



FIRST PARAMOUNT MODARABA

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

ANNUAL REPORT | 2019

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



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Mission & Vision

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



STATEMENT OF ETHICS AND BUSINESS PRACTICES

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

**CORPORATE INFORMATION
 FIRST PARAMOUNT MODARABA
 MANAGED BY: PARAMOUNT INVESTMENTS LIMITED**

BOARD OF DIRECTORS

Mr. Tanveer Ahmed Magoon	Chairman
Mr. Syed Wajih Hassan	Chief Executive Officer
Mr. Nadeem Iqbal	Director
Mr. Pir Muhammad Kalia	Director
Mr. Abdul Razzak Jangda	Director
Mr. Habib Ahmed Naveed	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. Khalid Rehman	Chairman
Mr. Tanveer Ahmed Magoon	Member
Mr. Nadeem Iqbal	Member
Mr. Syed Wajih Hassan	Member

CHIEF FINANCIAL OFFICER / COMPANY SECRETARY

Mr. Ammad Jamal

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 MANAGEMENT COMPANY

M/s Rahim Jan & Co.

Chartered Accountants

LEGAL ADVISOR

M/s Raja Qasit Nawaz, Advocates

BANKERS

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

REGISTERED OFFICE

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

SHARE REGISTRAR

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

DIRECTORS REPORT TO THE CERTIFICATE-HOLDERS OF FIRST PARAMOUNT MODARABA

The Directors of Paramount Investment Limited, Management Company of First Paramount Modaraba, are pleased to present the duly audited financial statements for the financial year ended on 30th June 2019, along with Sharia Advisor's report and Report of External Auditors to the Certificate Holders.

The year under review was a turbulent year for the economy. Adhering to the IMF conditions, Government adjusted tax rates and duties, alterations were made in Pak Rupee to US Dollar parity and steps were taken for the enhancement of tax payers' base. Businessmen of the Country at large are still in process of getting used to of this new business environment.

Governments another challenge during the period was to meet the expectations of Financial Action Task Force – FATF. Anti-Money Laundering / Combating the Financing of Terrorism – AML/CFT, related compliances require business environment of the country to be more organized, documented and more responsible in its conduct.

Collectively, these efforts of the Government have, so far, affected the businesses of the Country negatively and have caused a general slowdown of the economy.

In spite of these trying circumstances, the Modaraba, Alhamdulillah, has posted a net profit of Rs. 12,085,098/- for the period ending June 30th 2019 as compared to Rs. 10,864,989/- for the same period last year. 'Earning per Certificate' for the period is Rs. 0.88 while it was at Rs. 0.79 for the last year. Net increase in profits from last year is 11.2%.

During the period Modaraba also absorbed the charge for provision against impairment in the book values of its generators (PKR 1.9 Million) – on the advice of valuers. This would serve as hedge over potential loss on Sale of these gensets.

Results of Modaraba are encouraging in more than one ways. Firstly, these are achieved in a period when Country's business environment is sluggish and an air of uncertainty persists amongst the business community.

Secondly, every unit of Modaraba is, Alhamdulillah, in profits now and is contributing in the profitability of the Modaraba. With the enhancing deposit base, Modaraba's profits are likely to increase in the coming years, InshAllah.

Thirdly, Modaraba is persisting with its resolve to keep a sizable part of its investments in participatory financing products, i.e. Musharaka and Modaraba

Management of Modaraba is constantly pursuing new venues and ventures that could improve the net returns of the Modaraba. Enhancement in Equity is still on the priority, however, this require some stability in the Stock Market.

Financial Results:

Financial results are summarized as under:

	Year ended 30 th June, 2019 (Amount in Rupees)	Year ended 30 th June, 2018 (Amount in Rupees)
Profit after Taxation	12,085,098	10,864,989
Add: Unappropriated profit/(loss) brought forward	19,942,043	20,901,935
Profit available for appropriation	31,027,141	31,766,925
APPROPRIATIONS		
Profit distribution @ 10 % (2018 @7%)	(13,788,419)	(9,651,893)
Statutory reserve 20% (2018 @20%)	(2,417,020)	(2,172,998)
Unappropriated profit carried forward	15,821,702	19,942,043
EPS	0.88	0.79

Dividend:

The Board, in its meeting held on October 01, 2019, has approved the distribution of profit of Rs. 1 (10%) per certificate (2018: Rs.0.7 i.e 7%) of Rs. 10 each, subject to deduction of zakat and tax at source where applicable, for the year ended June 30, 2019.

An amount of Rs. 2.417 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;
- Board of Directors has 8 Members including 7 directors and CEO. The composition of the board is as follows:

Male: 8
Female: 0

Name of Director
Mr. Tanveer Ahmed Magoon, Chairman
Syed Wajih Hassan, Chief Executive
Mr. Pir Muhammad Kalia, Director
Mr. Abdul Razzak Jandga, Director
Mr. Nadeem Iqbal, Director
Mr. Humayun Mazhar Qureshi, Independent Director
Mr. Khalid Rehman, Independent Director
Mr. Habib Ahmed Naveed, Independent Director

- During the year under review, eight (08) meetings of the Board of Directors were held. Attendance by each director was as follows:

Name of Directors	Meetings Eligibility	Meeting Attended
Mr. Tanveer Ahmed Magoon, Chairman	8	5
Syed Wajih Hassan, Chief Executive	8	8
Mr. Pir Muhammad Kalia, Director	8	6
Mr. Abdul Razzak Jandga, Director	8	8
Mr. Nadeem Iqbal, Director	8	8
Mr. Humayun Mazhar Qureshi, Independent Director	8	7
Mr. Khalid Rehman, Independent Director	8	8
Mr. Habib Ahmed Naveed, Independent Director	2	2

- j) During the year, five (05) meetings of the Audit Committee were held. Attendance by each member was as follows:

Name of Directors	Meetings Eligibility	Meeting Attended
Mr. Humayun Mazhar Qureshi, Chairman	5	5
Mr. Pir Muhammad Kalia, Director	5	4
Syed Wajih Hassan, Chief Executive	5	5
Mr. Nadeem Iqbal, Independent Director	5	5

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

Name of Directors	Meetings Eligibility	Meeting Attended
Mr. Khalid Rehman, Chairman	1	1
Mr. Tanweer Ahmed Magoon, Director	1	1
Syed Wajih Hassan, Chief Executive	1	1
Mr. Nadeem Iqbal, Director	1	1

Director Remuneration

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

Shari'ah Advisor's Report

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

External Auditors

On the recommendation of the Audit Committee, the Board has approved the appointment of the auditors M/s. Deloitte Yousuf Adil, Chartered Accountants as auditors for the year ending June 30, 2020 subject to approval by the Registrar Modaraba Companies and Modarabas.

Acknowledgement

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

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

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

Syed Wajih Hassan
Chief Executive Officer

Karachi

Date: October 01, 2019

- دوران سال ایچ آر کمیٹی کا ۰۱ اجلاس ہوا جن کے ممبرز کی حاضری درج ذیل ہے۔

ڈائریکٹرز کے نام	اجلاسوں میں مطلوبہ شرکت	اجلاسوں میں شرکت
خالد رحمان صاحب، چیئرمین	1	1
تنویر احمد لگون صاحب، ڈائریکٹر	1	1
سید وجیہہ حسن صاحب، چیف ایگزیکٹو	1	1
ندیم اقبال صاحب، ڈائریکٹر	1	1

ڈائریکٹرز کا مشاہرہ

ڈائریکٹرز کی بورڈ کے کسی بھی اجلاس میں شرکت پیراماونٹ انویسٹمنٹ لیمنٹ کی متعین کردہ ڈائریکٹرز رٹلائی پالیسی کے تحت مقرر کی جاتی ہے۔

شرعی ایڈوائزر رپورٹ

مضاربہ مستقل طور پر شرعی مشیر مفتی فرحان فاروق کی زیر ہدایت کام کر رہا ہے اور حسب ضرورت اس بات کو یقینی بنا رہا ہے کہ تمام مالیاتی معاملات شریعہ آڈٹ مکینزم کے تحت انجام دیے جائیں جو رجسٹرار مضاربہ کی ہدایات کے مطابق ہوں۔

بیرونی آڈیٹرز

آڈٹ کمیٹی کی سفارشات کو مدنظر رکھتے ہوئے بورڈ نے آئندہ مالی سال، جو کہ ۳۰ جون ۲۰۲۰ کو اختتام پزیر ہوگا، کیلئے میسرز ڈیلوائٹ یوسف عدل، چارٹرڈ اکاؤنٹنٹس کو آڈیٹر مقرر کیا ہے جو رجسٹرار مضاربہ کی منظوری سے مشروط ہوگا۔

اظہار تشکر

مضاربہ کی انتظامیہ اور بورڈ آف ڈائریکٹرز ان تمام اداروں اور افراد جن کی مسلسل حمایت اور تعاون ہمیں حاصل رہا، کی شکر گزار ہے خصوصاً رجسٹرار مضاربہ، 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 پیراماونٹ مضاربہ کے مینیجرز اور پیراماونٹ انویسٹمنٹ لیمنٹ کے بورڈ آف ڈائریکٹرز کی جانب سے

سید وجیہہ حسن
چیف ایگزیکٹو آفیسر
کراچی
۰۱ اکتوبر ۲۰۱۹ء

- بورڈ آف ڈائریکٹرز کے کل ارکان کی تعداد ۸ ہے جس میں ۷ ڈائریکٹرز اور سی ای او شامل ہیں، بورڈ آف ڈائریکٹرز کی تنظیم درج ذیل ہے۔
- الف مرد ارکان: 8
ب خواتین ارکان: 0

ڈائریکٹرز کے نام
تنویر احمد گون صاحب، چیرمین
سید وجیہ حسن صاحب، چیف ایگزیکٹو آفیسر
پیر محمد کالیہ صاحب، ڈائریکٹر
عبدالرزاق جاگڑا صاحب، ڈائریکٹر
ندیم اقبال صاحب، ڈائریکٹر
ہمایوں مظہر قریشی صاحب، آزاد ڈائریکٹر
خالد رحمان صاحب، آزاد ڈائریکٹر
حبیب احمد نوید صاحب، آزاد ڈائریکٹر

- دوران سال بورڈ آف ڈائریکٹرز کے ۸ اجلاس ہوئے جن میں ڈائریکٹرز کی حاضری درج ذیل ہے۔

ڈائریکٹرز کے نام	اجلاسوں میں مطلوبہ شرکت	اجلاسوں میں شرکت
تنویر احمد گون صاحب، چیرمین	8	5
سید وجیہ حسن صاحب، چیف ایگزیکٹو آفیسر	8	8
پیر محمد کالیہ صاحب، ڈائریکٹر	8	6
عبدالرزاق جاگڑا صاحب، ڈائریکٹر	8	8
ندیم اقبال صاحب، ڈائریکٹر	8	8
ہمایوں مظہر قریشی صاحب، آزاد ڈائریکٹر	8	7
خالد رحمان صاحب، آزاد ڈائریکٹر	8	8
حبیب احمد نوید صاحب، آزاد ڈائریکٹر	2	2

- دوران سال آڈٹ کمیٹی کے ۵ اجلاس ہوئے جن کے ممبرز کی حاضری درج ذیل ہے۔

ڈائریکٹرز کے نام	اجلاسوں میں مطلوبہ شرکت	اجلاسوں میں شرکت
ہمایوں مظہر قریشی صاحب، چیرمین	5	5
پیر محمد کالیہ صاحب، ڈائریکٹر	5	4
سید وجیہ حسن صاحب، چیف ایگزیکٹو آفیسر	5	5
ندیم اقبال صاحب، ڈائریکٹر	5	5

مالی نتائج:

مالی نتائج مختصر ادرج ذیل ہیں:

۳۰ جون ۲۰۱۸ کو ختم ہونے والا سال (رقم روپوں میں)	۳۰ جون ۲۰۱۹ کو ختم ہونے والا سال (رقم روپوں میں)	
10,864,989	12,085,098	منافع بعد از ٹیکس
20,901,935	19,942,043	سال کے آغاز پر غیر منقسم شدہ منافع
31,766,925	31,027,141	منافع دستیاب برائے تقسیم
		اختصاصات
(9,651,893)	(13,788,419)	ڈیویڈنڈ برائے تقسیم
(2,172,998)	(2,417,020)	منتقلی برائے قانونی ذخائر
19,942,043	15,821,702	سال کے اختتام پر غیر منقسم شدہ منافع
0.79	0.88	آمدنی فی حصص

منافع منقسمہ:

