	-	-	-	-
-	-	-	-	-	-	-
234,128	121,957	-	-	-	-	121,957
160,520	83,615	93,828	-	-	325,352	502,795
394,648	205,572	93,828	7,761	-	1,778,500	2,085,661

Profit on bank deposits  
Income on modaraba certificates  
Modaraba's management fee  
Trading commission  
Miscellaneous income

2017						
Generator project						
	Modaraba's share	FPM Solutions	Petro Services (Rupees)	FPM Consulting	Financing / others	Total
-	-	-	-	-	15,888,952	15,888,952
2,968	1,546	1,469	3,172	-	126,462	132,649
2,968	1,546	1,469	3,172	-	16,015,414	16,021,601

### 35.2.4 Finance cost

Profit on Musharaka  
Bank charges

2017						
Generator project						
	Modaraba's share	FPM Solutions	Petro Services (Rupees)	FPM Consulting	Financing / other	Total
-	-	-	-	-	16,619,180	16,619,180
11,246	5,858	608	-	-	81,116	87,582
11,246	5,858	608	-	-	16,700,296	16,706,762

Profit on Musharaka  
Bank charges

35.2.5 Revenue reported in above segments generated from external customers.

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

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

35.2.8 Segment assets and liabilities

	2017					2016					
	Generator project Modaraba's share		FPM Petro Services		Total (Rupees)	Generator project Modaraba's share		FPM Petro Services		Total	
	Financing	Solutions	FPM Consulting	Total		Financing	Solutions	FPM Petro Services	Total		
Segment assets	339,850,904	27,131,130	85,532,036	7,252	489,480,701	51,982,934	27,077,910	385,475,438	31,633,219	46,436,986	490,623,553
Segment liabilities	186,082	3,322,747	8,169,254	-	253,719,353	339,002	176,586	287,437,002	5,163,134	1,901,205	294,677,927

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

35.2.10 Other segment information

	2017					2016				
	Generator project Modaraba's share		FPM Petro Services		Total (Rupees)	Generator project Modaraba's share		FPM Petro Services		Total
	Financing	Solutions	FPM Consulting	Total		Financing	Solutions	FPM Petro Services	Total	
Capital expenditure - net	4,949	2,263,565	1,661,826	9,067	3,987,407	-	-	269,260	711,657	980,917
Depreciation, amortisation and impairment	217,158	700,890	648,403	1,815	1,568,266	1,299,888	677,112	675,205	779,716	2,132,033
Non-cash items (excluding depreciation and amortisation)	(1,902,403)	1,210,747	-	-	(691,656)	(2,537,448)	(1,321,757)	469,782	-	(851,975)

36. FAIR VALUE OF INSTRUMENTS

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

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

The fair value of financial assets and liabilities traded in active markets are based on the quoted market prices at the close of trading on the year end date.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, 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). There are no items to report therein as on June 30, 2017.
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2). There are no items to report therein as on June 30, 2017.
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3). There are no items to report therein as on June 30, 2017.

### 37. 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.

### 38. NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors of the Management Company in their meeting held on 4th of October, 2017 have proposed a final profit distribution of Rs.0.7 per certificate (2016: Rs.0.75) Cash Dividend (2016: Rs.10,341,314) for the year ended June 30, 2017.

### 39. RECLASSIFICATIONS

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

#### Reclassifications within Financial statement line items

Statement	Reclassification from	Reclassification to	Rupees
Balance Sheet	Advances, deposits, prepayments and other receivables	Long-term deposits	5,469
Balance Sheet	Advances against murabaha	Modaraba financing	500,000
Balance Sheet	Trade debts	Accrued Profit	4,644,483
Balance Sheet	Short-term murabaha financing	Murabaha financing	1,306,937
Profit and Loss account	Other income	Operating income	11,130,004

#### Reclassifications within Note line items

Financial Statement line	Reclassification from	Reclassification to	Rupees
Advances, deposits, prepayments and other receivables	Advance against expenses	Advance against purchase of stock	2,479,143
Advances, deposits, prepayments and other receivables	Prepaid fees and subscription	Prepaid insurance	37,162
Creditors, accrued and other liabilities	Others	Liabilities related to generator project	8,796
Creditors, accrued and other liabilities	Others	Liabilities related to FPM Solutions business	32,826
Operating expenses	- FPM Solutions	- dry batteries modaraba	5,102,961
Operating expenses	Travelling and conveyance	- FPM Petro	384,849
Operating expenses	Others	- FPM Petro	557,357

**40. GENERAL**

All figures have been rounded off to the nearest Rupees.

