

DIRECTORS' REPORT TO THE CERTIFICATE HOLDERS

The Board of Directors of Paramount Investments Limited, Management Company of First Paramount Modaraba is pleased to present 11th Annual Report and audited financial statements for the year ended 30th June 2006.

Financial Result for the year:

Al Hamdo Lillah due to remarkable improvement in the performance of our CNG project the profit of Modaraba for the year under review increased by Rs.2,003,079 or around 21% over the previous financial year.

Summary of Income & Expenses for the year is as under:

	2006 (Rs.)	2005 (Rs.)
Modaraba share of income from CNG Project:	10,070,023	6,946,865
Revenue from financing activities and other income:	<u>9,208,357</u>	<u>12,120,742</u>
Total income for the year:	19,278,380	19,067,607
Less: Operating expenses & provisions:	<u>(6,210,119)</u>	<u>(8,258,323)</u>
Profit for the year before taxation:	13,068,261	10,809,284
Less: Modaraba Company's Management fee (10% of profit):	(1,306,826)	(1,080,928)
Taxation for the year:	(30,000)	-
Profit for the year after taxation:	<u>11,731,435</u>	<u>9,728,356</u>

Provisions for Doubtful Debts:

Concerted efforts are being made for the recovery of stuck-up amount of our Morabaha financing and the Management is optimistic to recover it in full, but provision of Rs.739,588/- is made in accounts as per requirements of Prudential Regulations.

Provision of Rs.460, 580/- (Modaraba share 65% comes to Rs.299, 377) is also made against CNG project's receivables which are doubtful of recovery. The Management is expecting to recover substantial amount to reduce loss on this account.

Profit Appropriation & Declaration of Dividend:

The Modaraba's earning per certificate increased to Rs.2.00 for the year from Rs.1.66 of the preceding year by the grace of Allah and therefore your directors are pleased to announce cash dividend of Rs.1.50 per certificate or 15% for the year. The detail of appropriation is as under:

	2006 (Rs)	2005 (Rs)
Profit for the year after taxation:	11,731,435	9,728,356
Less: Transfer 25% (20%-2005) to statutory reserve as per rules:	<u>(2,932,850)</u>	<u>(1,945,671)</u>
Balance unappropriate profit:	8,798,576	7,782,685
Add: unappropriate profit brought forward:	<u>174,553</u>	<u>307,368</u>
	8,973,129	8,090,053
Less: Dividend @ Rs.1.50 (15%) per certificate on 5,863,333 certificates (2005 @ Rs. 1.35):	<u>(8,795,000)</u>	<u>(7,915,500)</u>
Unappropriate profit carried forward:	178,129	174,553

Profit on Morabaha financing:

Profit from our Morabaha financing activity for the year reduced by Rs.3,195,118/- (or by around 28%) against preceding year's Morabaha profit due to strict financial discipline to control over-dues. However, steps have now been taken to increase financing activity as well to further improve overall profitability of Modaraba.

CNG Musharika Project:

The project performance remained outstanding during the year by the Mercy of Allah and a growth of profit of Rs.3, 123,158/- (or around 45%) in Modaraba's share was seen for the year over previous year's profit of Rs.6, 946,865/-.

A new Chinese compressor of 420 cubic meter hour capacity was installed at Hub River Road (SITE) CNG station and became operational in February, 2006 to enhance CNG sale at that station.

Subsequent to Balance Sheet Date, a new UK made compressor of 380 cubic meter hour capacity was installed at our Banaras Chowk CNG station (Essa Petroleum Caltex Retail Outlet) and became operational in August 2006 which will Insha Allah improve performance of this CNG station in the financial year 2006/2007.

As mentioned in our previous reports, establishment of 4th CNG station at Usman Shah Goth, Hyderabad-Mirpurkhas Road about 8 kilo meters from Hyderabad is delayed due to problems in obtaining requisite permissions and NOC etc. and therefore now we expect commercial operation of this 4th station Insha Allah in January/February, 2007.

Mission and Vision

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

CORPORATE GOVERNANCE

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

- a. The financial statements prepared by the management of the Modaraba present fairly its true state of affairs, the result of its operations, cash flows and changes in equity.
- b. Proper books of accounts of the Modaraba have been maintained.
- c. Appropriate accounting policies have been consistently applied in preparation of financial statements.
- d. The system of internal control is sound and has been effectively implemented and monitored.
- e. There is no doubt about the Modaraba's ability to continue as a going concern.
- f. 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;
- g. None of the directors, CEO, CFO and their spouses and minor children carried out any trade in the certificates of Modaraba.

- h. International Accounting Standards, as applicable in Pakistan have been followed in preparation of financial statements except as disclosed in the financial statements.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

A statement setting out the status of the compliance with the best practices of corporate governance is on page -----.

BOARD MEETINGS

During the year under review, in total five meetings of the Board of Directors were held. Detail showing number of meetings each of the Directors attended is as under: -

<u>S.NO:</u>	<u>NAME OF PARTICIPANT</u>	<u>NO: OF MEETINGS ATTENDED</u>
1.	Mr.Tanweer Ahmed Magoon	4 out of 5
2.	Mr.Ahmed Kassam Parekh	3 out of 5
3.	Mr.Abdul Ghaffar Umer	5
4.	Mr.Abdul Razzak Jangda	5
5.	Mr.Pir Mohammad Kaliya	4 out of 5
6.	Mr.Masood Ahmed Shaikh	5
7.	Mr.Abid Aziz	3 out of 5
8.	Mr.Mohammad Hussain Mehanti	3 out of 5
9.	Mr.Nadeem Iqbal	3 out of 5

KEY OPERATING AND FINANCIAL DATA

A statement summarizing key operating and financial data for the last 10 years is on Page-----.

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PATTERN OF CERTIFICATE-HOLDINGS

The pattern of certificate-holdings as referred in Section 236 of the Companies Ordinance, 1984, is on page -----.

AUDITORS

The present Auditors of Modaraba M/s: Mohammad Yousuf Adil Saleem & Company, Chartered Accountants, is due for retirement and have offered themselves for reappointment for the year ending June 2007. The Board has confirmed their appointment subject to the approval of Registrar Modaraba.

ACKNOWLEDGEMENT

The Board expresses its gratefulness and commendation for the cooperation of Registrar Modaraba and Securities and Exchange Commission of Pakistan. The Board also lauds the signal services offered by every staff member.

For and on behalf of Board

Karachi
Dated: 10th October 2006.

Abdul Ghaffar Umer
Chief Executive