۱۰ اکتوبر ۲۰۱۹ کو منعقد ہونے والی بورڈ میٹنگ میں ایک روپے فی حصص (ایک حصص کی قیمت دس روپے ہے) منافع کی تقسیم کا کی منظوری دی ہے۔ جس میں ۳۰ جون ۲۰۱۹ تک نافذ قوانین کے تحت ٹیکس اور زکوٰۃ کی کٹوتی کی جائے گی۔ پروڈنشل ضابطوں کی تعمیل میں ۲۴۱۷ 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 پنی حصص میں رد و بدل کی نمائندگی کرتی ہیں۔
- 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 فنانسشل 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 پیشگی کی بنیاد پر اپنا کاروبار چلا رہی ہے۔
- اسٹاک آپکھینج 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۔

ڈائریکٹرز رپورٹ برائے حصص یافتگان، فرسٹ پیراماؤنٹ مضاربہ:

پیراماؤنٹ انوسٹمنٹ لیمیٹڈ، جو فرسٹ پیراماؤنٹ مضاربہ کی مینجمنٹ کمپنی ہے، کے ڈائریکٹرز اپنے حصص یافتگان کو ۳۰ جون ۲۰۱۹ کو اختتام پزیر ہونے والے سال کے آڈٹ شدہ مالیاتی نتائج، شریعی ایڈورٹائزر رپورٹ اور ایکسٹرنل آڈیٹر رپورٹ کے ہمراہ بمسرت پیش کرتے ہیں۔

رواں سال معیشت کے لئے ہنگامہ خیز تھا، آئی ایم ایف کی شرائط کی پاسداری کرتے ہوئے حکومت نے ٹیکس کی شرح اور ڈیویڈنڈ کو ایڈجسٹ کیا۔ پاکستانی روپے کی مقدار امریکی ڈالر کے مقابلے میں تبدیل ہوئی۔ اور ٹیکس دہندگان کی تعداد کو بڑھانے کے لئے اقدامات کئے گئے۔ ملک بھر میں تاجروں کی بڑی تعداد اس نئے کاروباری ماحول اختیار کرنے کے مراحل میں ہے۔

حکومت کیلئے ایک بڑا چیلنج فنانشل ایکشن ٹاسک فورس (FATF) کی توقعات پر پورا اترنا تھا۔ انسداد منی لانڈرنگ اور دہشتگردوں کی مالی معاونت کی روک تھام سے متعلق قوانین کی پاسداری کیلئے ضروری تھا کہ ملک بھر کا کاروباری ماحول منظم انداز میں چلے اور کاروبار میں ذمہ دار نہ رویہ کا مظاہرہ ہو۔ حکومت کی ان کوششوں نے ملک کے کاروباری معاملات پر منفی اثرات مرتب کئے اور معیشت سست روی کا شکار رہی۔

ان سب مشکلات کے باوجود الحمد للہ مضاربہ نے ۳۰ جون ۲۰۱۹ کو ختم ہونے والے سال میں 12,085,089 روپے کا خالص منافع حاصل کیا ہے، جبکہ گزشتہ سال کا منافع 10,864,989 روپے تھا۔ اس سال نی حصص آمدنی 0.88 روپے رہی جو کہ گزشتہ سال 0.79 روپے فی حصص تھی۔ اس طرح گزشتہ سال کے مقابلے میں اس سال مضاربہ کے خالص منافع میں 11.2 فیصد کا اضافہ دیکھنے میں آیا۔

جنیریٹری بک ویلیو میں متوقع خسارے کے باعث دوران سال ویلیوز کے مشورے پر (۱۹ ملین) کمی کی گئی۔ اس کے نتیجے میں ان جنیریٹری فروخت کی صورت میں ہونے والے متوقع نقصان سے بچا جاسکے گا۔

مضاربہ کے نتائج کئی لحاظ سے حوصلہ افزاء ہیں۔ اول، یہ نتائج ایک ایسے وقت حاصل کئے گئے ہیں جب ملکی کاروبار سست روی کا شکار ہے اور کاروباری حلقوں میں غیر یقینی کی کیفیت باقی ہے۔

دوئم، مضاربہ کا ہر یونٹ اب منافع میں ہے اور مضاربہ کے منافع میں اپنا حصہ ڈال رہا ہے۔ ڈپازٹ بیس میں اضافہ کے ساتھ، انشا اللہ، آئندہ آنے والے سالوں میں مضاربہ کے منافع میں مزید اضافہ کا امکان ہے۔

سوئم، مضاربہ اپنے اس عزم پر قائم ہے کہ اسکی سرمایہ کاری کا ایک بڑا حصہ کاروباری شراکت کے اصول پر ہو۔ یعنی مشارکہ اور مضاربہ۔

مضاربہ کی انتظامیہ مسلسل نئے منصوبوں اور جہتوں کی تلاش میں ہے۔ تاکہ مضاربہ کے منافع میں مزید اضافہ کیا جاسکے۔ ایکویٹی میں اضافہ اب بھی ترجیح میں شامل ہے، البتہ اس کے لئے اسٹاک مارکیٹ میں استحکام آنا ضروری ہے۔

First Paramount Modaraba

(An Islamic Financial Institution)



Key operating & Financial Data

Particulars	2009-2010		2010-2011		2011-2012		2012-2013		2013-2014		2014-2015		2015-2016		2016-2017		2017-2018		2018-2019	
	Audited		Audited		Audited		Audited		Audited		Audited		Audited		Audited		Audited		Audited	
Paid up Capital	58,633,330		58,633,330		58,633,330		76,223,330		83,845,663		119,899,298		137,884,193		137,884,193		137,884,193		137,884,193	
Certificate Holders Equity	126,764,062		144,005,903		153,804,949		175,671,354		179,492,026		206,414,825		215,768,010		212,606,944		213,140,985		215,574,162	
Current Liabilities	103,622,723		61,613,599		42,062,560		42,547,400		61,773,184		88,724,801		89,490,384		66,711,658		103,055,448		115,966,875	
Total Liabilities	121,777,913		101,429,703		115,362,201		111,772,182		141,575,613		233,436,683		294,677,925		253,252,834		231,075,013		251,369,936	
Fixed Assets	29,103,860		31,584,091		31,698,742		52,561,369		60,188,077		55,644,542		34,152,161		24,617,224		24,786,815		18,753,478	
Current Assets	184,094,788		131,819,740		164,523,535		158,083,708		183,981,874		283,868,931		377,680,851		348,040,978		316,175,993		320,058,362	
Total Assets	248,541,975		245,435,606		269,167,150		266,954,068		321,067,638		439,851,508		510,445,965		465,859,778		444,215,971		466,944,098	
Operating Profit	18,570,219		30,884,267		26,506,919		18,564,957		14,013,133		11,473,070		14,734,586		8,113,241		12,545,848		13,656,108	
Profit before Tax	16,713,197		27,795,840		23,573,487		16,411,422		12,387,610		10,153,667		13,040,109		7,180,218		11,060,928		12,085,098	
Taxation	-		-		-		-		-		-		-		-		195,939		-	
Profit after Tax	16,713,197		27,795,840		23,573,487		16,411,422		12,387,610		10,153,667		13,040,109		7,180,218		10,864,989		12,085,098	
Dividend	18.0%		23.5%		23.5%		11.0%		13.0%		8.0%		7.5%		7.0%		7.0%		10.0%	
Bonus Certificate	0%		0%		0%		10.0%		10.0%		15.0%		0.0%		0.0%		0.0%		0.0%	
Earning per Certificate	2.85		4.74		4.02		2.20		1.48		1.02		0.95		0.52		0.79		0.88	
Break-up Value	21.62		24.56		26.23		23.05		21.41		17.22		15.65		15.42		15.46		15.63	

**Statement of Compliance with Listed Companies (Code of Corporate Governance)
Regulations, 2017**

First Paramount Modaraba (the Modaraba) managed by Paramount Investments Limited (the Management Company)
For Year ended June 30, 2019

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

The total number of directors are 8 as per the following:

Male: eight
Female: None

2. The composition of board is as follows:

Category	Names
A) Independent Directors	Mr. Khalid Rehman Mr. Humayun Mazhar Qureshi Mr. Habib Ahmed Navaid
B) Other Non-Executive Directors	Mr. Tanveer Ahmed Magoon Mr. Nadeem Iqbal Mr. Pir Muhammad Kaliya Mr. Abdur Razzak Jangda
C) Chief Executive	Mr. Syed Wajih Hasan

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this Management Company (excluding the listed subsidiaries of listed holding companies where applicable).
4. The Management Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Management Company, however, the Management Company is in process to develop the supporting policies and procedures of the Code and keep them on website.
5. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the Management Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board / shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.
8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. All the directors of the Management Company have minimum of 14 years of education and 15 years of experience on the board of a listed Management Company and therefore may be exempt from director's training program subject to Commission's grant of exemption. Further, the Management Company is in process to seek exemption from directors training program certification.
10. There was no new appointment of Chief Financial Officer and Company Secretary during the year, however, the Board appointed the Head of Internal Audit during the year.

12. CFO and CEO duly endorsed the financial statements before approval of the board.
13. The board has formed committees comprising of members given below:

Committee	Name of members and Chairman	
a) Audit Committee	Mr. Humayun Mazhar Qureshi Mr. Nadeem Iqbal Mr. Pir Muhammad Kaliya	Chairman Member Member
b) HR and Remuneration Committee	Mr. Khalid Rehman Mr. Tanveer Ahmed Magoon Mr. Syed Wajih Hasan	Chairman Member Member

14. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings of the committee were as per following:

Committee	Frequency of meetings
a) Audit Committee	Four quarterly meetings during the financial year ended June 30, 2019
b) HR and Remuneration Committee	One meeting held during the year

15. The board has set up an effective internal audit function and its members are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Management Company.
16. The statutory auditors of the Management Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Management Company 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.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all other requirements of the Regulations have been complied with except following;
- I. Regulation 10(3) (va) requires to have a formal mechanism in place for succession planning and the remuneration of key executive, however no such mechanism is in place.
 - II. Regulation 10(6) requires that all the Directors of a company shall attend its general meeting(s), however only two directors attended the annual review meeting.
 - III. Regulation 28(1)(d) requires that the Audit Committee of a company shall appoint a secretary of the committee who shall either be the company secretary or head of internal audit, however, the secretary of the Committee is none of these personnel.
 - IV. Chief Financial Officer and Company Secretary are not the separate persons.

Tanveer Ahmed Magoon
Chairman
Karachi: October 1, 2019

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

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of **PARAMOUNT INVESTMENTS LIMITED (the Management Company) in respect of FIRST PARAMOUNT MODARABA (the Modaraba)** for the year ended June 30, 2019 in accordance with the requirements of Regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Management Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Management Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Regulations.

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

The Regulations require the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. 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 procedures to assess and determine the Management Company's process for identification of related parties and that 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 requirements contained in the Regulations as applicable to the Management Company for the year ended June 30, 2019.

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

S.No	Reference	Description
a	4	The Management Company is in process to develop its supporting policies and procedures as required by Regulation 10(3) (ii).
b	9	The Management Company is in process to seek exemption from directors training program certification for eligible directors as required by Regulation 20(2).

- c 18(i) Regulation 10(3) (va) requires to have a formal mechanism in place for succession planning and the remuneration of key executive, however no such mechanism is in place.
- d 18(ii) Regulation 10(6) requires that all the Directors of a company shall attend its general meeting(s), however only two directors attended the annual review meeting.
- e 18(iii) Regulation 28(1)(d) requires that the Audit Committee of a company shall appoint a secretary of the committee who shall either be the company secretary or head of internal audit, however, the secretary of the Committee is none of these personnel.
- f 18(iv) Chief Financial Officer and Company Secretary are not the separate persons.