**41. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue by the Board of Directors of the Management Company on October 04, 2017.

Chief Executive

Director

Director

FIRST PARAMOUNT MODARABA

Pattern of Shareholding

As On 30/06/2017

Page : 1

Date : 21/07/2017

<---- HAVING SHARES ---->					
NO. OF SHAREHOLDERS	From	To	SHARES HELD	PERCENTAGE	
197	1	100	5554	0.0403	
155	101	500	38818	0.2815	
224	501	1000	165257	1.1985	
460	1001	5000	976697	7.0835	
80	5001	10000	559157	4.0553	
54	10001	15000	664048	4.8160	
25	15001	20000	425632	3.0869	
20	20001	25000	453089	3.2860	
23	25001	30000	630897	4.5756	
7	30001	35000	230446	1.6713	
6	35001	40000	224281	1.6266	
2	40001	45000	82015	0.5948	
7	45001	50000	333653	2.4198	
3	50001	55000	152661	1.1072	
11	55001	60000	638822	4.6330	
2	60001	65000	129666	0.9404	
4	65001	70000	265036	1.9222	
1	70001	75000	73975	0.5365	
4	75001	80000	308665	2.2386	
2	80001	85000	163793	1.1879	
1	90001	95000	93451	0.6778	
3	95001	100000	294909	2.1388	
1	100001	105000	101132	0.7335	
4	110001	115000	456042	3.3074	
2	115001	120000	238299	1.7283	
1	125001	130000	128749	0.9337	
2	150001	155000	303438	2.2007	
1	155001	160000	158068	1.1464	
1	160001	165000	162634	1.1795	
1	170001	175000	171837	1.2462	
1	185001	190000	187034	1.3565	
1	190001	195000	190703	1.3831	
5	225001	230000	1145500	8.3077	

FIRST PARAMOUNT MODARABA

Pattern of Shareholding

As On 30/06/2017

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<---- HAVING SHARES ---->				
NO. OF SHAREHOLDERS	From	To	SHARES HELD	PERCENTAGE
1	295001	300000	295182	2.1408
1	315001	320000	318042	2.3066
1	325001	330000	325747	2.3625
1	375001	380000	379046	2.7490
1	505001	510000	507492	3.6806
1	1805001	1810000	1808949	13.1193
1317		Company Total	13788416	100.0000

FIRST PARAMOUNT MODARABA

Category of Shareholders

As On 30/06/2017

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Date : 21/07/2017

Particulars	No of Folio	Balance Share	Percentage
DIRECTORS, CEO & CHILDREN	5	286034	2.0745
ASSOCIATED COMPANIES	4	1965768	14.2567
BANKS, DFI & NBFI	1	28	0.0002
GENERAL PUBLIC (LOCAL)	1273	10225965	74.1634
GENERAL PUBLIC (FORIEGN)	23	538603	3.9062
OTHERS	10	264526	1.9185
MODARABAS	1	507492	3.6806
<b>Company Total</b>	<b>1317</b>	<b>13788416</b>	<b>100.0000</b>

