

for the period ended
December 31, 2018 (Un-Audited)

First Paramount Modaraba

(An Islamic Financial Institution)

Managed by: Paramount Investments Limited



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

**Half Yearly
Report** | 2018

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



First Paramount Modaraba

(An Islamic Financial Institution)

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Mission & Vision

1. It is our firm commitment to operate the Modaraba activities in accordance with Islamic Sharia with Its true spirit.
2. To employ the Modaraba funds in 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 Frist Paramount Modaraba. We endeavour to the philosophy behind the code of ethics to carry out honestly activities assigned to them. Our aim is to have highest standard of excellence for the product and the betterment for all those involved directly or indirectly with our Modaraba.

Corporate Information

MODARABA COMPANY **MANAGED BY: PARAMOUNT INVESTMENTS LIMITED**

BOARD OF DIRECTORS

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

AUDIT COMMITTEE

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

HUMAN RESOURCE COMMITTEE

| | |
|--------------------------|----------|
| Mr. Khalid Rehman | Chairman |
| Mr. Tanveer Ahmed Magoon | Member |
| Mr. Nadeem Iqbal | Member |
| Mr. Syed Wajih Hassan | Member |

CHIEF FINANCIAL OFFICER / COMPANY SECRETARY

Mr. Abdullah Khan

SHARIAH ADVISOR

Mufti Muhammad Farhan Farooq

SHARIAH CONSULTANT

Mufti Muhammad Najeeb Khan

CREDIT RATING

Long term **BBB**

Short Term **A-3**

Out Look **Stable**

By **JCR Credit Rating Company**

AUDITORS OF THE MODARABA

M/s Deloitte Yousuf Adil

Chartered Accountants

AUDITORS OF THE MODARABA COMPANY

M/s Rahim Jan & Co.

Chartered Accountants

LEGAL ADVISOR

M/s Raja Qasit Nawaz, Advocates



DIRECTORS REPORT TO THE CERTIFICATE-HOLDERS

The Directors of Paramount Investments Limited, the management Company of First Paramount Modaraba, are pleased to present the unaudited financial statements for the period ended on 31st December, 2018, Auditor's Report to the Certificate Holders on Review of Condensed Interim Financial Information and Shari'ah Advisor's report thereon.

Modaraba has posted a profit of PKR 1,536,290/= (EPS =0.11) for the half year ended December 31st, 2018, as opposed to PKR 4,873,912/= (EPS= 0.35) for the same period last year. After observing the slow and eventful first quarter of the current financial year – that witnessed the General elections, making of the new Government and the challenges it had to face at the Economic front, second quarter reflects back-to-normal scenario. Modaraba's investments and earnings also suggest the same. As oppose to meagre PKR 182,469/- profit for the first Quarter, there is a significant increase in the profits of second quarter. Third quarter's results are expected to be even better, InshAllah.

During the Second Quarter Modaraba also has invested in 3 Musharaka Projects, profit of which will yield in the last quarter – when these profits will actually be earned.

Management is confident that despite the blip in profits for the first quarter, overall financial performance of the Modaraba for the financial year 2018-19 will InshAllah be better than its last year's financial results.

Management of Modaraba will continue to explore the possibility of enhancing its Equity Base through the "Third Right Issue" – that is been pending due to unusually long crisis in stock market of the country, causing the plunge in share prices of the Modaraba.

Acknowledgement:

Management of the Modaraba and the Board of Director recognize the continual patronage and cooperation of the regulators especially of the offices of Registrar Modaraba and Security Exchange Commission of Pakistan, Islamabad.

Management also appreciates hard-work and dedication of the staff members of Modaraba.

For and on behalf of Board of Directors of
Paramount Investments Limited (PIL)
Managers of First Paramount Modaraba

Karachi.

Date: February 26, 2019

S/d
Syed Wajih Hassan
(Chief Executive Officer)

AUDITOR'S REPORT TO THE CERTIFICATE HOLDERS
ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim balance sheet of First Paramount Modaraba (the Modaraba) as at December 31, 2018 the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity together with the notes forming part thereof (herein-after referred to as the condensed interim financial information) for the half year then ended. The Management Company of the Modaraba (Paramount Investments Limited) is responsible for the preparation and presentation of this condensed interim financial information in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarter ended December 31, 2018 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2018.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagement 2410- Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half year then ended December 31, 2018 is not prepared, in all material respects, in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Chartered Accountants

Engagement Partner:
Nadeem Yousuf Adil

Dated: 26th February, 2019
Karachi

Shariah Advisor's Report

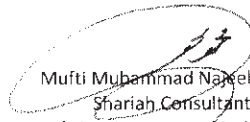
I have conducted the Shariah review of First Paramount Modaraba managed by Paramount Investments Limited Modaraba Company for the half year ended December 31st 2018, in accordance with the requirements as reported hereunder, in my opinion:

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

Observation(s) Nil
Recommendation (s) Nil
Dated: February 04, 2019



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



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

**FIRST PARAMOUNT MODARABA
CONDENSED INTERIM BALANCE SHEET
AS AT DECEMBER 31, 2018**

| | | December 31, 2018 | June 30, 2018 |
|---|------|---------------------------------------|--------------------|
| | | (Un-audited) | (Audited) |
| | Note | (Rupees) | |
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Fixed assets | 5 | 24,053,241 | 24,786,815 |
| Murabaha financing | 6 | 64,700,895 | 70,696,277 |
| Diminishing musharaka financing | 7 | 16,279,645 | 9,416,233 |
| Musharaka financing | 8 | 42,000,000 | 21,968,000 |
| Loans to employees | | 1,177,000 | 730,334 |
| Long-term deposits | | 442,319 | 442,319 |
| | | <u>148,653,100</u> | <u>128,039,978</u> |
| CURRENT ASSETS | | | |
| Stores and spares | | 2,282,275 | 2,863,760 |
| Trade debtors | | 70,357,068 | 88,701,104 |
| Advances, deposits, prepayments and other receivables | | 24,448,879 | 26,868,562 |
| Modaraba financing | | 13,132,462 | 15,611,512 |
| Short-term murabaha financing | | 17,391,648 | 4,465,398 |
| Current portion of murabaha financing | 6 | 88,694,747 | 98,833,274 |
| Current portion of diminishing musharaka financing | 7 | 8,378,254 | 4,004,194 |
| Current portion of musharaka financing | 8 | 7,004,470 | 7,004,470 |
| Current portion of loans to employees | | 485,336 | 538,000 |
| Receivable against sale of weaving unit | | 1,965,000 | 1,965,000 |
| Advances against murabaha | | 7,500,084 | 11,100,084 |
| Accrued profit | | 5,680,994 | 7,503,649 |
| Advance income tax | | 25,784,854 | 21,137,910 |
| Receivable from Modaraba's management company - a related party | | 305,309 | - |
| Cash and bank balances | 9 | 18,992,101 | 25,579,076 |
| | | <u>292,403,481</u> | <u>316,175,993</u> |
| | | <u>441,056,581</u> | <u>444,215,971</u> |
| EQUITY AND LIABILITIES | | | |
| CAPITAL AND RESERVES | | | |
| Authorised certificate capital | | 25,000,000 certificates of Rs.10 each | 25,000,000 |
| Issued, subscribed and paid-up certificate capital | | 137,884,193 | 137,884,193 |
| Capital reserves | | 47,694,375 | 47,387,117 |
| Unappropriated profit | | 19,446,786 | 27,869,648 |
| | | <u>205,025,354</u> | <u>213,140,958</u> |
| LIABILITIES | | | |
| NON-CURRENT LIABILITIES | | | |
| Deferred income | | 19,372,818 | 17,714,976 |
| Certificates of musharaka | 10 | 134,401,427 | 110,304,589 |
| | | <u>153,774,245</u> | <u>128,019,565</u> |
| CURRENT LIABILITIES | | | |
| Creditors, accrued and other liabilities | | 11,765,071 | 16,033,308 |
| Current portion of deferred income | | 13,871,084 | 14,039,420 |
| Current portion of certificates of musharaka | 10 | 38,660,000 | 58,565,000 |
| Unclaimed profit distributions | | 17,960,827 | 14,417,720 |
| | | <u>82,256,982</u> | <u>103,055,448</u> |
| | | <u>441,056,581</u> | <u>444,215,971</u> |
| CONTINGENCIES AND COMMITMENTS | | | |
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The annexed notes form an integral part of these condensed interim financial information.

For Paramount Investment Limited
(Management Company)