Chartered Accountants

Date: October 1, 2019

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, 2019 and the related profit and loss account, 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, 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, except for the changes as mentioned in note 3.1 and 3.2, with which we concur;
 - (ii) the expenditure incurred during the year was for the purpose of the Modaraba's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, 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



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of the state of the Modaraba's affairs as at June 30, 2019 and of the profit, its cash flows and changes in equity for the year then ended; and

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

Chartered Accountants

Engagement Partner:
Nadeem Yousuf Adil

Dated: October 1, 2019
Karachi

Shariah Advisor's Report

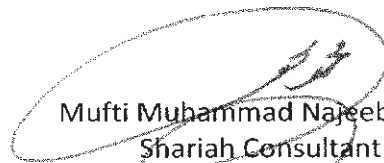
I have conducted the Shariah review of First Paramount Modaraba managed by Paramount Investments Limited Modaraba Company for the financial year ended June 30th 2019, in accordance with the requirements as reported hereunder, in my opinion:

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

Dated: September 16, 2019



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, 2019**

		June 30, 2019	June 30, 2018
ASSETS			
NON CURRENT ASSETS			
Fixed assets	5	18,753,478	24,786,815
Murabaha financing	6	68,893,341	70,696,277
Diminishing musharaka financing	7	12,147,223	9,416,233
Musharaka financing	8	45,460,375	21,968,000
Loans to employees	9	1,189,000	730,334
Long-term deposits		442,319	442,319
		<u>146,885,736</u>	<u>128,039,978</u>
CURRENT ASSETS			
Stores and spare parts		1,771,015	2,863,760
Trade debtors	10	101,354,322	88,701,104
Advances, deposits, prepayments and other receivables	11	29,950,235	26,868,562
Modaraba financing	12	10,994,532	15,611,512
Short-term murabaha financing	13	10,151,669	4,465,398
Current portion of murabaha financing	6	89,059,262	98,833,274
Current portion of diminishing musharaka financing	7	8,264,830	4,004,194
Current portion of musharaka financing	8	5,504,470	7,004,470
Current portion of loans to employees	9	585,338	538,000
Receivable against sale of weaving unit		1,245,000	1,965,000
Advances against murabaha	14	-	11,100,084
Accrued profit		11,712,744	7,503,649
Advance income tax		29,462,226	21,137,910
Cash and bank balances	15	20,002,719	25,579,076
		<u>320,058,362</u>	<u>316,175,993</u>
		<u>466,944,098</u>	<u>444,215,971</u>
CAPITAL AND RESERVES			
Authorised certificate capital 25,000,000 (2018: 25,000,000) certificates of Rs.10 each		<u>250,000,000</u>	<u>250,000,000</u>
Issued, subscribed and paid-up certificate capital	16	137,884,193	137,884,193
Capital reserves	17	49,804,137	47,387,117
Unappropriated profit		27,885,832	27,869,648
		<u>215,574,162</u>	<u>213,140,958</u>
NON CURRENT LIABILITIES			
Deferred income	18	14,921,700	17,714,976
Certificates of musharaka	19	120,481,361	110,304,589
		<u>135,403,061</u>	<u>128,019,565</u>
CURRENT LIABILITIES			
Creditors, accrued and other liabilities	20	31,112,581	16,033,308
Current portion of deferred income	18	16,651,141	14,039,420
Current portion of certificates of musharaka	19	51,776,200	58,565,000
Unclaimed profit distributions		16,426,953	14,417,720
		<u>115,966,875</u>	<u>103,055,448</u>
		<u>466,944,098</u>	<u>444,215,971</u>
CONTINGENCIES AND COMMITMENTS	21		

The annexed notes from 1 to 38 form an integral part of these financial statements.

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

Chief Executive

Director

Director

**FIRST PARAMOUNT MODARABA
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2019**

	Note	June 30, 2019 <u>(Rupees)</u>	June 30, 2018 <u>(Rupees)</u>
Operating income	22	219,160,249	257,140,117
Operating costs			
Operating expenses	23	192,214,884	233,126,911
Provision for doubtful recoveries - net	24	(734,580)	1,298,111
		<u>(191,480,304)</u>	<u>(234,425,022)</u>
		27,679,945	22,715,095
Gain on sale of fixed assets - net		145,343	2,231
Other income	25	968,892	810,133
Provision for impairment on fixed assets	5.1	(1,982,495)	-
Financial charges	26	(12,908,942)	(10,386,574)
		<u>13,902,743</u>	<u>13,140,885</u>
Modaraba company's management fee inclusive of sales tax	27	(1,571,010)	(1,484,920)
		<u>12,331,733</u>	<u>11,655,965</u>
Provision for Sindh Worker's Welfare Fund	20.1	(246,635)	(595,037)
Profit before tax		12,085,098	11,060,928
Taxation	28	-	(195,939)
Profit for the year		12,085,098	10,864,989
Earnings per certificate - basic and diluted	29	0.88	0.79

The annexed notes from 1 to 38 form an integral part of these financial statements.

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

Chief Executive

Director

Director

**FIRST PARAMOUNT MODARABA
 STATEMENT OF COMPREHENSIVE INCOME
 FOR THE YEAR ENDED JUNE 30, 2019**

	June 30, 2019	June 30, 2018
	----- (Rupees) -----	
Profit for the year	12,085,098	10,864,989
Other comprehensive income	-	-
Total comprehensive income for the year	<u>12,085,098</u>	<u>10,864,989</u>

The annexed notes from 1 to 38 form an integral part of these financial statements.

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

Chief Executive

Director

Director

First Paramount Modaraba

(An Islamic Financial Institution)



FIRST PARAMOUNT MODARABA CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2019

Note	June 30, 2019	June 30, 2018
	(Rupees)	
Profit before tax	12,085,098	10,864,989
Adjustments for:		
Depreciation	1,332,972	1,517,522
Amortisation	244,294	271,430
Provision for Sindh Workers' Welfare Fund	246,635	595,037
Provision for impairment on fixed assets	1,982,495	-
Financial charges	12,908,942	10,386,574
Provision for doubtful debts - net	(734,580)	1,298,111
Gain on sale of fixed assets - net	(145,343)	(2,231)
Taxation	-	195,939
Operating profit before working capital changes	<u>27,920,513</u>	<u>25,127,371</u>
(Increase) / decrease in assets		
Murabaha receivables - net	6,625,257	14,525,229
Diminishing musharaka receivables - net	(6,991,626)	7,784,734
Musharaka financing - net	(21,992,375)	3,082,000
Modaraba financing - net	4,616,980	9,626,403
Stores and spares	1,092,745	(443,833)
Long-term deposits	-	19,650
Trade debtors	(12,653,218)	(25,054,620)
Loan to employees	(506,004)	(687,334)
Advance against murabaha	11,100,084	(10,400,004)
Advances, deposit, prepayments and other receivables	(3,081,673)	1,819,373
Accrued profit	(4,209,095)	(2,655,446)
Receivable against sale of weaving unit	720,000	3,265,000
Increase / (decrease) in liabilities		
Creditors, accrued and other liabilities	14,832,638	(2,201,583)
Net cash generated from operations	<u>17,474,226</u>	<u>23,806,940</u>
Income tax paid	(8,324,316)	(9,531,593)
Financial charges paid	<u>(12,908,942)</u>	<u>(10,386,574)</u>
Net cash (used in) / generated from operating activities	<u>(3,759,032)</u>	<u>3,888,773</u>
Cash flows from investing activities		
Purchase of fixed assets	(249,125)	(1,992,791)
Additions to capital work-in-progress - net	-	(150,000)
Proceed from sale of fixed assets	2,868,044	186,479
Net cash generated from / (used in) investing activities	<u>2,618,919</u>	<u>(1,956,312)</u>
Cash flows from financing activities		
Certificate of Musharaka - net	3,387,972	(18,546,917)
Deferred income	(181,555)	(2,939,502)
Profit distributed	(7,642,661)	(8,932,689)
Net cash used in financing activities	<u>(4,436,244)</u>	<u>(30,419,108)</u>
Net decrease in cash and cash equivalents	<u>(5,576,357)</u>	<u>(28,486,647)</u>
Cash and cash equivalents at beginning of the year	<u>25,579,076</u>	<u>54,065,723</u>
Cash and cash equivalents at end of the year	<u>15</u> <u>20,002,719</u>	<u>25,579,076</u>

The annexed notes from 1 to 38 form an integral part of these financial statements.

For Paramount Investments Limited
(Management Company)

Chief Executive

Director

Director

**FIRST PARAMOUNT MODARABA
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2019**

	Issued, subscribed and paid up certificate capital	Reserves		Total reserve	Total equity and total reserve	
		Capital reserve	Revenue reserve			
	Merger reserve	Statutory reserve	Unappropriated profit			
(Rupees)						
Balance at July 01, 2017	137,884,193	1,935,160	42,233,765	30,553,826	74,722,751	212,606,944
Transactions with owners						
Profit distribution for the year ended June 30, 2017 @ Re.0.7 per certificate	-	-	-	(9,651,894)	(9,651,894)	(9,651,894)
Transferred to statutory reserve @ 20% (refer note 17.1)	-	-	2,172,998	(2,172,998)	-	-
Transferred to statutory reserve Management fee	-	-	1,045,194	(1,045,194)	-	-
	-	-	-	(679,081)	(679,081)	(679,081)
Total comprehensive income for the year ended June 30, 2018						
Profit for the year	-	-	-	10,864,989	10,864,989	10,864,989
Other comprehensive income	-	-	-	-	-	-
	-	-	-	10,864,989	10,864,989	10,864,989
Balance at June 30, 2018	137,884,193	1,935,160	45,451,957	27,869,648	75,256,765	213,140,958
Transactions with owners						
Profit distribution for the year ended June 30, 2018 @ Re. 0.7 per certificate	-	-	-	(9,651,894)	(9,651,894)	(9,651,894)
Transferred to statutory reserve @ 20% (refer note 17.1)	-	-	2,417,020	(2,417,020)	-	-
Total comprehensive income for the year ended June 30, 2019						
Profit for the year	-	-	-	12,085,098	12,085,098	12,085,098
Other comprehensive income	-	-	-	-	-	-
	-	-	-	12,085,098	12,085,098	12,085,098
Balance at June 30, 2019	137,884,193	1,935,160	47,868,977	27,885,832	77,689,969	215,574,162

The annexed notes from 1 to 38 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, 2019**

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 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) on June 26, 1994. The Modaraba is listed on the Pakistan Stock Exchange Limited. The registered office of the Modaraba is situated at Karachi, in the province of Sindh. The modaraba has a branch office situated in Islamabad, in the province of Punjab. 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" (d) Engineering products and solutions to upstream service companies under the name of " FPM Geo Dynamics International".

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the Modaraba Companies and Modaraba Rules, 1981 and directives issued by the Securities and Exchange Commission of Pakistan (the Modaraba Regulations) together with approved accounting standards as applicable in Pakistan to Modarabas. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP), as are notified under the provisions of the Companies Act, 2017 and made applicable to Modarabas. Wherever the requirements of the Modaraba Regulations differ from the requirements of these standards, the requirements of the Modaraba Regulations take precedence.

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 transactions and their accounting is limited to the extent of actual amount of facility utilized and mutually agreed profit thereon. Accordingly, purchases, sales and musharaka profits / reserves are not reflected in these financial statements.

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

2.3 Functional and presentation currency

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

2.4 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 4.9)
- ii) Estimation of useful lives of tangible and intangible assets (note 4.1 and 4.2)
- iii) Provision for taxation (note 4.19)

3. NEW STANDARDS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

The following standards, amendments and interpretations are effective for the year ended June 30, 2019. 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, except as disclosed (refer note 3.1 and 3.2).

Amendments	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
IFRS 4 'Insurance Contracts': Amendments regarding the interaction of IFRS 4 and IFRS 9.	January 01, 2018
IFRS 9 'Financial Instruments' - This standard will supersede IAS 39 Financial Instruments: Recognition and Measurement upon its effective date.	July 01, 2018
IFRS 15 'Revenue from Contracts with Customers' - This standard will supersede IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date.	July 01, 2018
Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property	January 01, 2018
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

Standards, interpretations and amendments to published approved accounting standards 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 except for IFRS 16 - Leases. The Modaraba is in process to assess impact of IFRS 16.

	Effective from accounting period beginning on or after:
Amendments to IFRS 3 'Business Combinations' - Amendments regarding the definition of business	January 01, 2020
Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 01, 2019

**Effective from accounting period
beginning on or after:**

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
IFRS 16 'Leases': This standard will supersede IAS 17 'Leases', IFRIC 4, SIC 15 and SIC 27 upon its effective date.	January 01, 2019
Amendments to References to the Conceptual Framework in IFRS Standards	January 01, 2020
Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Amendments regarding the definition of material	January 01, 2020
Amendments to IAS 19 'Employee Benefits' - Amendments regarding plan amendments, curtailments or settlements.	January 01, 2019
Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Amendments regarding long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	January 01, 2019
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

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 14 'Regulatory Deferral Accounts'
- IFRS 17 'Insurance Contracts'

3.1 Impact of initial application of IFRS 9 'Financial Instruments'

(a) Classification and measurement of financial assets

The management reviewed and assessed the Modaraba's existing financial assets as at June 30, 2018 and based on the facts and circumstances concluded that the initial application of IFRS 9 'Financial Instruments' had no impact on the Modaraba's financial assets as regards their classification and measurement because financial assets classified as loans and receivables under superceded IAS 39 'Financial Instruments: Recognition and Measurement' that were measured at amortised cost continue to be measured at amortised cost under IFRS 9 as these are held according to a business model to collect contractual cash flows at specified dates.