FIRST PARAMOUNT MODARABA

Category of Shareholders

As On 30/06/2017

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Folio No	Name	Code	Balance Held	Percentage
00000001121	MR. NADIM IQBAL	001	1160	0.0084
00000001706	MR. TANWEER AHMED MAGOON	001	99487	0.7215
00000002006	MR. HUMAYUN MAZHAR QURESHI	001	162634	1.1795
00000008271	MR. ABDUL RAZZAK JANGDA	001	107	0.0008
000208002994	ABDUL RAZZAK JANGDA	001	22646	0.1642
000000000001	PARAMOUNT INVESTMENTS LIMITED	002	8371	0.0607
00000001963	PARAMOUNT INVESTMENT LIMITED	002	113292	0.8216
00000008004	PARAMOUNT INVESTMENTS LIMITED	002	35156	0.2550
003277071155	PARAMOUNT INVESTMENTS LIMITED	002	1808949	13.1193
003889000028	NATIONAL BANK OF PAKISTAN	004	28	0.0002
00000001344	SUBLIME SPORTS (PVT) LTD.	010	151375	1.0978
00000008403	M/S. EASTERN COMMERCIAL CORPORATION (PVT.) LTD.	010	1321	0.0096
000009900008	FEDERAL BOARD OF REVENUE	010	27233	0.1975
003277078335	TRUSTEE NATIONAL BANK OF PAKISTAN EMPLOYEES PENSION FUND	010	4821	0.0350
003277082127	TRUSTEE NATIONAL BANK OF PAKISTAN EMP BENEVOLENT FUND TRUST	010	167	0.0012
003525057191	SARFRAZ MAHMOOD (PRIVATE) LTD	010	571	0.0041
003525087235	MAPLE LEAF CAPITAL LIMITED	010	1	0.0000
004705087224	FEDERAL BOARD OF REVENUE	010	73975	0.5365
006684152143	DREKKAR KINGSWAY LIMITED	010	62	0.0004
014241000022	FIKREE'S (SMC-PVT) LTD.	010	5000	0.0363
000009900005	FIRST NATIONAL MODARABA	011	507492	3.6806

مضار بہ کی انتظامیہ اور بورڈ آف ڈائریکٹرز ان تمام اداروں اور افراد جن کی مسلسل حمایت اور تعاون ہمیں حاصل رہا، کی شکر گزار ہے۔ ہم خصوصاً رجسٹرار مضار بہ، سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور اسٹیٹ بینک آف پاکستان کا شکریہ ادا کرتے ہیں۔

ہم تمام اسٹاف ارکان کی کارکردگی کے بھی معترف ہیں جنہوں نے وقتاً فوقتاً دیے گئے اہداف کو مکمل کرنے میں تندہی کا مظاہرہ کیا۔ فرسٹ پیروٹھ مضار بہ کے مینجرز، پیروٹھ انویسٹمنٹ لمیٹڈ (پی آئی ایل) کے بورڈ آف ڈائریکٹرز کی جانب سے

سید وجیہہ حسن

چیف ایگزیکٹو آفیسر

کراچی

۲۴ اکتوبر ۲۰۱۷ء

- مضاربہ کی جانب سے محاسبی کے کھاتوں کو باقاعدہ محفوظ رکھا جاتا ہے۔
- محاسبی کی مناسب پالیسیوں کو مستقل بنیادوں پر مالی دستاویزات کی تیاری میں استعمال کیا جاتا ہے اور محاسبی کے تمام تخمینے قرین قیاس ہیں۔
- مالیاتی دستاویز بنانے وقت پاکستان میں مستعمل انٹرنیشنل فنانشل رپورٹنگ اسٹینڈرڈز کی مکمل پاسداری کو ممکن بنایا جاتا ہے۔
- اندرونی کنٹرول کا نظام انتہائی مربوط ہے اور موثر انداز میں اس کا نفاذ کرنے کے بعد اس کی نگرانی بھی کی جاتی ہے۔
- مضاربہ مالیاتی طور پر مستحکم ہے اور اس بات میں شک کی گنجائش نہیں ہے مضاربہ ہیئگی کی بنیاد پر اپنا کاروبار چلا رہی ہے۔
- اسٹاک ایکسچینج کی لسٹنگ ریگولیشنز میں مذکور کوڈ آف کارپوریٹ گورننس کی بہترین روایات سے مضاربہ نے کبھی ایسی کوئی روگردانی نہیں کی جو قابل محاسبہ ہو۔
- دوران سال بورڈ آف ڈائریکٹرز کے ۱۱۲ اجلاس منعقد ہوئے جن میں ڈائریکٹرز کی حاضری درج ذیل ہے۔

