

Directors' Report to Certificate Holders

The Management of Paramount Investments Limited, Managers of First Paramount Modaraba, is pleased to present the report of operation and unaudited financial statements for the First Quarter of current financial year ended on 30th September 2006.

During the period under review, the profit from operation of Modaraba reduced by Rs.1,536,929/- or around 40% as compared to previous fiscal quarter due to following reasons: -

a) Profit from Morabaha financing: Morabaha profit decreased to Rs.1,269,485/- for the period under review as compared to Rs.2,218,488/- for the correspondence period of previous financial year or by 43% on account of low volume of financing in the previous financial year. The steps have been taken to increase financing as well so that profit from Morabaha financing can become once again major factor of Modaraba.

b) Profit from Musharika CNG Project: Modaraba share of profit from CNG project also declined by Rs.1,018,439/- or by around 34% over the first quarter of 2005-2006 mainly for the following reasons :-

b) (i) Drastic increase in cost of diesel (fuel for generators) from around Rs.32/- in July, 2005, to about Rs.39/- per liter in July 2006 which comes to about 22%.

b) (ii) The gas charges were increased by the government without proportionate increase of profit margin in selling price.

b) (iii) Rent of plot increased by landlord by over 300% w.e.f. 1st July 2006 due to extraordinary price hike of land over the last few years.

b) (iv) Increase in the amount of depreciation for the quarter under review due to addition of CNG compressors and equipment in this period and in the last quarter of previous fiscal year.

However, the Management has taken appropriate steps for the improvement of the performance of CNG project. A new compressor of 380 cubic meter per hour capacity was installed at our Banaras Chowk CNG station (Caltex Essa Petroleum Outlet) and became operational in the end of August, 2006 and therefore it is expected that the sale of this station will improve substantially.

As mentioned in our previous report we anticipate that the commercial operation of our 4th CNG station will Insha Allah commence in January/February, 2007.

We very much laud the cooperation of Registrar Modaraba, Securities and Exchange Commission of Pakistan, State Bank of Pakistan, and all staff individuals of Modaraba.

For and on behalf of Board

Date: 30th October, 2006.

Abdul Ghaffar Umer
Chief Executive