(b) Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as previously IAS 39 used an incurred credit loss model. The expected credit loss model requires the Modaraba to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The Modaraba is required to recognise a loss allowance for expected credit losses in accordance with IFRS 9 on:

- Trade debtors
- Other receivables
- Cash at banks

In particular, IFRS 9 requires to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), it is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL.

(c) Classification and measurement of financial liabilities

The application of IFRS 9 has had no impact on the classification and measurement of the Modaraba's financial liabilities.

(d) Disclosures in relation to the initial application of IFRS 9

The table below illustrates the classification and measurement of financial assets under IFRS 9 and IAS 39 at the date of initial application, July 1, 2018.

Head of account	Original measurement category under IAS 39	New measurement category under IFRS 9	July 01, 2018		
			Original carrying amount under IAS 39	Additional loss allowance recognised under IFRS 9	New carrying amount under IFRS 9
-----Rupees-----					
Trade debtors	Loans and receivable	Financial assets at amortised cost	88,701,104	-	88,701,104
Other receivables	Loans and receivable	Financial assets at amortised cost	3,796,801	-	3,796,801
Cash at banks	Loans and receivable	Financial assets at amortised cost	25,524,665	-	25,524,665

3.2 Impact of initial application of IFRS 15 'Revenue from Contracts with Customers'

In the current year, the Modaraba has applied IFRS 15 Revenue from Contracts with Customers. IFRS 15 introduced a 5-step approach to revenue recognition. Details of the new requirements as well as their impact on the Modaraba's financial statements are described below.

IFRS 15 uses the terms 'contract asset' and 'contract liability' to describe what might more commonly be known as 'accrued revenue' and 'deferred revenue', however the Standard does not prohibit an entity from using alternative descriptions in the statement of financial position. The Modaraba used its existing terminology to describe such balances.

The Modaraba's accounting policies for its revenue streams are disclosed in note 4.17. Apart from providing more extensive disclosures for the Modaraba's revenue transactions, the application of IFRS 15 has not had a significant impact on the financial position and/or financial performance of the Modaraba. Hence the impact of application of IFRS 15 on balance sheet and profit and loss account as at July 1, 2018 and June 30, 2019 is not disclosed.

4. SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Tangible fixed assets

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

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

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

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

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

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

4.2 Intangible assets

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

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

4.3 Loans to employees

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

4.4 Murabaha financing

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

4.5 Modaraba financing

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

4.6 Musharaka financing

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

a) Diminishing musharaka

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

b) Musharaka financing

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

4.7 Cash and cash equivalents

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

4.8 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.

4.9 Trade debtors and other receivables

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

4.10 Joint Operations (Musharaka arrangements)

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

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

4.11 Statutory reserve

As per Regulation 2, Part III of the Prudential Regulations for Modarabas issued by SECP, vide Circular No. 4 of 2004 dated January 28, 2004 and subsequent amendments made therein requires a Modaraba to transfer not less than 20% and not more than 50% of its after tax profits till such time the reserve equals 100% of the paid up certificate capital. Thereafter, a sum not less than 5% of the after tax profits is to be transferred. The Modaraba transfers 20% of its after tax profits to statutory reserve.

4.12 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.

4.13 Creditors and other liabilities

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

4.14 Employee benefits

Defined contribution plan

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

Compensated absences

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

4.15 Offsetting

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

4.16 Impairment

Non financial assets

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

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

4.17 Revenue recognition

Revenue from sale of goods is measured at the fair value of the consideration received or receivable and represents amount receivable for goods provided in the normal course of business following the below steps.

Step 1: Identify the contract with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

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

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

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

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

4.18 Earnings per certificate (EPC)

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

4.19 Taxation

Current

Provision for current taxation is made on taxable income at the prevailing rates of tax after taking into account tax credits available, if any. Non-trading income the Modarabas is exempt from tax subject to Clause (100) of Part 1 of the Second Schedule to the Income Tax Ordinance, 2001. 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. mpt from tax provided that not less than ninety percent of their profits are distributed to the certificate holders. The Modaraba has decided to continue availing the tax exemption and hence no provision has been made in these financial statements for tax liability for the current year.

Deferred

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.

4.20 Operating segments

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

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

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

4.21 Provisions

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

4.22 Profit distributions and appropriations

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

4.23 Foreign currency transactions

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

5. FIXED ASSETS

	June 30, 2019	June 30, 2018
Tangible	17,493,259	23,503,477
Intangible	633,338	650,000
Capital work-in-progress - intangible	1,260,219	24,786,815
	18,753,478	24,786,815

5.1 Tangible

	2019						Written down value at June 30, 2019			
	Cost			Accumulated depreciation and impairment						
	At July 01, 2018	Additions	Disposals	At June 30, 2019	Rate %	At July 01, 2018	Depreciation for the year	Impairment for the year	On disposals	At June 30, 2019
Generators - Generators Project	19,336,597	-	(2,559,426)	16,777,171	*	3,813,961	-	1,982,495	(141,390)	5,655,066
Generators - own use	331,718	-	-	331,718	10	207,240	12,448	-	-	219,688
Computers	1,743,485	7,000	-	1,750,485	30	1,444,964	88,260	-	-	1,533,224
Office and other equipment	3,017,137	20,950	-	3,038,087	10	966,716	317,991	-	-	1,284,707
Furniture and fixtures	3,387,248	-	-	3,387,248	10	1,636,994	175,026	-	-	1,812,020
Vehicles	7,286,441	-	(689,665)	6,596,776	20	3,529,274	739,247	-	(395,000)	3,883,521
	35,102,626	27,950	(3,249,091)	31,881,485		11,599,149	1,332,972	1,982,495	(526,390)	14,388,226

	2018						Written down value at June 30, 2018			
	Cost			Accumulated depreciation and impairment						
	At July 01, 2017	Additions	Disposals	At June 30, 2018	Rate %	At July 01, 2017	Depreciation for the year	Impairment for the year	On disposals	At June 30, 2018
Generators - Generators Project	19,336,597	-	-	19,336,597	*	3,618,257	195,704	-	-	3,813,961
Generators - own use	331,718	-	-	331,718	10	193,409	13,831	-	-	207,240
Computers	1,690,985	52,500	-	1,743,485	30	1,322,462	122,502	-	-	1,444,964
Office and other equipment	2,912,571	220,891	(116,325)	3,017,137	10	622,671	377,852	-	(33,807)	966,716
Furniture and fixtures	3,321,248	66,000	-	3,387,248	10	1,446,303	190,691	-	-	1,636,994
Vehicles	5,854,423	1,653,400	(221,382)	7,286,441	20	3,031,984	616,942	-	(119,652)	3,529,274
	33,447,542	1,982,791	(337,707)	35,102,626		10,235,086	1,517,522	-	(153,459)	11,599,149

These are the generators available for ijarah. Depreciation is charged on working hours basis. The useful hours ranges from 21,600 to 50,000.

5.2 Intangible

	Cost				2019			Written down value at June 30, 2019
	At July 01, 2018	Additions / Transferred in (Rupees)	At June 30, 2019	Rate %	Accumulated amortisation			
					At July 01, 2018	For the year (Rupees)	At June 30, 2019	
Computer software	2,140,563	871,175	3,011,738	30	1,507,225	244,294	1,751,519	1,260,219

	Cost				2018			Written down value at June 30, 2018
	At July 01, 2017	Additions (Rupees)	At June 30, 2018	Rate %	Accumulated amortisation			
					At July 01, 2017	For the year (Rupees)	At June 30, 2018	
Computer software	2,140,563	-	2,140,563	30	1,235,795	271,430	1,507,225	633,338

5.3 Capital work-in-progress - intangible

	Note	June 30, 2019 (Rupees)	June 30, 2018
Opening balance		650,000	500,000
Additions during the year		221,175	150,000
Transferred to intangibles during the year		(871,175)	-
Closing balance		-	650,000

6. MURABAHA FINANCING - secured

	Note	June 30, 2019	June 30, 2018
Considered good		157,952,603	169,529,551
Considered doubtful		2,291,155	3,025,735
Provision for doubtful recoveries	6.1 6.2	160,243,758 (2,291,155)	172,555,286 (3,025,735)
Current portion of murabaha financing		157,952,603 (89,059,262)	169,529,551 (98,833,274)
		68,893,341	70,696,277

6.1 Murabaha sale price is receivable in installments. Effective profit rate on these arrangements ranges between 14% to 27% (2018: 15% to 21%) per annum. These arrangements are secured by way of mortgage of properties, hypothecation of goods and demand promissory notes.

6.2 Movement of provision against murabaha financing

	Note	June 30, 2019 (Rupees)	June 30, 2018
Opening balance		3,025,735	2,763,090
Charge for the year	24	241,998	421,030
Reversal for the year		(976,578)	(158,385)
		(734,580)	262,645
Closing balance		2,291,155	3,025,735

	June 30, 2019	June 30, 2018
	----- (Rupees) -----	
7. DIMINISHING MUSHARAKA FINANCING - secured		
Considered good	20,412,053	13,420,427
Less: Current portion of diminishing musharaka financing	(8,264,830)	(4,004,194)
	12,147,223	9,416,233

This represents finance provided to individuals under diminishing musharaka arrangement for purchase of vehicle and buildings. The effective profit rates on these arrangements range between 16% and 19% (2018: 19% and 21%) per annum and this is repayable on monthly basis over a maximum period of 5 years. The financing is secured by mortgage of properties, hypothecation and personal guarantee of the borrower.

	Note	June 30, 2019	June 30, 2018
		----- (Rupees) -----	
8. MUSHARAKA FINANCING - secured, considered good			
Musharaka agreements for:			
- fabric	8.1	3,460,375	-
- garments	8.2	5,504,470	7,004,470
- food products	8.3	12,000,000	12,000,000
- books printing - I	8.4	-	9,968,000
- books printing - II	8.5	30,000,000	-
		50,964,845	28,972,470
Less: Current portion of musharaka financing		(5,504,470)	(7,004,470)
		45,460,375	21,968,000

- 8.1** During the year, the Modaraba has signed a Musharaka arrangement for supply of school uniforms. The profit on the investment is shared between Modaraba and musharaka partner respectively in the ratio of 50:50. The financing is secured by way of mortgage of property.
- 8.2** The Modaraba entered into a Musharaka arrangement for the production of High Quality Wrinkle Free Trousers and other Apparel during 2014. The arrangement involved financing of working capital of the Musharaka partner for the purchase of raw material, stitching and processing, whereas the Musharaka partner was exclusively responsible for the production and distribution function on consignment basis and not to make any fund based investment. Profit sharing ratio between the Modaraba and the Musharaka partner was 40:60 respectively. The financing was secured by way of mortgage of property. During 2017 the agreement was terminated due to operational losses incurred by the Musharaka partner. The Modaraba is in process to recover the finance as per agreement, from the Musharaka partner.
- 8.3** The Modaraba has entered into a Musharaka arrangement with Pacific Distributors for distribution of food products like milk, biscuits etc. The Modaraba's share of investment is 30% of the total finance required by Pacific Distributors and 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.
- 8.4** The Modaraba signed a Musharaka arrangement for printing of course books with a Musharaka partner. The profit on the investment was shared between Modaraba and the Musharaka partner in the ratio of 57:43 respectively. The financing was secured by way of mortgage of property. During the year the underlying transaction was executed as per agreement.
- 8.5** During the year, the Modaraba signed a Musharaka arrangement for printing of course books with a Musharaka partner. The profit on the investment is shared between Modaraba and the Musharaka partner in the ratio of 50:50 respectively. The financing is secured by way of mortgage of property.

	June 30, 2019	June 30, 2018
	----- (Rupees) -----	
9. LOANS TO EMPLOYEES - secured, considered good		
Loans to employees	1,774,338	1,268,334
Less: Current portion as shown under current assets	(585,338)	(538,000)
	1,189,000	730,334

This represents profit free personal loans provided to employees of Modaraba ranging from Rs.50,000 to Rs.500,000. These are repayable over a maximum period of 5 years. These loans are secured against vehicles.