ڈائریکٹر کا نام	اجلاسوں میں مطلوبہ شرکت	اجلاسوں میں شرکت
تنویر احمد ملکوں، چیئرمین	12	5
سید وجیہہ حسن، چیف ایگزیکٹو	12	11
پیر محمد کالیہ صاحب، ڈائریکٹر	12	12
عبدالرزاق جاگلڑا صاحب، ڈائریکٹر	12	11
ندیم اقبال صاحب، ڈائریکٹر	12	10
ہمایوں مظہر قریشی صاحب، آزاد ڈائریکٹر	12	10
خالد رحمان صاحب، آزاد ڈائریکٹر	12	11

- دوران سال آڈٹ کمیٹی کے ۱۲ اجلاس منعقد ہوئے جن کے ارکان کی حاضری درج ذیل ہے۔

ڈائریکٹر کا نام	اجلاسوں میں مطلوبہ شرکت	اجلاسوں میں شرکت
ہمایوں مظہر قریشی صاحب، چیئرمین	4	4
پیر محمد کالیہ صاحب، ڈائریکٹر	4	4
سید وجیہہ حسن، چیف ایگزیکٹو	4	4
ندیم اقبال صاحب، ڈائریکٹر	4	3

آڈٹ کمیٹی کی سفارشات ہومڈ نظر رکھتے ہوئے بورڈ نے آئندہ مالی سال، جو ۳۰ جون ۲۰۱۸ء کو اختتام پزیر ہوگا، کیلئے میسرز ڈیلوائٹ یوسف عدل، چارٹرڈ اکاؤنٹنٹس کو آڈیٹر مقرر کیا ہے جو رجسٹرڈ مضاربہ کمپنیز اینڈ مضاربہ کی منظوری سے مشروط ہوگا۔

اپنے کاروبار کو مزید مضبوط بنانے اور منافع میں مزید بہتری کیلئے انشاء اللہ اس مالی سال مضاربہ نے ادا شدہ سرمائے میں قابل قدر اضافے کے ذریعے اپنی بیلنس شیٹ کے حجم کو وسعت دینے کا فیصلہ کیا ہے۔  
جس سے دوسری جانب مضاربہ کے سرمایہ کاری کی سطح کے مزید وسیع ہونے کا امکان روشن ہوگا، جو کہ مضاربہ کے تجارتی منافع میں اضافے کا باعث بنے گا۔ انشاء اللہ۔

مالی نتائج:

مالی نتائج مختصر ادرج ذیل ہیں

۳۰ جون ۲۰۱۶ کو ختم ہونے والا سال (رقم روپوں میں)	۳۰ جون ۲۰۱۷ کو ختم ہونے والا سال (رقم روپوں میں)	
13,040,109	7,180,218	منافع بعد از ٹیکس
24,718,879	24,809,654	سال کے آغاز پر غیر منقسم شدہ منافع
37,758,988	31,989,872	منافع دستیاب برائے تقسیم
		اختصاصات
(10,341,312)	(9,651,893)	ڈیویڈنڈ برائے تقسیم
(2,608,022)	(1,436,043)	منتقلی برائے قانونی ذخائر
24,809,654	20,901,935	سال کے اختتام پر غیر منقسم شدہ منافع
1.01	0.52	آمدن فی حصص

منافع منقسمہ:

۴ اکتوبر ۲۰۱۷ کو منعقد ہونے والی بورڈ میٹنگ میں مضاربہ کے ڈائریکٹرز نے ۷۰ پیسے فی حصص (۷ فیصد) (ایک حصص کی قیمت دس روپے ہے) منافع کی تقسیم کا کی منظوری دی ہے۔ جس میں ۳۰ جون ۲۰۱۷ تک نافذ قوانین کے تحت ٹیکس اور زکوٰۃ کی کٹوتی کی جائے گی۔  
پروڈنشل ضابطوں کی تعمیل میں ۱.۴۳ ملین روپے کی رقم کو قانونی ذخائر میں منتقل کیا گیا ہے۔ پروڈنشل ضابطوں کا تقاضا ہے کہ کم از کم ۲۰ فیصد منافع بعد از ٹیکس کو اس طرح کے ذخائر میں منتقل کیا جائے تاکہ یہ ذخائر ادا شدہ سرمائے کے ۱۰۰ فیصد مساوی نہ ہو جائیں۔