Chief Executive

Director

Director

**FIRST PARAMOUNT MODARABA
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2018**

| | Note | Half year ended | | Quarter ended | |
|---|------|----------------------|----------------------|----------------------|----------------------|
| | | December 31, 2018 | December 31, 2017 | December 31, 2018 | December 31, 2017 |
| | | ----- (Rupees) ----- | | | |
| Operating income | 12 | 96,687,938 | 128,345,283 | 51,836,558 | 62,615,370 |
| Operating costs | | | | | |
| Operating expenses | | (89,681,495) | (116,414,086) | (47,568,305) | (57,639,610) |
| Reversal against doubtful recoveries | 13 | 93,179 | 20,963 | 92,426 | 77,054 |
| | | (89,588,316) | (116,393,123) | (47,475,879) | (57,562,556) |
| | | 7,099,622 | 11,952,160 | 4,360,679 | 5,052,814 |
| Gain on sale of fixed assets | | - | 59,749 | - | 59,749 |
| Other income | | 562,613 | 580,479 | 358,705 | 405,241 |
| | | 7,662,235 | 12,592,388 | 4,719,384 | 5,517,804 |
| Financial charges | | (5,894,881) | (6,569,070) | (3,161,943) | (3,042,604) |
| | | 1,767,354 | 6,023,318 | 1,557,441 | 2,475,200 |
| Modaraba Company's management fee inclusive of sales tax | | (199,711) | (680,635) | (175,991) | (272,601) |
| | | 1,567,643 | 5,342,683 | 1,381,450 | 2,202,599 |
| Provision for Sindh Workers' Welfare Fund | | (31,353) | (468,771) | (27,629) | (468,771) |
| Profit before taxation | | 1,536,290 | 4,873,912 | 1,353,821 | 1,733,828 |
| Taxation | 14 | - | - | - | - |
| Net profit after taxation | | 1,536,290 | 4,873,912 | 1,353,821 | 1,733,828 |
| Earnings per certificate - basic and diluted | | 0.11 | 0.35 | 0.10 | 0.13 |

The annexed notes form an integral part of these condensed interim financial information.

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

Chief Executive

Director

Director

**FIRST PARAMOUNT MODARABA
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2018**

| | Half year ended | | Quarter ended | |
|--|----------------------|----------------------|----------------------|----------------------|
| | December 31, 2018 | December 31, 2017 | December 31, 2018 | December 31, 2017 |
| | ----- (Rupees) ----- | | | |
| Net profit after taxation | 1,536,290 | 4,873,912 | 1,353,821 | 1,733,828 |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income for the period | 1,536,290 | 4,873,912 | 1,353,821 | 1,733,828 |

The annexed notes form an integral part of these condensed interim financial information.

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

Chief Executive

Director

Director

**FIRST PARAMOUNT MODARABA
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2018**

| | Issued, subscribed and paid up certificate capital | Reserves | | | Total | |
|---|--|------------------|----------------------|--|-------------------|--------------------|
| | | Capital | | Revenue | | |
| | | Merger reserve | Statutory reserve | Total reserves Unappropriated profit | | |
| (Rupees) | | | | | | |
| Balance as at July 01, 2017 | 137,884,193 | 1,935,160 | 42,233,765 | 44,168,925 | 30,553,826 | 212,606,944 |
| Transaction with owners | | | | | | |
| Profit distribution for the year ended June 30, 2017 @ Re.0.70 per certificate | - | - | - | - | (9,651,894) | (9,651,894) |
| Transferred to statutory reserve @ 20% | - | - | 1,045,194 | 1,045,194 | (1,045,194) | - |
| Management fee | - | - | - | - | (679,081) | (679,081) |
| Total comprehensive income for the half year ended December 31, 2017 | | | | | | |
| Net profit after taxation | - | - | - | - | 4,873,912 | 4,873,912 |
| Other comprehensive income | - | - | - | - | - | - |
| | - | - | - | - | 4,873,912 | 4,873,912 |
| Balance as at December 31, 2017 | 137,884,193 | 1,935,160 | 43,278,959 | 45,214,119 | 24,051,569 | 207,149,881 |
| Total comprehensive income for the half year ended June 30, 2018 | | | | | | |
| Net profit after taxation | - | - | - | - | 5,991,077 | 5,991,077 |
| Other comprehensive income | - | - | - | - | - | - |
| | - | - | - | - | 5,991,077 | 5,991,077 |
| Transferred to statutory reserve @ 20% | - | - | 2,172,998 | 2,172,998 | (2,172,998) | - |
| Balance as at June 30, 2018 | 137,884,193 | 1,935,160 | 45,451,957 | 47,387,117 | 27,869,648 | 213,140,958 |
| Transaction with owners | | | | | | |
| Profit distribution for the year ended June 30, 2018 @ Re.0.70 per certificate | - | - | - | - | (9,651,894) | (9,651,894) |
| Total comprehensive income for the half year ended December 31, 2018 | | | | | | |
| Net profit after taxation | - | - | - | - | 1,536,290 | 1,536,290 |
| Other comprehensive income | - | - | - | - | - | - |
| | - | - | - | - | 1,536,290 | 1,536,290 |
| Transferred to statutory reserve @ 20% | - | - | 307,258 | 307,258 | (307,258) | - |
| Balance at December 31, 2018 | 137,884,193 | 1,935,160 | 45,759,215 | 47,694,375 | 19,446,786 | 205,025,354 |

The annexed notes form an integral part of these condensed interim financial information.