	Note	June 30, 2019 ----- (Rupees) -----	June 30, 2018
10. TRADE DEBTORS - unsecured			
Considered good		101,354,322	88,701,104
Considered doubtful		3,289,466	3,289,466
		<u>104,643,788</u>	<u>91,990,570</u>
Provision for doubtful recoveries	10.1	<u>(3,289,466)</u>	<u>(3,289,466)</u>
		<u>101,354,322</u>	<u>88,701,104</u>
10.1 Movement of provision for doubtful recoveries			
Opening balance		3,289,466	1,500,000
Charge for the year		-	2,035,466
Write off during the year		-	(246,000)
Closing balance		<u>3,289,466</u>	<u>3,289,466</u>
11. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES - unsecured, considered good			
Advance against purchase of stock		17,125,638	15,182,121
Advance against expenses		1,390,337	1,278,337
Advance salaries		12,302	17,302
Prepaid insurance		147,194	146,904
Prepaid fees and subscription		335,092	349,580
Income tax refundable	11.1	5,905,050	5,905,050
Receivable from Management Company		-	192,467
Receivable from AI - Burq Associate - counter musharik	11.2	2,105,496	3,796,801
Other receivables		2,929,126	-
		<u>29,950,235</u>	<u>26,868,562</u>
11.1			
This represents 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 were recorded as refundable as the management filed an application for the refund of the same under Section 170 of the Income Tax Ordinance, 2001.			
11.2			
It represents loss on disposal of generator under Musharaka arrangement receivable from 'AI Burq Associates' the counter Musharik in 'Generators Project'.			
12. MODARABA FINANCING - secured, considered good			
Opening balance		15,611,512	25,237,915
Payments		-	1,245,832
Receipts		<u>(4,616,980)</u>	<u>(10,872,235)</u>
Closing balance	12.1	<u>10,994,532</u>	<u>15,611,512</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.			

		June 30, 2019	June 30, 2018
	Note	----- (Rupees) -----	
13. SHORT-TERM MURABAHA FINANCING - secured			
Considered good		10,151,669	4,465,398
Considered doubtful		-	-
	13.1	<u>10,151,669</u>	<u>4,465,398</u>
Provision for doubtful recoveries	13.2	-	-
		<u>10,151,669</u>	<u>4,465,398</u>
13.1	Murabaha sale price is receivable in installments. Effective profit rate on these arrangements ranges between 13% to 20% (2018: 16% to 21%) 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, 2019	June 30, 2018
	Note	----- (Rupees) -----	
13.2 Movement of provision against short term murabaha financing			
Opening balance		-	1,000,000
Reversal		-	(1,000,000)
Closing balance		<u>-</u>	<u>-</u>
14. ADVANCES AGAINST MURABAHA - secured, considered good			
Advance		<u>-</u>	<u>11,100,084</u>
This represented advance given to a party against murabaha financing which was not executed at year end.			
15. CASH AND BANK BALANCES			
Cash in hand		38,036	54,411
Cash at banks			
- Current accounts		6,646,650	7,821,312
- Deposit accounts	15.1&15.2	<u>13,318,033</u>	<u>17,703,353</u>
		<u>20,002,719</u>	<u>25,579,076</u>
15.1	This includes balance of Rs. 6,461,131 (2018: Rs. 6,153,731) in respect of Redemption Reserve Fund established on account of Certificates of Musharaka (refer note 19).		
15.2	Effective profit rate in respect of deposit accounts ranges from 2.4% to 6.26% (2018: 2.4% to 3.27%) per annum.		
16. ISSUED, SUBSCRIBED AND PAID-UP CERTIFICATE CAPITAL			
		June 30, 2019	June 30, 2018
	Note	----- (Rupees) -----	
Number of certificates of Rs.10 each			
11,989,930		11,989,930	fully paid in cash
		119,899,298	119,899,298
1,798,490		1,798,490	issued as bonus certificate
		17,984,895	17,984,895
<u>13,788,420</u>	16.1	<u>137,884,193</u>	<u>137,884,193</u>
16.1	Paramount Investments Limited held 1,965,768 (14%) certificates as at June 30, 2019 and June 30, 2018.		

	Note	June 30, 2019 ----- (Rupees) -----	June 30, 2018
17. CAPITAL RESERVES			
Statutory reserve	17.1	47,868,977	45,451,957
Merger reserve	17.2	1,935,160	1,935,160
		49,804,137	47,387,117

17.1 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. 2,417,020 (2018: Rs. 2,172,998).

17.2 In accordance with decision of the Honourable High Court of Sindh as on December 08, 2004, the First National Modaraba (FNM) was merged with the Modaraba. The Modaraba received a sum of Rs. 10,568,490 from FNM, including Rs. 8,663,330 as a certificate capital and Rs. 1,935,160 as capital reserve.

		June 30, 2019 ----- (Rupees) -----	June 30, 2018
18. DEFERRED INCOME			
Deferred murabaha income	18.1	27,481,239	28,236,875
Deferred diminishing musharaka income	18.2	4,091,602	3,517,521
		31,572,841	31,754,396
Less: Current portion shown under current liabilities		(16,651,141)	(14,039,420)
		14,921,700	17,714,976
18.1 Deferred murabaha income			
Opening balance		28,236,875	28,736,815
Deferred income for the year		23,883,710	25,082,342
Income for the year		(24,639,346)	(25,582,282)
		27,481,239	28,236,875
18.2 Deferred diminishing musharaka income			
Opening balance		3,517,521	5,694,272
Deferred income for the year		3,501,771	-
Income for the year		(2,927,690)	(2,176,751)
		4,091,602	3,517,521
19. CERTIFICATES OF MUSHARAKA			
Opening balance		168,869,589	187,416,506
Issuance / rollovers		44,725,000	77,582,000
Redemptions		(42,040,000)	(93,967,000)
Profit accrued		12,839,236	10,290,749
Profit paid		(12,136,264)	(12,452,666)
Certificates of musharaka		172,257,561	168,869,589
Less: Current portion shown under current liabilities		(51,776,200)	(58,565,000)
		120,481,361	110,304,589

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 8.5% (2018: 6% to 8%) per annum. (refer note 15.1)

	Note	June 30, 2019	June 30, 2018
		----- (Rupees) -----	
20. CREDITORS, ACCRUED AND OTHER LIABILITIES			
Creditors		562,126	546,107
Accrued expenses		471,145	949,213
Audit fee		644,380	591,500
Sindh Workers' Welfare Fund	20.1	841,672	595,037
Sindh sales tax payable		580,587	-
Liabilities related to generator project		132,732	681,601
Liabilities related to FPM Solutions business		2,416,840	4,945,284
Liabilities related to FPM Petro Services		22,123,195	4,071,161
Liabilities related to FPM Geo Dynamics International		21,260	-
Management fee payable to FPM petro		1,729,279	2,596,091
Management fee payable to FPM Geo Dynamics International		465,366	-
Payable to Management Company		110,397	-
Others		1,013,602	1,057,314
		31,112,581	16,033,308

20.1 The Sindh Assembly, on June 04, 2015, passed The Sindh Workers Welfare Fund Act, 2014 (Sindh WWF Act). As per Section 5(1) of the Sindh WWF Act, contributions are payable with effect from the date of closing of account on or after December 31, 2013, that corresponds to Modaraba's accounting 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. Further the issue of apportionment of income relevant to the province of Sindh also needs to be clarified. The NBFI & Modaraba Association of Pakistan is contemplating to file petition against such levy, as Sindh High Court has granted stay to various Banks and Financial Institutions in Suit No.610 of 2017. However, the management of the Modaraba in consultation with the legal advisor has decided to record a provision on prudent basis. but payments are not made.

21. CONTINGENCIES AND COMMITMENTS

21.1 The Government of Sindh levied sales tax at the rate of 13% (June 30, 2018: 13%) on the remuneration of Management Company through Sindh sales tax on Services Act, 2011 against which the Management Company filed an appeal before the Appellate Tribunal Sindh Revenue Board, (SRB). Subsequently, the Sindh High Court (SHC) restrained the SRB from taking any action to collect any alleged amount of sales tax in this regard till the final decision of the SHC. The matter is currently pending adjudication, however, the Modaraba is recording sales tax on management fee on prudent basis.

21.2 An amount of Rs. 1.2 million were deducted from the bank account of the Modaraba on the instructions of the Federal Board of Revenue (FBR) vide letter # CIR/Zone-1/CRTO/Khi/2016/2544 dated December 15, 2016 on account of non deduction of withholding tax. The matter was taken to Commissioner Inland Revenue (Appeal III), Karachi who remanded back the case to the officer with directions to provide an opportunity of being heard to the Appellant. Management is confident that the deducted amount will be refunded therefore no expense has been booked in this regard.

21.3 Subsequent to the year end date, The Sindh Revenue Board (SRB) has raised accumulated demand of Rs. 6,956,107 vide orders 629 of 2019, 632 of 2019, 635 of 2019 and 636 of 2019 dated July 19, 2019, July 23, 2019, July 25, 2019 and July 29, 2019, on the grounds that the Modaraba's activities fall under tariffs 9809, 9822, 9822.2 and 9822.3 of Second Schedule of the Sindh Sales Tax on Services Act, 2011 (the Act). However the Modaraba has filed an appeal against the above orders on the grounds that all service taxes as per the Act have already been charged and all the sales tax returns in relevant tax periods have been filed appropriately. The decision is pending in the court and the Management is confident that the orders will be withdrawn therefore no liability has been recorded in this regard.

21.4 Commitments

The Modaraba does not carry any commitments as at year end date

22. OPERATING INCOME	Note	June 30, 2019	June 30, 2018
(Rupees)			
Profit on:			
- murabaha financing		24,639,346	25,582,282
- diminishing musharaka financing		2,927,690	2,176,751
- musharaka financing		6,959,311	5,298,947
- modaraba financing		60,950	1,014,820
		34,587,297	34,072,800
Income from:			
- dry batteries modaraba		280,310	1,372,120
- FPM Solutions	22.1	8,118,233	4,943,104
- FPM Petro	22.2	172,440,407	213,675,050
- FPM Geo Dynamics International	22.3	3,734,002	-
Rental income	22.4	-	3,077,043
		184,572,952	223,067,317
	22.5 & 22.6	219,160,249	257,140,117

22.1 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.

22.2 This represents income generated from chemical business of FPM Petro Services. The Modaraba's share of income is 60%.

22.3 This represents income generated from FPM Geo Dynamics International. The Modaraba's share of income is 55%.

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

22.5 Sales tax of Rs. 30,941,395 (2018: Rs. 38,775,824) has been charged and deposited on these sales.

22.6 Disaggregation of revenue

	June 30, 2019				Total
	Financing Activities	Power solutions	Chemicals trading	Rental	
Primary geographical markets					
Islamabad	-	-	18,221,140	-	18,221,140
Karachi	34,587,297	8,398,543	157,953,269	-	200,939,109
	34,587,297	8,398,543	176,174,409	-	219,160,249
Major Goods / Service lines					
Murabaha	24,639,346	-	-	-	24,639,346
Diminishing musharaka	2,927,690	-	-	-	2,927,690
Musharaka	6,959,311	-	-	-	6,959,311
Modaraba	60,950	-	-	-	60,950
Dry batteries	-	280,310	-	-	280,310
FPM Solutions	-	8,118,233	-	-	8,118,233
FPM Petro	-	-	172,440,407	-	172,440,407
Geo Dynamics International	-	-	3,734,002	-	3,734,002
	34,587,297	8,398,543	176,174,409	-	219,160,249

Primary geographical markets	June 30, 2018				Total
	Financing Activities	Power solutions	Chemicals trading	Rental	
Islamabad	-	-	24,019,900	1,379,343	25,399,243
Karachi	34,072,800	6,315,224	189,655,150	1,697,700	231,740,874
	<u>34,072,800</u>	<u>6,315,224</u>	<u>213,675,050</u>	<u>3,077,043</u>	<u>257,140,117</u>
Major Goods / Service lines					
Murabaha	25,582,282	-	-	-	25,582,282
Diminishing musharaka	2,176,751	-	-	-	2,176,751
Musharaka	5,298,947	-	-	-	5,298,947
Modaraba	1,014,820	-	-	-	1,014,820
Dry batteries	-	1,372,120	-	-	1,372,120
FPM Solutions	-	4,943,104	-	-	4,943,104
FPM Petro	-	-	213,675,050	-	213,675,050
Geo Dynamics International	-	-	-	-	-
Rental	-	-	-	3,077,043	3,077,043
	<u>34,072,800</u>	<u>6,315,224</u>	<u>213,675,050</u>	<u>3,077,043</u>	<u>257,140,117</u>

23. OPERATING EXPENSES	Note	June 30,	June 30,
		2019	2018
		----- (Rupees) -----	
Direct cost related to			
- FPM Solutions		3,060,539	4,489,474
- Dry batteries modaraba		181,717	1,606,674
- FPM Petro		149,520,274	185,789,834
- FPM Geo Dynamics International		2,611,100	-
Salaries, allowances and benefits	23.1	15,072,920	14,617,946
Electricity, gas and water		471,959	557,443
Repairs and maintenance		612,903	1,438,928
Insurance		343,411	244,072
Rent, rates and taxes	23.3	1,311,373	2,122,198
Travelling and conveyance		1,466,670	1,431,111
Communications		755,043	773,344
Printing and stationery		481,001	316,190
Auditors' remuneration	23.4	698,500	635,000
Legal and professional		668,150	371,000
Fees and subscription		3,317,071	2,662,142
News papers and periodicals		27,955	11,957
Advertisement and publicity		94,451	231,600
Depreciation	5.1	1,332,972	1,517,522
Amortization	5.2	244,294	271,430
Commission		-	432,030
Charity		-	39,708
Contractual management fee			
- FPM Petro		8,377,766	10,222,408
- ATC		-	132,405
- FPM Solutions		368,765	-
- FPM Geo Dynamics International		465,366	-
Others		730,684	3,212,495
		<u>192,214,884</u>	<u>233,126,911</u>

23.1 Remuneration of officers and employees

	2019			2018		
	Officers	Other employees	Total	Officers	Other employees	Total
Note	----- Rupees -----					
Remuneration	5,242,400	7,155,600	12,398,000	4,093,200	8,223,977	12,317,177
Allowances	467,908	1,015,920	1,483,828	542,733	661,095	1,203,828
Provident fund	23.2 262,120	336,876	598,996	204,660	440,561	645,221
EOBI	34,450	115,513	149,963	31,200	135,592	166,792
SESSI	131,104	311,029	442,133	48,905	236,023	284,928
	<u>6,137,982</u>	<u>8,934,938</u>	<u>15,072,920</u>	<u>4,920,698</u>	<u>9,697,248</u>	<u>14,617,946</u>
Number of employees	5	16	21	4	24	28

In addition to above, some of the officers and other employees have been provided with vehicles maintained by the Modaraba.

