

AUDITORS REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of **First Paramount Modaraba** as at June 30, 2006 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 company's [Paramount Investment Limited] responsibility who is also responsible to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards as applicable in Pakistan and the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981. Our responsibility is to express an opinion on these statements based on our audit.

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

- a.** in our opinion, proper books of accounts have been kept by the Modaraba company in respect of **First Paramount Modaraba** as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981;
- b.** in our opinion

 - i.* the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of account and are further in agreement with accounting policies consistently applied except for the change as indicated in note. 2.2 to the financial statements 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

appraise in Pakistan and give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at June 30, 2006 and of the profit, its cash flows and changes in equity for the year then ended; and

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

The comparative figures of the balance sheet and of the profit and loss account, cash flow statement and statement of changes in equity were audited by another firm of auditors who vide their report dated September 30, 2005 expressed an unqualified opinion but modified their report by adding an emphasis matter paragraph regarding musharika agreement for CNG project which was not renewed till the date of their report.

Chartered Accountants

Karachi.

Date: October 10 2006

FIRST PARAMOUNT MODARABA
BALANCE SHEET
AS AT JUNE 30, 2006

	Note	2006 Rupees	2005 Rupees
ASSETS			
Current Assets			
Cash and bank balances	3	22,901,676	13,580,660
Current portion of long term morabaha finance	4	31,482,654	31,964,320
Short term morabaha finance	5	2,954,829	6,671,154
Stock in trade	6	1,090,050	1,246,765
Trade debtors	7	2,824,373	2,433,443
Accrued profit		818,782	88,940
Advances, prepayments and other receivables	8	4,712,950	5,797,668
Total current assets		66,785,314	61,782,950
Morabaha finance	4	6,783,603	23,542,166
Long term deposits		3,063,157	2,364,700
Property, plant and equipment	9	29,347,504	19,790,319
Capital work in progress	10	-	914,099
TOTAL ASSETS		105,979,579	108,394,234
LIABILITIES			
Current Liabilities			
Creditors, accrued and other liabilities	11	5,507,886	3,209,372
Current portion of long term morabaha finance	12	8,763,489	9,609,251
Short term morabaha finance		-	3,818,825
Profit payable on morabaha finance		1,140,047	1,861,359
Payable to modaraba management company		1,119,617	1,089,428
Sales tax payable		316,308	430,756
Provision for taxation		30,000	-
Unclaimed dividend		2,652,950	1,548,507
Total current liabilities		19,530,297	21,567,498
Long term morabaha finance	12	1,930,021	6,271,367
Security deposits		356,246	183,346
Deferred liabilities		416,351	441,296
TOTAL LIABILITIES		22,232,916	28,463,507
NET ASSETS		83,746,663	79,930,727
REPRESENTED BY:			
Certificate capital	13	58,633,330	58,633,330
Capital reserves	14	16,140,204	13,207,345
Unappropriated profit	27	8,973,129	8,090,052
		83,746,663	79,930,727
Contingency and commitments	15		

The annexed notes from 1 to 29 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

DIRECTOR

FIRST PARAMOUNT MODARABA
 PROFIT AND LOSS ACCOUNT
 FOR THE YEAR ENDED JUNE 30, 2006

	Note	2006	2005
		< ----- Rupees ----- >	
REVENUE			
Profit on morabaha finance		8,246,271	11,441,389
Profit on CNG project musharika finance	16	10,070,023	6,946,865
Profit on bank deposits		98,121	55,928
Musharika management fee	16	479,145	330,541
Gain on trading		120,000	-
Other income		264,820	292,884
		19,278,380	19,067,607
EXPENSES			
Operating expenses	17	5,086,120	5,017,764
Profit to morabaha investors		384,411	2,202,735
Provision for doubtful recoveries		739,588	1,037,824
		6,210,119	8,258,323
Operating profit		13,068,262	10,809,284
Gain on sale of fixed assets			
Modaraba company's management fee		(1,306,826)	(1,080,928)
Profit before taxation	18	11,761,435	9,728,356
Taxation		(30,000)	-
Profit for the year		11,731,435	9,728,356
Earnings per certificate (Basic and Diluted)	19	2.00	1.66