For Paramount Investment Limited
(Management Company)

Chief Executive

Director

Director

**FIRST PARAMOUNT MODARABA
CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2018**

| | December 31, 2018 | December 31, 2017 |
|---|----------------------|----------------------|
| | ----- (Rupees) ----- | |
| A. Cash flows from operating activities | | |
| Profit before taxation | 1,536,290 | 4,873,912 |
| Adjustments for: | | |
| Depreciation | 672,365 | 667,268 |
| Amortisation | 98,177 | 135,715 |
| Provision for Sindh Workers' Welfare Fund | 31,353 | 468,771 |
| Financial charges | 5,894,881 | 6,569,070 |
| Reversal of provision against doubtful recoveries | (93,179) | (20,963) |
| Gain on sale of fixed assets | - | (59,749) |
| Operating profit before working capital changes | <u>8,139,887</u> | <u>12,634,024</u> |
| (Increase) / decrease in assets | | |
| Morabaha financing - net | 2,598,823 | 31,580,264 |
| Diminishing Musharaka financing - net | (9,045,951) | 3,789,607 |
| Musharika financing - net | (20,032,000) | (11,950,000) |
| Modaraba financing - net | 2,479,050 | 8,730,915 |
| Stores and spares | 581,485 | (1,645,038) |
| Long-term deposits | - | (8,950) |
| Trade debts | 18,344,036 | (46,576,925) |
| Loans to employees | (394,002) | (432,000) |
| Advances against murabaha | 3,600,000 | (28,500,004) |
| Advances, deposit, prepayments and other receivables | 2,419,683 | 8,170,879 |
| Accrued profit | 1,822,655 | 806,435 |
| Receivable against sale of weaving unit | - | 2,265,000 |
| Receivable from Modaraba's management company - a related party | (305,309) | - |
| Increase / (decrease) in liabilities | | |
| Creditors, accrued and other liabilities | (4,299,590) | 9,896,560 |
| Payable to Modaraba Management Company | - | (143,684) |
| Net cash generated from / (used in) operations | <u>5,908,767</u> | <u>(11,382,917)</u> |
| Taxes paid | (4,646,937) | (2,699,500) |
| Financial charges | (5,528,043) | (6,569,070) |
| Net cash used in operating activities | <u>(4,266,213)</u> | <u>(20,651,487)</u> |
| B. Cash flows from investing activities | | |
| Proceeds from sale of fixed assets | - | 161,479 |
| Addition to fixed assets | (36,975) | (183,183) |
| Net cash used in investing activities | <u>(36,975)</u> | <u>(21,704)</u> |
| | December 31, 2018 | December 31, 2017 |
| | ----- (Rupees) ----- | |
| C. Cash flows from financing activities | | |
| Certificate of Musharaka - issuance | 14,575,000 | 23,917,000 |
| Certificate of Musharaka - redemptions | (10,750,000) | (30,477,000) |
| Profit distribution for the year ended June 30, 2018 | (6,108,787) | (8,136,156) |
| Net cash used in financing activities | <u>(2,283,787)</u> | <u>(14,696,156)</u> |
| Net decrease in cash and cash equivalents (A+B+C) | <u>(6,586,975)</u> | <u>(35,369,347)</u> |
| Cash and cash equivalents at beginning of the period | <u>25,579,076</u> | <u>54,065,723</u> |
| Cash and cash equivalents at end of the period | <u>18,992,101</u> | <u>18,696,376</u> |

The annexed notes form an integral part of these condensed interim financial information.

For Paramount Investment Limited
(Management Company)

Chief Executive

Director

Director

**FIRST PARAMOUNT MODARABA
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2018**

1. LEGAL STATUS AND NATURE OF BUSINESS

First Paramount Modaraba (the Modaraba) is a multi purpose, perpetual and multidimensional Modaraba floated under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the rules framed there under and is managed by Paramount Investments Limited (the Management Company), a company incorporated in Pakistan. The Modaraba is listed on the Pakistan Stock Exchange Limited. The registered office of the Modaraba is situated at Suite # 107-108, 1st Floor, P.E.C.H.S Community Office Complex, Block-2, Shahra-e-Quideen, Karachi. Modaraba's principal activities include deployment of funds on murabaha, modaraba and musharaka arrangements and its in-house ventures are (A) Generator rental and sale project under the name "AL-BURQ Associates", (B) Electrical maintenance and troubleshooting services' under the name of "FPM Solutions" , (C) Chemical business under the name of "FPM Petro Services" and (D) Consultancy business under the name " FPM Consultancy"

2. BASIS OF PREPARATION

2.1 This condensed interim financial information of the Modaraba has been prepared in accordance with:

- International Accounting Standard 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB);
- The requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981; and
- Directives issued by the Securities and Exchange Commission of Pakistan (SECP).