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

	June 30, 2019	June 30, 2018
	----- (Rupees) -----	
Size of the fund - total assets	<u>5,548,805</u>	<u>5,061,939</u>
Cost of investments made	<u>1,400,000</u>	<u>1,400,000</u>
Percentage of investments made	<u>25%</u>	<u>28%</u>
Fair value of investments	<u>5,548,805</u>	<u>5,061,939</u>
Details of fair value of investments:		
Bank balances	3,628,427	2,719,494
Debt securities	<u>1,920,378</u>	<u>2,342,445</u>
	<u>5,548,805</u>	<u>5,061,939</u>
	June 30, 2019	June 30, 2018
Number of employees		
The detail of number of employees is as follows:		
Average number of employees during the year	Numbers <u>22</u>	<u>24</u>
Number of employees	Numbers <u>21</u>	<u>28</u>

23.3 This includes Rs. 527,076 paid to a director (2018:Rs. 527,076) in respect of rent for FPM Solutions.

	June 30, 2019	June 30, 2018
	----- (Rupees) -----	
23.4 Auditors' remuneration		
Statutory audit fee	495,000	450,000
Half yearly review fee	110,000	100,000
Certifications	<u>93,500</u>	<u>85,000</u>
	<u>698,500</u>	<u>635,000</u>

24. PROVISION FOR DOUBTFUL RECOVERIES - NET

June 30, 2019				
Note	Murabaha financing	Trade debtors	Short term Murabaha financing	Total
----- Rupees -----				
Opening balance	3,025,735	3,289,466	-	6,315,201
Charge for the year	241,998	-	-	241,998
Reversal for the year	(976,578)	-	-	(976,578)
	(734,580)	-	-	(734,580)
Closing balance	<u>2,291,155</u>	<u>3,289,466</u>	<u>-</u>	<u>5,580,621</u>

June 30, 2018				
Note	Murabaha financing	Trade debtors	Short term Murabaha financing	Total
----- Rupees -----				
Opening balance	2,763,090	1,500,000	1,000,000	5,263,090
Charge for the year	421,030	2,035,466	(1,000,000)	1,456,496
Reversal for the year	(158,385)	-	-	(158,385)
	262,645	2,035,466	(1,000,000)	1,298,111
Write off during the year	-	(246,000)	-	(246,000)
Closing balance	<u>3,025,735</u>	<u>3,289,466</u>	<u>-</u>	<u>6,315,201</u>

25. OTHER INCOME	Note	June 30, 2019	June 30, 2018
----- (Rupees) -----			
Profit on bank deposits		849,999	471,801
Management fee from ATC		-	43,450
Miscellaneous income		118,893	294,882
		<u>968,892</u>	<u>810,133</u>

26. FINANCIAL CHARGES	Note	June 30, 2019	June 30, 2018
Profit on certificates of musharaka	19	12,839,236	10,290,749
Bank charges		69,706	95,825
		<u>12,908,942</u>	<u>10,386,574</u>

27. MODARABA COMPANY'S MANAGEMENT FEE

27.1 The Management Company is entitled to a remuneration for services rendered to the Modaraba under the provisions of the Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980 upto a maximum of 10% per annum of the net annual profits of the Modaraba. The fee for the year ended June 30, 2019 has been recognized at 10% (2018: 10%) of profit for the year.

27.2 The Sindh Government has levied Sales Tax at the rate of 13% (2018: 13%) 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 NBFI and 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.

	June 30, 2019	June 30, 2018
	(Rupees)	
28. TAXATION		
Current - prior year	-	195,939

Current

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, 2019 which meets the requirement of above stated clause. Further, taxable income from trading activity is taxable under Clause 18, Part II of Second Schedule of the Income Tax Ordinance, 2001, however, considering the taxable loss from the trading activity, no provision has been made in these financial statements. Further, Modaraba are also exempt from minimum tax under section 113 of the Income Tax Ordinance, 2001.

Deferred

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.

		2019	2018
29. EARNINGS PER CERTIFICATE			
Profit for the year attributable to certificate holders	Rupees	12,085,098	10,864,989
Weighted average number of certificates	Number of Certificates	13,788,419	13,788,419
Earnings per certificate - basic and diluted	Rupees	0.88	0.79

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, 2019 and June 30, 2018 which would have any effect on the earnings per share if the option to convert is exercised.

30. CHANGES ARISING FROM FINANCING ACTIVITIES

The table below states changes in the Modaraba's liabilities arising from financing activities, including cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cashflows will be, classified in the Modaraba's cash flows as cash flow statement from financing activities.

	July 01, 2018	Financing cash inflows	Financing cash outflows	Non Cash changes - Transfer current portion	June 30, 2019
	Rupees				
Unclaimed profit distributions	14,417,720	-	(7,642,661)	9,651,894	16,426,953
Certificates of musharaka	168,869,589	30,727,972	(27,340,000)	-	172,257,561
Deferred income	31,754,396	-	-	(181,555)	31,572,841
	July 01, 2017	Financing cash inflows	Financing cash outflows	Non Cash changes - Transfer current portion	June 30, 2018
	Rupees				
Unclaimed profit distributions	13,698,515	-	(8,932,689)	9,651,894	14,417,720
Certificates of musharaka	187,416,506	36,105,083	(54,652,000)	-	168,869,589
Deferred income	34,693,898	-	-	(2,939,502)	31,754,396

31. 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, 2019	June 30, 2018
	———— (Rupees) ————	
Transactions with related parties		
Modaraba's Management Company		
Management fee including sale tax on fee	1,571,010	1,484,920
Payments made during the year	1,268,146	1,794,349
Profit distribution	1,376,037	1,376,037
Musharaka Investors - Generator Project		
Share of gain / (loss)	(253,888)	621,273
Directors		
Rent paid	527,076	527,076
Certificate of musharaka issued	-	9,000,000
Certificate of musharaka redeemed	-	9,000,000
Profit distributed	-	120,000
Spouse of a director		
Profit distributed	90,124	72,099
Paramount Investment Limited - Employees Provident Fund		
Contribution to the Fund	597,121	561,100
Profit paid on certificate of musharaka during the year	105,041	149,038
Balances with related parties		
Modaraba's Management Company		
No. of certificates held 1,965,768 (2018: 1,965,768)	8,845,956	12,777,492
(Payable) to / receivable from management company	(110,397)	110,984
Directors		
No. of certificates held 291,746 (2018: 291,746)	1,312,857	1,896,349
Security deposit	217,800	217,800
Spouse of a director		
No. of certificates held 128,749 (2018: 128,749)	579,371	836,869
Paramount Investment Limited - Employees Provident Fund		
Certificates of musharaka	1,400,000	1,400,000
Accrued profit on certificate of musharaka	2,643	8,141

32. 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

32.1 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Modaraba by failing to discharge an obligation. The risk is generally limited to outstanding amount against 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, 2019	June 30, 2018
	----- (Rupees) -----	
Long-term deposit	442,319	442,319
Murabaha financing	168,104,272	173,994,949
Diminishing musharaka financing	20,412,053	13,420,427
Musharaka financing	50,964,845	28,972,470
Trade debtors	101,354,322	88,701,104
Modaraba financing	10,994,532	15,611,512
Advances, deposit and other receivables	2,105,496	3,989,268
Advances against murabaha	-	11,100,084
Accrued profit	11,712,744	7,503,649
Receivable against sale of weaving unit	1,245,000	1,965,000
Bank balances	19,903,126	25,518,183
	387,238,709	371,218,965

32.1.1 Description of collateral held

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

32.1.2 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 each financing are as follows:

	2019		2018	
	(Rupees)	%	(Rupees)	%
Chemical, fertilizer and pharmaceutical	20,578,862	8.15	8,336,609	2.16
Fuel and energy	1,183,685	0.47	2,283,631	1.29
Food, tobacco and beverages	87,954,656	34.80	81,827,772	34.68
Paper and board	75,581,034	29.90	48,965,927	22.03
Textile & Garments	10,994,459	4.35	15,818,456	0.12
Steel, engineering and automobiles	8,964,845	3.55	10,554,470	2.01
Transportation and communication	20,030,739	7.92	23,571,025	13.32
Others	27,478,577	10.86	43,667,203	24.41
	252,766,857	100	235,025,093	100

Modaraba's operations are restricted to Pakistan only.

32.1.3 Aging analysis of financing facilities

	2019			2018		
	Carrying amount		Provision held	Carrying amount		Provision held
	Not impaired	Impaired		Not impaired	Impaired	
	Rupees			Rupees		
Not past due	183,876,196	-	-	208,100,878	-	-
Past due 0 days -90 days	66,196,175	-	-	23,253,151	-	-
Past due 91 day s- 1 year	-	-	-	-	-	-
Past due 1 year - 2 year	-	806,662	403,331	-	806,662	161,332
Past due 2 year - 3 years	-	-	-	-	-	-
Past due more than 3 years	-	1,887,824	1,887,824	-	2,864,402	2,864,402
Total	250,072,371	2,694,486	2,291,155	231,354,029	3,671,064	3,025,735

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

32.1.4 Aging analysis of trade debts

	June 30, 2019	June 30, 2018
	———— (Rupees) ————	
Past due 0 day - 90 days	77,193,915	78,230,370
Past due 91 days - 1 year	20,219,253	3,147,396
Past due 1 year - 2 years	3,511,711	3,346,421
Past due 2 years - 3 years	3,718,909	7,266,383
Total	104,643,788	91,990,570

32.2 Liquidity risk

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

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

	2019			
	Carrying amount	Contractual cash flows	Maturity upto one year	Maturity after one year and upto three years
	———— (Rupees) ————			
Creditors, accrued and other liabilities	31,112,581	31,112,581	31,112,581	-
Certificates of musharaka	172,257,561	172,257,561	51,776,200	120,481,361
Unclaimed profit distribution	16,426,953	16,426,953	16,426,953	-
	219,797,095	219,797,095	99,315,734	120,481,361

	2018			
	Carrying amount	Contractual cash flows	Maturity upto one year	Maturity after one year and upto three years
	———— (Rupees) ————			
Creditors, accrued and other liabilities	16,033,308	16,033,308	16,033,308	-
Certificates of musharaka	168,869,589	168,869,589	58,565,000	110,304,589
Unclaimed profit distribution	14,417,720	14,417,720	14,417,720	-
	199,320,617	199,320,617	89,016,028	110,304,589