The annexed notes from 1 to 29 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

DIRECTOR

FIRST PARAMOUNT MODARABA
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2006

	2006	2005
	<----- Rupees ----->	
A. INFLOW DUE TO MERGER OF FIRST NATIONAL MODARABA	-	10,568,490
 B. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	11,761,435	9,728,356
Adjustments for:		
Profit on morabaha finance	384,410	-
Depreciation	2,085,303	1,988,271
Provision for gratuity	192,118	228,258
- Gain on sale of investments	-	-
Gain on sale of property, plant and equipment	(137,927)	(232,380)
Provision for doubtful recoveries	739,588	1,037,824
	15,024,927	12,750,329
 (Increase) / decrease in current assets		
Stock in trade	156,715	603,079
Trade debtors	(390,930)	1,631,409
Accrued profit	(729,842)	-
Advances, prepayments and other receivables	1,084,718	(1,853,509)
	120,661	380,979
 (Decrease) / increase in current liabilities		
Creditors, accrued and other liabilities	2,356,966	401,352
Payable to modaraba management company	30,189	212,361
	2,387,155	613,713
Cash generated from operations	17,532,743	13,745,021
 Staff gratuity paid	(217,063)	(151,200)
Net cash flow from operating activities	17,315,680	13,593,821
 C. CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(10,844,462)	(3,215,759)
Proceeds from sale of property, plant and equipment	254,000	880,021
Long term morabaha finance	16,500,641	(3,524,473)
Long-term deposits	(698,457)	(1,358,200)
Short-term morabaha finance	3,716,325	6,835,308
Net cash flow from / (used in) investing activities	8,928,048	(383,103)
 D. CASH FLOWS FROM FINANCING ACTIVITIES		
Profit paid on morabaha financing	(1,105,723)	-
Long term morabaha finance	(5,187,108)	(8,836,640)
Short-term morabaha finance	(3,818,825)	(4,489,884)
Dividend paid	(6,811,057)	(6,091,624)
Net cash used in financing activities	(16,922,713)	(19,418,148)
Net increase in cash and cash equivalents (A+B+C+D)	9,321,016	4,361,060
Cash and cash equivalents at the beginning of the year	13,580,660	9,219,600
Cash and cash equivalents at the end of the year	22,901,676	13,580,660

The annexed notes from 1 to 29 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

DIRECTOR

**FIRST PARAMOUNT MODARABA
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2006**

	RESERVES				Total
	Certificate Capital	CAPITAL Merger reserve	Statutory reserve	REVENUE Unappropriated Profit	
	Rupees				
Previously reported balance as at July 01, 2004	50,000,000	-	9,326,514	307,368	59,633,882
Effect of change in accounting policy (Refer note 2.2)					
- Profit distribution for the year ended June 30, 2004 declared after the balance sheet date				6,250,000	6,250,000
Restated balance as at July 01, 2004	50,000,000	-	9,326,514	6,557,368	65,883,882
Profit distribution declared for the year ended June 30, 2004	-	-	-	(6,250,000)	(6,250,000)
Profit for the year	-	-	-	9,728,356	9,728,356
Transferred to statutory reserve	-	-	1,945,671	(1,945,671)	-
Amount brought in due to merger of First National Modaraba	8,633,330	1,935,160	-	-	10,568,490
Balance as at June 30, 2005	58,633,330	1,935,160	11,272,185	8,090,052	79,930,728
Profit distribution declared for the year ended June 30, 2005	-	-	-	(7,915,500)	(7,915,500)
Profit for the year	-	-	-	11,731,435	11,731,435
Transferred to statutory reserve	-	-	2,932,859	(2,932,859)	-
Balance as at June 30, 2006	58,633,330	1,935,160	14,205,044	8,973,129	83,746,663

The annexed notes from 1 to 29 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER DIRECTOR DIRECTOR