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

- 2.2 This condensed interim financial information is un-audited. However, limited scope review has been performed by the statutory auditors in accordance with the requirements under Section 237(1) of Companies Act 2017 and are being submitted to the certificate holders as required under Rule 10 of the Modaraba Companies and Modaraba Rules, 1981.
- 2.3 The SECP through SRO 1007(I)/2017, dated October 4, 2017, had notified IFRS 9 "Financial Instruments", replacing the International Accounting Standard (IAS) 39 "Financial Instruments: Recognition and Measurement" with effect from reporting periods starting July 1, 2018. However, effective date of IFRS 9 has been modified as "Reporting period / year ending on or after June 30, 2019" vide SRO 229 (I)/2019 dated February 14, 2019. Accordingly the requirements of IFRS 9 have not been considered in the preparation of these condensed interim financial information.
- 2.4 This condensed interim financial information has been prepared under the historical cost convention.
- 2.5 This condensed interim financial information is prepared in Pakistan Rupees which is the Modaraba's functional and presentation currency and figures presented in this condensed interim financial information have been rounded off to the nearest rupee.
- 2.6 This condensed interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements of the Modaraba for the year ended June 30, 2018. The comparative balance sheet presented has been extracted from annual financial statements for the year ended June 30, 2018, whereas comparative condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity are stated from the unaudited condensed interim financial information for the half year ended December 31, 2017.
- 3. ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS**

The accounting policies, estimates, judgements and methods of computation followed in the preparation of this condensed interim financial information are the same as those applied in the preparation of the published annual financial statements for the year ended June 30, 2018 except for the following:

3.1 IFRS 15 - Revenue from Contracts with Customers

IFRS 15 'Revenue from Contracts with Customers' supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. It establishes a five-step model to account for revenue arising from contracts. Henceforth revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The Modaraba has assessed that significant performance obligations in contracts with customers are closely related and therefore are discharged over the period of the relationship with relevant customers. Hence, the Modaraba has concluded that it is in compliance with the requirements of the new accounting standard.

4. FINANCIAL RISK MANAGEMENT

The Modaraba's financial risk management objectives and policies are consistent with those disclosed in the published annual financial statements for the year ended June 30, 2018.

5. FIXED ASSETS

| | December 31, 2018 (Unaudited) | June 30, 2018 (Audited) |
|--------------------------|-------------------------------------|-------------------------------|
| | ----- (Rupees) ----- | |
| Tangible | 22,846,905 | 23,503,477 |
| Intangible | 556,336 | 633,338 |
| Capital work-in-progress | 650,000 | 650,000 |
| | <u>24,053,241</u> | <u>24,786,815</u> |

5.1 Following additions and disposals, were made during the period / year :

| | Additions at cost | | Disposals (written down value) | |
|----------------------------|--------------------------------------|-------------------------------|--------------------------------------|-------------------------------|
| | December 31, 2018 (Un-audited) | June 30, 2018 (Audited) | December 31, 2018 (Un-audited) | June 30, 2018 (Audited) |
| | ----- Rupees ----- | | | |
| Tangible | | | | |
| Computers | 7,000 | 52,500 | - | - |
| Office and other equipment | 8,800 | 220,891 | - | (116,325) |
| Furniture and fixtures | | 66,000 | - | - |
| Vehicles | - | 1,653,400 | - | (221,382) |
| Intangible | | | | |
| Software | 21,175 | - | - | - |
| | <u>36,975</u> | <u>1,992,791</u> | <u>-</u> | <u>(337,707)</u> |