32.3 Market risk

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

32.3.1 Profit / mark-up rate risk

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

June 30, 2019							
Effective yield / profit rates	Carrying amount	Upto one month	Upto one to 3 months	Over three months to six months (Rupees)	Over six months to one year	Over one year	Not exposed to profit rate risk
Financial assets							
Long-term deposit	442,319	-	-	-	-	-	442,319
Musharaka financing	50,964,845	-	-	-	5,504,470	45,460,375	-
Cash and bank balances	20,002,719	13,318,033	-	-	-	-	6,684,686
Murabaha financing	170,395,427	24,428,286	14,772,434	25,526,751	41,615,009	64,052,947	-
Diminishing musharaka financing	20,412,053	-	-	-	8,264,830	12,147,223	-
Receivable against sale of weaving unit	1,245,000	-	-	1,245,000	-	-	-
Trade debtors	101,354,322	-	-	-	-	-	101,354,322
Advance, accrued profit and other receivables	2,117,798	-	-	-	-	-	2,117,798
	<u>366,934,483</u>	<u>37,746,319</u>	<u>14,772,434</u>	<u>26,771,751</u>	<u>55,384,309</u>	<u>121,660,545</u>	<u>110,599,125</u>
Financial liabilities							
Creditors, accrued and other liabilities	2,352,840	-	-	-	-	-	2,352,840
Certificate of Musharaka	172,257,561	12,831,361	6,400,000	4,400,000	30,851,200	117,775,000	-
Undaunted profit distribution	16,426,953	-	-	-	-	-	16,426,953
	<u>191,037,354</u>	<u>12,831,361</u>	<u>6,400,000</u>	<u>4,400,000</u>	<u>30,851,200</u>	<u>117,775,000</u>	<u>18,779,793</u>
On balance sheet gap - 2019	<u>175,897,129</u>	<u>24,914,958</u>	<u>8,372,434</u>	<u>22,371,751</u>	<u>24,533,109</u>	<u>3,885,545</u>	<u>91,819,332</u>

June 30, 2018							
Effective yield / profit rates	Carrying amount	Upto one month	Upto one to 3 months	Over three months to six months (Rupees)	Over six months to one year	Over one year	Not exposed to profit rate risk
Financial assets							
Long-term deposit	442,319	-	-	-	-	-	442,319
Musharaka financing	28,972,470	-	-	-	7,004,470	21,968,000	-
Cash and bank balances	25,579,076	17,703,353	-	-	-	-	7,875,723
Murabaha financing	177,020,684	12,847,840	24,648,642	24,215,398	44,612,527	70,696,277	-
Diminishing musharaka financing	13,420,427	-	-	-	4,004,194	9,416,233	-
Receivable against sale of weaving unit	1,965,000	1,965,000	-	-	-	-	-
Trade debtors	88,701,104	-	-	-	-	-	88,701,104
Advance against murabaha	11,100,084	11,100,084	-	-	-	-	-
Advance, accrued profit and other receivables	3,814,103	-	-	-	-	-	3,814,103
	<u>351,015,267</u>	<u>43,616,277</u>	<u>24,648,642</u>	<u>24,215,398</u>	<u>55,621,191</u>	<u>102,080,510</u>	<u>100,833,249</u>
Financial liabilities							
Creditors, accrued and other liabilities	2,876,522	-	-	-	-	-	2,876,522
Certificate of Musharaka	168,869,589	6,250,000	1,600,000	3,050,000	17,978,389	139,991,200	-
Undaunted profit distribution	14,417,720	-	-	-	-	-	14,417,720
	<u>186,163,831</u>	<u>6,250,000</u>	<u>1,600,000</u>	<u>3,050,000</u>	<u>17,978,389</u>	<u>139,991,200</u>	<u>17,294,242</u>
On balance sheet gap - 2018	<u>164,851,436</u>	<u>37,366,277</u>	<u>23,048,642</u>	<u>21,165,398</u>	<u>37,642,802</u>	<u>(37,910,690)</u>	<u>83,539,007</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
As at June 30, 2019		
Cash flow sensitivity - variable rate financial liabilities	(1,722,576)	1,722,576
Cash flow sensitivity - variable rate financial assets	133,180	(133,180)
Net effect	<u>(1,589,395)</u>	<u>1,589,395</u>
As at June 30, 2018		
Cash flow sensitivity - variable rate financial liabilities	(1,668,662)	1,668,662
Cash flow sensitivity - variable rate financial assets	177,034	(177,034)
Net effect	<u>(1,491,628)</u>	<u>1,491,628</u>

32.3.2 Credit risk related bank balances

Credit risk from balances with banks is managed by finance department in accordance with the Modaraba's policy. The analysis below summarizes the credit quality of the Modaraba's bank balances.

Banks	Short term	Long term	June 30,	June 30,
			2019	2018
			----- (Rupees) -----	
State Bank of Pakistan			61,557	6,482
Habib Bank Limited	A-1+	AAA	67,261	681,598
Habib Metropolitan Bank	A-1+	AA+	13,825,804	18,858,229
Meezan Bank Limited	A-1+	AA+	5,808,574	3,850,278
Al Baraka Islamic Bank	A-1+	AA+	32,022	1,793,257
Bank Islami	A-1	A+	169,465.00	334,821
			<u>19,964,683</u>	<u>25,524,665</u>

33. INFORMATION ABOUT BUSINESS SEGMENTS

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

Generator Project Musharaka finance

The Generator project is engaged in trading of generators 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 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.

Financing

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

FPM Geo Dynamics International

The Modaraba started a new business division with the name of 'FPM Geo Dynamics International' during the year under Modaraba arrangement. New division is engaged in providing engineering solutions and services to its clients in oil and gas sector. As per arrangement, the Modaraba is entitled to profit share of 55%, where as loss is to be shared as per capital sharing ratio.

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

2019

Generator project	2019						
	Modaraba's share	FPM Solutions	FPM Petro Services	FPM Geo Dynamics International	FPM Consulting	Financing / Others	Total
Total							
							(Rupees)
Rental income	-	-	-	-	-	-	-
FPM Solutions income	-	8,118,233	-	-	-	-	8,118,233
FPM Petro income	-	-	172,440,407	-	-	-	172,440,407
Geo dynamics	-	-	-	3,734,002	-	-	3,734,002
Profit on murabaha finance	-	-	-	-	-	24,639,346	24,639,346
Profit on diminishing musharaka finance	-	-	-	-	-	2,927,690	2,927,690
Profit from Musharaka Projects	-	-	-	-	-	6,959,311	6,959,311
Profit from Mudaraba	-	-	-	-	-	60,950	60,950
Trading income	-	-	-	-	-	280,310	280,310
	-	8,118,233	172,440,407	3,734,002	-	34,867,607	219,160,249

33.2.1 Revenue

2018

Generator project	2018						
	Modaraba's share	FPM Solutions	FPM Petro Services	FPM Geo Dynamics International	FPM Consulting	Financing / others	Total
Total							
							(Rupees)
Rental income	5,907,166	3,077,043	-	-	-	-	3,077,043
FPM Solutions income	-	4,943,104	-	-	-	-	4,943,104
FPM Petro income	-	-	213,675,050	-	-	-	213,675,050
Profit on murabaha finance	-	-	-	-	-	25,582,282	25,582,282
Profit on diminishing musharaka finance	-	-	-	-	-	2,176,751	2,176,751
Profit from Musharaka Projects	-	-	-	-	-	5,298,947	5,298,947
Profit from Mudaraba	-	-	-	-	-	1,014,820	1,014,820
Trading income	-	-	-	-	-	1,372,120	1,372,120
	5,907,166	3,077,043	213,675,050	-	-	35,444,920	257,140,117

2019

Generator project	FPM						Total
	Modaraba's share	FPM Solutions	FPM Petro Services	FPM Geo Dynamics Internations	FPM Consulting	Financing/ others	
Operating expenses							
Salaries, allowances and benefits	114,100	59,435	1,621,200	80,645	60,000	13,251,640	15,072,920
Electricity, gas and water	-	-	117,040	6,108	-	348,811	471,959
Repairs and maintenance	271,465	141,406	30,800	25,060	-	415,637	612,903
Insurance	-	-	21,259	128,376	-	193,776	343,411
Rent, rates and taxes	-	-	527,076	432,947	-	351,350	1,311,373
Travelling and entertainment	77,400	40,318	176,438	188,276	63,200	998,438	1,466,670
Communications	1,280	667	47,809	93,442	2,610	610,515	755,043
Printing and stationery	-	-	17,500	21,750	23,320	418,431	481,001
Auditors' remuneration	-	-	-	200	-	667,950	698,500
Legal and professional	-	-	-	-	-	667,950	668,150
Fees and subscription	15,900	8,282	645,704	797,860	6,500	1,858,725	3,317,071
News papers and periodicals	-	-	3,060,539	-	-	27,955	3,060,539
Direct cost related to FPM Solutions	-	-	-	181,717	-	-	181,717
Direct cost related to dry batteries modaraba	-	-	-	149,520,274	-	-	149,520,274
Direct cost related to FPM Petro	-	-	-	-	2,611,100	-	2,611,100
Direct cost related to FPM Geo Dynamics	900	469	198,108	80,861	2,420	448,826	730,684
Other expenses	6,049	3,151	467,456	329,273	203	535,315	94,451
Advertisement and publicity	-	-	-	-	-	725	1,332,972
Depreciation	-	-	-	-	-	244,294	244,294
Amortisation	-	-	368,765	8,377,766	465,366	-	9,211,897
Contractual Management fee	487,094	253,728	7,299,694	160,264,555	3,228,219	21,161,463	192,214,884

2018

Generator project	FPM						Total
	Modaraba's share	FPM Solutions	FPM Petro Services	FPM Geo Dynamics International	FPM Consulting	Financing/ others	
Salaries, allowances and benefits	1,403,093	730,871	2,379,572	805	-	11,506,698	14,617,946
Electricity, gas and water	-	-	148,298	2,142	-	407,003	557,443
Repairs and maintenance	1,716,947	894,358	88,170	48,065	-	408,335	1,438,928
Insurance	23,994	12,498	18,804	89,570	-	123,200	244,072
Rent, rates and taxes	-	-	603,744	971,804	-	546,650	2,122,198
Travelling and entertainment	128,047	66,700	188,357	159,299	-	1,016,755	1,431,111
Communications	6,650	3,464	62,514	86,665	-	620,701	773,344
Printing and stationery	500	260	2,200	780	-	312,950	316,190
Auditors' remuneration	-	-	3,700	-	-	635,000	635,000
Legal and professional	-	-	1,543,028	207,400	-	367,300	371,000
Fees and subscription	63,600	33,129	2,982,946	-	6,500	2,377,085	4,167,142
News papers and periodicals	-	-	-	-	-	11,957	11,957
Direct cost related to FPM Solutions	-	-	-	-	-	1,606,674	2,982,946
Direct cost related to dry batteries modaraba	-	-	-	-	-	-	1,606,674
Direct cost related to FPM Petro	15,190	7,912	185,789,834	453,116	-	337,587	185,789,834
Other expenses	-	-	-	-	-	321,249	3,212,495
Advertisement and publicity	402,256	209,535	580,209	82,699	-	231,600	231,600
Depreciation	-	-	-	-	-	646,607	1,519,050
Amortisation	755,000	393,280	-	38,750	-	271,430	271,430
Commission expense	330,414	172,113	-	10,222,408	-	-	432,030
Contractual Management fee	4,845,691	2,524,120	11,015,422	198,153,337	6,500	21,427,532	233,126,911

2019						
Generator project	Modaraba's share					
	FPM Solutions	FPM Petro Services	FPM Geo Dynamics International	FPM Consulting	Financing / others	Total
Total	-	6,457	72,778	-	770,766	850,001
Profit on bank deposits	-	-	-	-	118,891	118,891
Miscellaneous income	-	6,457	72,778	-	889,657	968,892

33.2.3 Other income

Profit on bank deposits
Miscellaneous income

2018						
Generator project	Modaraba's share					
	FPM Solutions	FPM Petro Services	FPM Geo Dynamics International	FPM Consulting	Financing / others	Total
Total	-	6,193	13,087	-	452,521	471,801
Profit on bank deposits	-	-	-	-	43,450	43,450
Trading commission	-	-	-	-	283,422	283,422
Miscellaneous income	22,000	-	-	-	-	22,000
Total	22,000	6,193	13,087	-	779,393	810,133

Profit on bank deposits
Trading commission
Miscellaneous income

2019						
Generator project	Modaraba's share					
	FPM Solutions	FPM Petro Services	FPM Geo Dynamics International	FPM Consulting	Financing / others	Total
Total	-	-	-	-	12,839,241	12,839,241
Profit on Musharaka	306	1,751	4,171	-	63,620	69,701
Bank charges	306	1,751	4,171	-	12,902,861	12,908,942

33.2.4 Finance charges

Profit on Musharaka
Bank charges

2018						
Generator project	Modaraba's share					
	FPM Solutions	FPM Petro Services	FPM Geo Dynamics International	FPM Consulting	Financing / other	Total
Total	-	-	-	-	10,290,749	10,290,749
Profit on Musharaka	5,484	2,857	6,013	-	85,656	95,826
Bank charges	11,246	5,858	6,013	-	10,376,405	10,386,575

Profit on Musharaka
Bank charges

33.2.5 Revenue reported in above segments generated from external customers.

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

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

First Paramount Modaraba

(An Islamic Financial Institution)



AN ISLAMIC FINANCIAL INSTITUTION
**FIRST PARAMOUNT
MODARABA**
AMANAT - SHIRAKAT - BARKAT

33.2.8 Segment assets and liabilities

	2019					2018						
	Generator project Modaraba's share	FPM Solutions	FPM Petro Services	FPM Consulting	FPM Geo Dynamics International	Generator project Modaraba's share	FPM Solutions	FPM Petro Services	FPM Consulting	FPM Geo Dynamics International		
Segment assets	13,479,702	49,260,552	128,698,137	6,527	4,824,227	30,920,748	16,111,827	298,747,301	17,607,902	111,741,889	7,252	444,215,071
Segment liabilities	(421,487)	224,824,395	23,852,474	(845)	466,626	1,308,506	661,601	216,913,290	4,931,276	6,549,699	(845)	231,075,013

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

33.2.10 Other segment information

	2019					2018						
	Generator project Modaraba's share	FPM Solutions	FPM Petro Services	FPM Consulting	FPM Geo Dynamics International	Generator project Modaraba's share	FPM Solutions	FPM Petro Services	FPM Consulting	FPM Geo Dynamics International		
Capital expenditure - net	-	15,800	-	-	12,150	-	-	817,016	100,925	1,724,850	-	2,642,791
Depreciation, amortisation and impairment	-	779,608	467,457	329,273	725	203	1,577,266	400,788	208,770	916,346	580,208	1,707,526
Non-cash items (excluding depreciation and amortisation)	-	724,590	145,343	-	-	879,823	114,703	59,749	737,955	(1,057,518)	-	(280,404)

34. FAIR VALUE OF INSTRUMENTS

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

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

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

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, 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', 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, 2019.
- 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, 2019.
- 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, 2019.