کوڈ آف کارپوریٹ گورننس کی پاسداری:

جیسا کہ کوڈ آف کارپوریٹ گورننس کا تقاضا ہے، آپ کی کمپنی کے ڈائریکٹرز بمسرت اس بات کی تصدیق کرتے ہیں کہ:  
- مضاربہ کی انتظامیہ کی جانب سے تیار کی جانے والی مالی دستاویزات، شفاف انداز سے کمپنی کے معاملات، کاروباری نتائج، نقد رقوم کی ترسیل، اور سرمائے پر مبنی حصص میں رد و بدل کی نمائندگی کرتی ہیں۔

ڈائریکٹرز رپورٹ برائے حصص یافتگان، فرسٹ پیرامونٹ مضاربہ:

۳۰ جون ۲۰۱۷ کو ختم ہونے والے مالی سال کے نتائج آپ کے گوش گزار ہیں۔ بہت سے پہلوؤں سے یہ ایک اہم مالی سال تھا۔ اس سال کے دوران مضاربہ نے کامیابی سے اپنے بیمار پروجیکٹ ”ویٹنگ یونٹ“ کو فروخت کرنے کا معاہدہ اور انتظام کیا۔ اور ”رینٹل پاور پروجیکٹ“ کے تیزی سے متروک ہوتے ہوئے تین عدد جزیرے کی فروخت سرانجام دی۔ مضاربہ کے قوانین اور ضابطوں پر عمل درآمد کرتے ہوئے مضاربہ نے مختصر مدت کے مراعات کی رقم کے ایک معینہ مدت تک وصول نہ ہونے والے حصے کا پروویژن دیا گیا۔ (جس کو کسی بھی طرح سے ناقابل وصول نہیں سمجھا جاسکتا)۔ اس کے علاوہ مضاربہ کے ایک ٹیکنالوجی اور پاور سے متعلق شعبہ۔ ایف پی ایم سلیوشنز (FPM Solutions) کی تجارتی وصولیوں کے ایک حصے کو ذائد المیعاد ہونے کی وجہ سے ناقابل وصول قرار دیا گیا ہے۔ ان تمام ٹرانزیکشنز نے مضاربہ کے اس سال کے خالص منافع پر مجموعی طور پر ۸.۲ ملین روپے کا منفی اثر ڈالا۔ ان میں اکثر ٹرانزیکشنز کا دوبارہ وقوع پزیر ہونے کا کوئی امکان نہیں۔

مندرجہ بالا نقصان کا مداوا جزوی طور پر ورکرز ویلفیئر فنڈ (WWF) کے لیے مختص کی گئی رقم کی حسابات میں واپسی کے ذریعے کیا گیا۔ سپریم کورٹ آف پاکستان کے فیصلے کی روشنی میں ۲.۷ ملین روپے کو اس سال کے منافع میں شامل کیا گیا۔

اس سال مضاربہ ڈپازٹس بھی کم ہو کر ۱۸۷.۴ ملین رہ گئے (جو کہ گزشتہ سال کے آخر تک ۲۲۷.۷۴ ملین روپے تھے)۔ ڈپازٹس میں کمی کی وجہ سے سیوریٹی اینڈ ایکسیچج کمیشن آف پاکستان (SECP) کی جانب سے سرمایہ کاروں سے رقم کی وصولی کے اجازت نامے کی عارضی معطلی تھی۔ جو ۳۱ اگست ۲۰۱۶ سے ۱۶ مارچ ۲۰۱۷ تک کا ساڑھے چھ ماہ کے عرصے نافذ رہی، جو کہ منفی طور پر مضاربہ کے منافع پر اثر انداز ہوا۔