| | December 31, 2018 (Unaudited) | June 30, 2018 (Audited) |
|--|-------------------------------------|-------------------------------|
| Note | ----- (Rupees) ----- | |
| 6. MURABAHA FINANCING - SECURED | | |
| Considered good | 153,395,642 | 169,529,551 |
| Considered doubtful | <u>2,932,556</u> | <u>3,025,735</u> |
| | 156,328,198 | 172,555,286 |
| Provision for doubtful recoveries | <u>(2,932,556)</u> | <u>(3,025,735)</u> |
| | 153,395,642 | 169,529,551 |
| Current portion of murabaha financing | <u>(88,694,747)</u> | <u>(98,833,274)</u> |
| | <u>64,700,895</u> | <u>70,696,277</u> |
| 7. DIMINISHING MUSHARAKA FINANCING | | |
| Considered good - secured | 24,657,899 | 13,420,427 |
| Current portion of diminishing musharaka financing | <u>(8,378,254)</u> | <u>(4,004,194)</u> |
| | <u>16,279,645</u> | <u>9,416,233</u> |
| 8. MUSHARAKA FINANCING - secured | | |
| Musharaka agreements for | | |
| - garments | 8.1 7,004,470 | 7,004,470 |
| - food product | 8.2 12,000,000 | 12,000,000 |
| - book print | 8.3 30,000,000 | 9,968,000 |
| | <u>49,004,470</u> | <u>28,972,470</u> |
| Less: Current portion of musharaka financing | <u>(7,004,470)</u> | <u>(7,004,470)</u> |
| | <u>42,000,000</u> | <u>21,968,000</u> |
| 8.1 This musharaka arrangement has been closed and recovery is outstanding. | | |
| 8.2 This musharaka arrangement carries a profit sharing ratio between modaraba and musharaka partner of 30:70 respectively. (June 30, 2018: 30:70) | | |
| 8.3 This musharaka arrangement carries a profit sharing ratio between modaraba and musharaka partner of 50:50 respectively. (June 30, 2018: 57:43) | | |
| Note | December 31, 2018 (Unaudited) | June 30, 2018 (Audited) |
| | ----- (Rupees) ----- | |
| 9. CASH AND BANK BALANCES | | |
| Cash in hand | 79,056 | 54,411 |
| Cash at banks | | |
| - Current accounts | 4,673,614 | 7,821,312 |
| - Deposit accounts | 9.1&9.2 14,239,431 | 17,703,353 |
| | <u>18,992,101</u> | <u>25,579,076</u> |
| 9.1 This includes Rs.6,681,170 (June 30, 2018: Rs.6,153,731) in respect of Redemption Reserve Fund established on account of Certificate of Musharaka. (refer note 10) | | |
| 9.2 Effective profit rate in respect of deposit accounts is 2.61% to 5% (June 30, 2018: 2.4% to 3.27%) per annum. | | |

(Unaudited) (Audited)
December 31, June 30,
2018 2018
----- (Rupees) -----

10. CERTIFICATES OF MUSHARAKA

| | | |
|---|---------------------|--------------|
| Opening balance | 168,869,589 | 187,416,506 |
| Issuance | 14,575,000 | 38,267,000 |
| Redemptions | (10,750,000) | (54,652,000) |
| Profit accrued | 5,835,107 | 10,290,749 |
| Profit paid | (5,468,269) | (12,452,666) |
| | 173,061,427 | 168,869,589 |
| Less: Current portion certificates of musharaka | (38,660,000) | (58,565,000) |
| | 134,401,427 | 110,304,589 |

A Redemption Reserve Fund is established on account of Certificate 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 6.0% to 8.0% (June 30, 2018: 6.0% to 8.0%) per annum. (refer note 9.1)

11. CONTINGENCIES AND COMMITMENTS

11.1 Contingencies

11.1.1 The Government of Sindh levied Sindh sales tax on services 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 accruing sales tax on management fee on prudent basis.

11.1.2 An amount of Rs. 1.2 million has been deducted from the bank account of the Modaraba on the instructions of the 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.

12. OPERATING INCOME

| Note | ----- (Unaudited) ----- | | | |
|-----------------------------------|-------------------------|----------------------|----------------------|----------------------|
| | Half year ended | | Quarter ended | |
| | December 31, 2018 | December 31, 2017 | December 31, 2018 | December 31, 2017 |
| | ----- (Rupees) ----- | | | |
| Profit on: | | | | |
| - murabaha financing | 12,023,733 | 13,083,968 | 6,044,829 | 6,007,419 |
| - diminishing musharaka financing | 1,307,905 | 1,120,150 | 920,608 | 556,548 |
| - musharaka financing | 348,201 | 1,629,291 | 18,290 | 380,220 |
| - modaraba financing | 60,950 | 692,820 | 60,950 | 44,000 |
| Income from | | | | |
| - dry batteries modaraba | 242,710 | 385,282 | 99,804 | 318,282 |
| - FPM Solution | 2,590,217 | 2,453,849 | 1,932,384 | 1,425,620 |
| - FPM Petro | 80,114,222 | 107,245,500 | 42,759,693 | 53,109,050 |
| Rental income | - | 1,734,423 | - | 774,231 |
| | 96,687,938 | 128,345,283 | 51,836,558 | 62,615,370 |

- 12.1 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.
- 12.2 This represents income generated from chemical business of FPM Petro Services. The Modaraba's share of income is 60%.
- 12.3 This represents income generated from rental business of Advance Trading Corporation (a division of FPM) representing Modaraba's share of 52.09%.