35. CAPITAL RISK MANAGEMENT

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

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

36. NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors of the Management Company in their meeting held on 1st October 2019 have approved a final profit distribution of Re.1.00 per certificate (2018: Re.0.7) for the year ended June 30, 2019.

37. GENERAL

All figures have been rounded off to the nearest Rupees.

38. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on 1st October 2019.

Chief Executive

Director

Director

Pattern of Shareholding

As On 30/06/2019

<---- HAVING SHARES ---->

NO. OF SHAREHOLDERS	From	To	SHARES HELD	PERCENTAGE
196	1	100	5,618	0.0407
149	101	500	38,398	0.2785
219	501	1000	160,486	1.1639
456	1001	5000	977,397	7.0885
80	5001	10000	565,355	4.1002
53	10001	15000	651,165	4.7226
25	15001	20000	428,797	3.1098
21	20001	25000	477,671	3.4643
19	25001	30000	518,869	3.7631
6	30001	35000	194,216	1.4085
7	35001	40000	264,281	1.9167
1	40001	45000	40,515	0.2938
7	45001	50000	332,051	2.4082
2	50001	55000	102,523	0.7435
8	55001	60000	465,438	3.3756
2	60001	65000	125,010	0.9066
7	65001	70000	470,536	3.4125
1	70001	75000	73,975	0.5365
3	75001	80000	233,241	1.6916
2	80001	85000	163,793	1.1879
1	90001	95000	93,451	0.6778
3	95001	100000	294,909	2.1388
2	100001	105000	204,632	1.4841
4	110001	115000	456,042	3.3074
2	115001	120000	238,299	1.7283
1	125001	130000	128,749	0.9337
2	150001	155000	303,438	2.2007
1	160001	165000	162,634	1.1795
1	185001	190000	187,034	1.3565
1	190001	195000	190,703	1.3831
5	225001	230000	1,144,000	8.2968
1	295001	300000	295,182	2.1408
2	315001	320000	635,267	4.6073
1	420001	425000	423,471	3.0712
1	425001	430000	429,184	3.1126
1	500001	505000	503,137	3.6490
1	1805001	1810000	1,808,949	13.1193
1294	Company Total		13,788,416	100.0000

FIRST PARAMOUNT MODARABA

Category of Shareholders

As On 30/06/2019

Particulars	No of Folio	Balance Share	Percentage
DIRECTORS, CEO & CHILDREN	5	286,034	2.0745
ASSOCIATED COMPANIES	4	1,965,768	14.2567
BANKS, DFI & NBF	1	28	0.0002
GENERAL PUBLIC (LOCAL)	1249	9,791,031	71.0091
GENERAL PUBLIC (FORIEGN)	24	977,892	7.0921
OTHERS	10	264,526	1.9185
MODARABAS	1	503,137	3.6490
Company Total	1294	13,788,416	100.0000

FIRST PARAMOUNT MODARABA

Category of Shareholders

As On 30/06/2019

Folio No	Name	Code	Balance Held	Percentage
000000001121	MR. NADIM IQBAL	001	1160	0.0084
000000001706	MR. TANWEER AHMED MAGOON	001	99487	0.7215
000000002006	MR. HUMAYUN MAZHAR QURESHI	001	162634	1.1795
000000008271	MR. ABDUL RAZZAK JANGDA	001	107	0.0008
000208002994	ABDUL RAZZAK JANGDA	001	22646	0.1642
000000000001	PARAMOUNT INVESTMENTS LIMITED	002	8371	0.0607
000000001963	PARAMOUNT INVESTMENT LIMITED	002	113292	0.8216
000000008004	PARAMOUNT INVESTMENTS LIMITED	002	35156	0.2550
003277071155	PARAMOUNT INVESTMENTS LIMITED	002	1808949	13.1193
003889000028	NATIONAL BANK OF PAKISTAN	004	28	0.0002
000000001344	SUBLIME SPORTS (PVT) LTD.	010	151375	1.0978
000000008403	M/S. EASTERN COMMERCIAL CORPORATION (PVT.) LTD.	010	1321	0.0096
000009900008	FEDERAL BOARD OF REVENUE	010	27233	0.1975
003277078335	TRUSTEE NATIONAL BANK OF PAKISTAN EMPLOYEES PENSION FUND	010	4821	0.0350
003277082127	TRUSTEE NATIONAL BANK OF PAKISTAN EMP BENEVOLENT FUND TRUST	010	167	0.0012
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	FIKREES (PRIVATE) LIMITED	010	5000	0.0363
000009900005	FIRST NATIONAL MODARABA	011	503137	3.6490

Notice of Annual Review Meeting

Notice is hereby given that the Twentieth (20th) Annual Review Meeting of Certificate-Holders of First Paramount Modaraba (FPM) will be held on Monday, October 28, 2019 at 12:45 p.m. Room No: 201, 2nd Floor, PECHS Community Hall, Block-2, PECHS, Shahrah-e-Quideen, Karachi, to transact the Following business:

- i) To confirm the minutes of 19th Annual review meeting held on 26th October 2018.
- ii) To review the performance of the Modaraba for the year ended 30 June 2019.
- iii) To transact any other business with the permission of chair.

On behalf of the Board

Ammad Uddin Jamal

(Company Secretary)

M/s Paramount Investments Limited

Managers of First Paramount Modaraba

03rd October 2019

Karachi

Notes:

1. The certificate transfer books shall remain closed from Monday, 21 October 2019 to Monday, 28 October 2019 (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 Friday, 18 October 2019 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. **A) 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.

B) For appointing Proxies:

- i) In case of individuals, the account holder and / or sub-account holder and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.
- ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- iii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iv) The proxy shall produce his original CNIC or original passport at the time of the meeting.

v) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

4. In terms of Securities and Exchange Commission of Pakistan's (SECP) S.R.O. 634 (I)/2014, the Annual Report for the year ended 30 June 2019 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, 2019 has revised the withholding tax rates for tax year 2019-2020 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: 30%

To enable the company to make tax deduction on the amount of cash dividend @ 15% instead of 30%, 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 @30% 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:

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

The required information must reach our Share Registrar before the close of business on Friday, 25th October 2019; 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

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

DIVIDEND MANDATE FORM

Date:

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

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

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

INDIVIDUAL CERTIFICATE HOLDER(S)

Signature _____ CNIC No. _____
(copy attached)

CORPORATE ENTITY

Authorized Signatory (ies) _____ NTN No. _____
(copy attached)

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

**FORM OF PROXY
ANNUAL REVIEW MEETING**

I/We _____ of
_____ CDC A/C No. I Folio No. _____ being
a Certificate Holder of M/s First Paramount Modaraba. Do hereby appoint
Mr./Miss/Ms _____ of
_____ CDC A/C No. I Folio No. _____
And or failing him /her _____ of
_____.

Who is / are also a Certificate Holder of said Company, as my/ our proxy in my/ our absence and to vote
For me / us at the Annual Review Meeting of the Company to be held on October 28, 2019, Monday at
12:45 P.M. at PIMA House, 2nd Floor, Room No: 201, PECHS Community Centre, Block-2, PECHS,
Shahrah-e-Quideen, Karachi and at any adjournment thereof in the same manner as I/we
myself/ourselves would vote if personally present at such meeting.

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

Signature: _____

Address: _____

CNIC No.: _____

No. of Certificate(s) held: _____

Affix Revenue
Stamp of Rs. 5

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

Note:

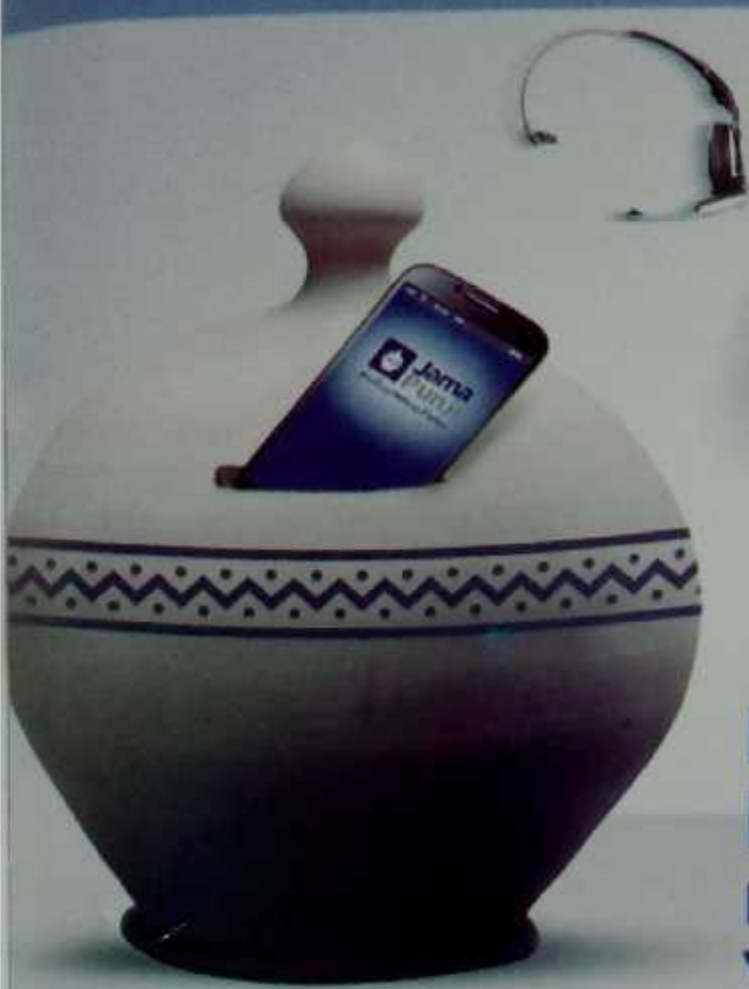
No Proxy shall be valid unless duly signed along with revenue stamp and in case of company should be
executed under its common seal under signed by its authorized person.

1.This instrument appointing a proxy, duly completed, must be received at the registered Office
of the Modaraba at Suit No. 107-108, P.E.C.H.S. Community Office Complex, Block No. 2, P.E.C.H.S.,
Shahrah-e• Quaideen, Karachi not later than 48 hours before the time of holding the Annual Review
Meeting.

2. Attested copies of the CNIC or the Passport of beneficial owners shall be furnished with the proxy
form.

3. The proxy shall produce his original CNIC or original passport at the time of the Meeting.















4. In case of corporate entity, the Board's Resolution I Power of attorney with specimen signature of
the nominee shall be furnished along with proxy form to the company



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MODARABA**
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First Paramount Modaraba (An Islamic Financial Institution)

REGISTERED OFFICE

Suite#: 107-108, 1st Floor, P.E.C.H.S. Community Office Complex,
Block-2, P.E.C.H.S. Shakra-e-Quaideen, Karachi Ph: 34381037 - 38 - 52; Fax: 34534410,

Email info@fpm.com.pk

Web: www.fpm.com.pk