مندرجہ بالا تمام صورت حال کو مد نظر رکھتے ہوئے ۳۰ جون ۲۰۱۷ کو اختتام پزیر ہونے والے مالی سال کا منافع ۷۱،۸۲،۲۱۸ روپے ہے کہ جب کہ ۳۰ جون ۲۰۱۶ کو اختتام پزیر ہونے والے سال کا منافع ۱۰۹،۴۲،۱۰۹ روپے تھا۔

ڈیوڈینڈ:

مضاربہ کا انکم ٹیکس حکام (FBR) سے قابل واپسی ٹیکس کی وصولی کے لیے دعویٰ ہے جس کا اثر گزشتہ سالوں کے حسابات میں نہیں لیا گیا تھا۔ مضاربہ اس سال اس رقم کو غیر منقسم شدہ منافع میں ضم کر کے اس کا اثر اپنے حسابات میں لیا ہے جس کے نتیجے میں مضاربہ کے عمومی ذخائر میں ۵.۹ ملین روپے کا اضافہ ہوا۔ نتیجتاً مضاربہ اپنے حصص یافتگان کو ۷۰ پیسے فی حصص منافع کی تقسیم کر سکا۔

مالی سال ۱۸-۲۰۱۷ میں کاروبار میں وسعت اور منافع کے امکانات:

مضاربہ جزیرے اور ویٹنگ یونٹ کی فروخت اور تجارتی وصولیوں سے متعلق ہونے والے نقصانات کا بوجھ اس سال اٹھایا جا چکا ہے اور مضاربہ کے اپنے یونٹس ایف پی ایم سلیوشنز (FPM Solutions) اور ایف پی ایم پیٹرو سروسز (FPM-Petro Services) کی کارکردگی بہتر ہوئی ہے، اس لیے ہم امید کرتے ہیں کہ ۱۸-۲۰۱۷ کا سال انشاء اللہ مزید منافع بخش ہوگا۔

## Notice of Annual Review Meeting

Notice is hereby given that the Eighteenth (18<sup>th</sup>) Annual Review Meeting of Certificate-Holders of First Paramount Modaraba (FPM) will be held on Tuesday, 31 October 2017 at 01:30 p.m. Room No: 201, 2nd Floor, PECHS Community Hall, Block-2, PECHS, Shahrah-e-Quideen, Karachi, to review the performance of the Modaraba for the year ended 30 June 2017.

On behalf of the Board

Abdullah Khan  
(Company Secretary)  
M/s Paramount Investments Limited  
Managers of First Paramount Modaraba  
06<sup>th</sup> October 2017  
Karachi

### Notes:

1. The certificate transfer books shall remain closed from Tuesday, 24 October 2017 to Tuesday, 31 October 2017 (both days inclusive). Transfers received in order at the office of the Registrar of First Paramount Modaraba (FPM) i.e. M/sTHK Associates (Pvt.) Ltd., before the close of business hours on Monday, 23 October 2017 will be treated as in time for the purpose of entitlement to Cash Dividend to the transferees and to attend the Annual Review Meeting.
2. The Certificate holders are advised to notify change in their address, if any, to the Share Registrars, M/s THK Associates (Pvt.) Ltd, at 1st Floor, 40-C, Block 6, PECHS Karachi – 75400, Telephone No: 021-111-000-322, Fax No: 021-34168271.
3. For attending the Meeting:
  - i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original CNIC or original passport at the time of attending the Meeting.
  - ii) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced at the time of the Meeting.
4. In terms of Securities and Exchange Commission of Pakistan's (SECP) S.R.O. 634 (I)/ 2014, the Annual Report for the year ended 30 June 2017 will also be placed on Modaraba's website simultaneously with the dispatch of the same to the certificate holders.
5. Deduction of withholding tax on the amount of Dividend

The Government of Pakistan through Finance Act, 2014 has made certain amendments in section 150 of the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies. Further, the Government of Pakistan through Finance Act, 2017 has revised the withholding tax rates for tax year 2017-2018 as under:

- (a) Rate of tax deduction for the filer(s) of income tax returns: 15%
- (b) Rate of tax deduction for the non-filer(s) of income tax returns: 20%

To enable the company to make tax deduction on the amount of cash dividend @ 15% instead of 20%, all the certificate holders whose names are not entered into the Active Tax-payers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered into ATL before the start of closed period (referred above) otherwise tax on their cash dividend will be deducted @20% instead of 15%. For any query/problem/information, the Certificate holders may contact the Share Registrar at 1st Floor, 40-C, Block 6, PECHS Karachi – 75400, Telephone No: 021-111-000-322, Fax No: 021-34168271.

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

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

6. Dividend Mandate (Mandatory)

As per Section 242 of the Companies Act, 2017 (the "Act"), the payment of cash dividend through electronic mode has now become mandatory. However, as per Circular No. 18/2017 dated 01 August 2017, the Securities and Exchange Commission of Pakistan has granted one time relaxation till 31 October 2017 to comply with the said requirement. Therefore, all the certificate holders of First Paramount Modaraba (FPM) are hereby advised to provide dividend mandate of their respective banks in the "Dividend Mandate Form" available on Company's website. Certificate holders maintaining shareholding under Central Depository System (CDS) are advised to submit their bank mandate information directly to the relevant participant / CDC Investor Account Service. For more information, you may contact our share registrar at THK Associates (Private) Limited: 1st Floor, 40-C, Block 6, PECHS Karachi – 75400, Telephone No: 021-111-000-322, Fax No: 021-34168271.

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

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

FolioNo. /CDC AccountNo.	Total Certificates	Principal Certificateholder		Joint Certificateholder	
		Nameand CNIC No.	CertificateholdingProportion (No.ofcertificates)	Nameand CNIC No.	CertificateholdingProportion (No.ofcertificates)

The required information must reach our Share Registrar before the close of business on Monday, 23<sup>rd</sup> October 2017; otherwise it will be assumed that the certificates are equally held by Principal Certificate-Holder and Joint-holder(s).

8. As per the directives issued by the Securities and Exchange Commission of Pakistan ("SECP") vide S.R.O.787(1)2014 dated 08 September 2014, companies are allowed the circulation of Audited Financial Statements along with Notice of Annual Review Meeting to their certificate holders through email. Certificate holders who wish to receive Modaraba's Annual Report via email in future are requested to fill the consent form (available at First Paramount Modaraba website) and return it to our Share Registrar at 1st Floor, 40-C, Block 6, PECHS Karachi – 75400, Telephone No: 021-111-000-322, Fax No: 021-34168271.

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

Pursuant to the directions given by the Securities and Exchange Commission of Pakistan through its SRO 787(1)/2014 dated September 8, 2014 and SRO 470(1)/2016 dated May 31, 2016 that have allowed the companies to circulate its Annual Audited Accounts (i.e Annual Balance Sheet and Profit and Loss Accounts, Statement of Comprehensive Income, Cash Flow Statement, Notes to the Financial Statements, Auditor's and Director's Report) to its members through Email/CD/DVD/USB/ or any other Electronic Media at their registered addresses.

Certificate-Holders who wish to receive the hardcopy of Financial Statements shall have to fill the attached request form (also available on the company's website [www.fpm.com.pk](http://www.fpm.com.pk)) and send us to the company address.

## DIVIDEND MANDATE FORM

Date:

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

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

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

### INDIVIDUAL CERTIFICATE HOLDER(S)

Signature

CNIC No. \_\_\_\_\_  
(copy attached)

### CORPORATE ENTITY

Authorized Signatory (ies)

NTN No. \_\_\_\_\_  
(copy attached)

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

BOOK POST  
Printed Matter

Under Postal Certificate



AN ISLAMIC FINANCIAL INSTITUTION  
**FIRST PARAMOUNT  
MODARABA**  
AMARAT - SHIRAKAT - BARRAT

REGISTERED OFFICE

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