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

| | December 31, 2018 (Un-audited) | | | Total |
|-----------------------|--------------------------------|------------------|-------------------------------|------------------|
| | Murabaha financing | Trade debts | Short term murabaha financing | |
| | ----- Rupees ----- | | | |
| Opening balance | 3,025,735 | 3,289,466 | - | 6,315,201 |
| Charged for the year | 25,428 | - | - | 25,428 |
| Reversal for the year | (118,607) | - | - | (118,607) |
| | (93,179) | - | - | (93,179) |
| Closing balance | 2,932,556 | 3,289,466 | - | 6,222,022 |

| | June 30, 2018 (Audited) | | | Total |
|---------------------------|-------------------------|------------------|-------------------------------|------------------|
| | Murabaha financing | Trade debts | Short term murabaha financing | |
| | ----- Rupees ----- | | | |
| Opening balance | 2,763,090 | 1,500,000 | 1,000,000 | 5,263,090 |
| Charged 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 | 3,025,735 | 3,289,466 | - | 6,315,201 |

14. TAXATION

Clause 100 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 provides exemption from tax of any income, not being income of trading activity derived by a Modaraba, if not less than ninety percent of its total profits in a year, as reduced by the amount transferred to mandatory reserve under the provisions of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance 1980 is distributed to the certificate holders. As the management intends to distribute at least 90 percent of the profits amongst the certificate holders in the current and future years, therefore provision for current taxation and deferred tax has not been made in this condensed interim financial information.

Further, as the Modaraba has net taxable loss relating to trading activities due to which no tax has been charged during the period in this condensed interim financial information.

15. TRANSACTIONS WITH RELATED PARTIES

The related parties of the Modaraba comprise of the Management Company, musharaka arrangements, directors, key management personnel and retirement benefit funds. The transactions between the Modaraba and the related parties are carried out as per agreed terms. 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:

| | ----- (Unaudited) ----- Half year ended | |
|--|--|-------------------------------|
| | December 31, 2018 | December 31, 2017 |
| Transactions with related parties | | |
| Modaraba's Management Company | | |
| Management fee including sale tax on fee | 199,711 | 680,635 |
| Payments made during the year | 312,553 | 262,200 |
| Profit distributed | 1,376,038 | 1,376,038 |
| Musharaka Investors - Generator Project | | |
| Share of (loss)/profit | (231,675) | 500,834 |
| Directors | | |
| Rent paid | 263,530 | 263,530 |
| Certificate of musharaka issued | - | 4,000,000 |
| Financial charges paid | - | 21,041 |
| Spouse of a director | | |
| Profit distribution for the year ended June 30, 2018 and 2017 | 90,124 | 90,124 |
| Paramount Investment Limited - Employees Provident Fund | | |
| Contribution to the Fund | 293,353 | 268,860 |
| Profit paid on certificate of musharaka during the period | 46,958 | 73,316 |
| | (Unaudited) December 31, 2018 | (Audited) June 30, 2018 |
| | ----- (Rupees) ----- | |
| Balances with related parties | | |
| Modaraba's Management Company | | |
| No. of certificates held 1,965,768 (2018: 1,965,768) | 11,991,185 | 12,777,492 |
| Receivable / (payable) from management company | 305,309 | 110,984 |
| Directors | | |
| No. of certificates held 291,746 (2018: 291,746) | 1,779,651 | 2,188,095 |
| Security deposit | 217,800 | 217,800 |
| Spouse of a director | | |
| No. of certificates held 128,749 (2018: 128,749) | 785,369 | 965,618 |
| Paramount Investment Limited - Employees Provident Fund | | |
| Certificates of musharaka | 1,400,000 | 1,400,000 |
| Accrued profit on certificate of musharaka | 2,407 | 54,564 |

16. 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 flows from financing activities.

| | (Audited) | (Unaudited) | | | |
|--------------------------------|---------------|------------------------|-------------------------|------------------|-------------------|
| | June 30, 2018 | Financing cash inflows | Financing cash outflows | Non Cash changes | December 31, 2018 |
| -----Rupees----- | | | | | |
| Unclaimed profit distributions | 14,417,720 | - | (6,108,787) | 9,651,894 | 17,960,827 |
| Certificates of musharaka | 168,869,589 | 14,575,000 | (16,218,269) | 5,835,107 | 173,061,427 |
| -----Rupees----- | | | | | |
| | (Audited) | (Unaudited) | | | |
| | June 30, 2017 | Financing cash inflows | Financing cash outflows | Non Cash changes | December 31, 2017 |
| -----Rupees----- | | | | | |
| Unclaimed profit distributions | 13,698,515 | - | (8,136,156) | 9,651,894 | 15,214,253 |
| Certificates of musharaka | 187,416,506 | 38,267,000 | (67,104,666.00) | 10,290,749 | 168,869,589 |

17. FAIR VALUE OF FINANCIAL INSTRUMENTS

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date

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

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1). There are no items to report therein as on December 31, 2018 and June 30, 2018.
- 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 December 31, 2018 and June 30, 2018.
- 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 December 31, 2018 and June 30, 2018

As at December 31, 2018 and June 30, 2018 there were no financial assets to be classified under the above levels

18. INFORMATION ABOUT BUSINESS SEGMENTS

Segment assets and liabilities

| | December 31, 2018 (Un-audited) | | | | | | |
|-------------------|--------------------------------|------------------|-------------------|-------------|------------|----------------|-------------|
| | Generator project | | Solutions Project | Financing | FPM Petro | FPM Consulting | Total |
| | Total | Modaraba's share | | | | | |
| | (Rupees) | | | | | | |
| Total assets | 31,001,414 | 16,148,637 | 15,301,369 | 312,691,921 | 96,907,765 | 6,889 | 441,056,581 |
| Total liabilities | 853,666 | 444,675 | 2,614,953 | 222,172,970 | 10,798,629 | - | 236,031,227 |

| | June 30, 2018 (Audited) | | | | | | |
|-------------------|-------------------------|------------------|-------------------|-------------|-------------|----------------|-------------|
| | Generator project | | Solutions Project | Financing | FPM Petro | FPM Consulting | Total |
| | Total | Modaraba's share | | | | | |
| | (Rupees) | | | | | | |
| Total assets | 30,930,748 | 16,111,827 | 17,607,902 | 298,747,301 | 111,741,689 | 7,252 | 444,215,971 |
| Total liabilities | 1,308,506 | 681,601 | 4,931,278 | 218,913,290 | 6,549,689 | (845) | 231,075,013 |

Segment results

| | For the quarter ended December 31, 2018 | | | | | | |
|-------------------|---|------------------|-------------------------|-------------|------------|----------------|------------|
| | Generator project | | Solutions project Total | Financing | FPM Petro | FPM Consulting | Total |
| | Total | Modaraba's share | | | | | |
| | (Rupees) | | | | | | |
| External revenue | - | - | 1,932,385 | 7,144,481 | 42,759,692 | - | 51,836,558 |
| Profit before tax | - | - | 16,680 | (1,383,243) | 2,720,567 | (183) | 1,353,821 |

| | For the quarter ended December 31, 2017 | | | | | | |
|-------------------|---|------------------|-------------------------|-----------|------------|----------------|------------|
| | Generator project | | Solutions project Total | Financing | FPM Petro | FPM Consulting | Total |
| | Total | Modaraba's share | | | | | |
| | (Rupees) | | | | | | |
| External revenue | 1,486,333 | 774,231 | 1,425,620 | 7,306,469 | 53,109,050 | - | 62,615,370 |
| Profit before tax | 404,983 | 210,956 | (1,948,934) | (407,768) | 3,879,572 | - | 1,733,826 |

| | For the half year ended December 31, 2018 | | | | | | |
|-------------------|---|------------------|-------------------------|-------------|------------|----------------|------------|
| | Generator project | | Solutions project Total | Financing | FPM Petro | FPM Consulting | Total |
| | Total | Modaraba's share | | | | | |
| | (Rupees) | | | | | | |
| External revenue | - | - | 2,590,218 | 13,983,499 | 80,114,221 | - | 96,687,938 |
| Profit before tax | (444,760) | (231,675) | (680,103) | (2,327,997) | 4,776,428 | (363) | 1,536,290 |

| | For the half year ended December 31, 2017 | | | | | | |
|-------------------|---|------------------|-------------------------|------------|-------------|----------------|-------------|
| | Generator project | | Solutions project Total | Financing | FPM Petro | FPM Consulting | Total |
| | Total | Modaraba's share | | | | | |
| | (Rupees) | | | | | | |
| External revenue | 3,329,666 | 1,734,423 | 2,453,849 | 16,911,511 | 107,245,500 | - | 128,345,283 |
| Profit before tax | 961,476 | 500,834 | (4,759,004) | 474,198 | 8,657,883 | - | 4,873,911 |



First Paramount Modaraba
(An Islamic Financial Institution)

19. DATE OF AUTHORISATION FOR ISSUE

This financial information was authorised for issue on February 26, 2019 by the Board of Directors of the Modaraba Management Company.

For Paramount Investment Limited
(Management Company)

Chief Executive

Director








Director










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