



**FIRST  
ELITE  
CAPITAL  
MODARABA**

*Annual Report  
Two Thousand Ten*

Managed by  
**CRESCENT MODARABA MANAGEMENT  
COMPANY LIMITED**



**C O N T E N T S**

VISION AND MISSION STATEMENT	3
CORPORATE INFORMATION	4-5
DIRECTOR'S REPORT	6-7
AUDITOR'S REPORT	8
BALANCE SHEET	9
PROFIT AND LOSS ACCOUNT	10
STATEMENT OF OTHER COMPREHENSIVE INCOME	11
CASH FLOW STATEMENT	12
STATEMENT OF CHANGES IN EQUITY	13
NOTES TO THE FINANCIAL STATEMENTS	14-36
STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE	37
PATTERN OF CERTIFICATE HOLDING	38
CATEGORIES OF CERTIFICATE HOLDING	39
KEY OPERATING AND FINANCIAL DATA	40
REVIEW REPORT OF AUDITORS ON COMPLIANCE OF CODE OF CORPORATE GOVERNANCE	41
NOTICE OF ANNUAL REVIEW MEETING	42



## **FIRST ELITE CAPITAL MODARABA**

---

### **VISION STATEMENT**

To develop into a leading small venture Islamic Financial Institution that will actively participate in the management of projects in addition to the conventional mode of Modaraba activities.

### **MISSION STATEMENT**

Engage in activities that will maximize return on investment through Sharia mode of financing for Certificate holders of the Modaraba.



## FIRST ELITE CAPITAL MODARABA

---

### CORPORATE INFORMATION

---

#### BOARD OF DIRECTORS OF MODARABA MANAGEMENT COMPANY

Mr. Muneeb Ahmed Dar	Chairman
Mr. Aamir Iftikhar Khan	Chief Executive
Dr. Sardar Ahmad Khan	Director
Mr. Ghazanfar Farrokh	Director
Mr. Muhammad Javed Amin	Director
Mrs. Rukhsana Javed Amin	Director
Mrs. Shahana Javed Amin	Director

---

#### AUDIT COMMITTEE

Mr. Muneeb Ahmed Dar	Chairman
Mr. Aamir Iftikhar Khan	Member
Mr. Muhammad Javed Amin	Member
Mrs. Shahana Javed Amin	Member

---

#### COMPANY SECRETARY

Mr. Muhammad Arif Hilal

---

#### LEGAL ADVISOR

Mr. Haq Nawaz Chattha,  
International Legal Services

---



## **FIRST ELITE CAPITAL MODARABA**

---

### **AUDITORS OF THE MODARABA**

Rahman Sarfaraz Rahim Iqbal Rafiq

Chartered Accountants

---

### **BANKERS OF THE MODARABA**

Allied Bank Limited

Askari Bank Limited

Habib Bank Limited

KASB Bank Limited

Samba Bank Limited

Silk Bank Limited

---

### **PRINCIPAL & REGISTERED OFFICE**

31/10-A, Abu Baker Block, New Garden Town, Lahore - Pakistan

Tel: 042-35913701, 35913702 Fax: 042-35913703

E-mail: fecm@nexlinx.net.pk

---

### **REGISTRAR**

Hassan Farooq Associates (Pvt.) Limited

7-G, Mushtaq Ahmad Gormani Road,

Gulberg - II, Lahore.

Tel: 042-35761661-35761662

Fax: 042-35760521

---



## FIRST ELITE CAPITAL MODARABA

### DIRECTORS' REPORT TO THE CERTIFICATE HOLDERS

#### Valued Certificate Holders

The Board of Directors of **Crescent Modaraba Management Company Limited**, managers of **First Elite Capital Modaraba** presents the Nineteenth annual audited accounts of the Modaraba for the year ended June 30, 2010.

#### Financial Results

Financial results for the year ended June 30, 2010 are summarized as under:

	<b>June 30, 2010 Rupees</b>	June 30, 2009 Rupees
Total Income of Modaraba	<b>48,178,317</b>	41,064,058
Amortization of Assets Leased Out	<b>26,090,039</b>	19,692,146
Administrative & General Expenses	<b>12,864,480</b>	11,122,954
Impairment loss on available for sale financial assets	<b>1,077,053</b>	2,577,409
Financial Charges	<b>13,155</b>	13,175
Modaraba Company's Management Fee	<b>813,359</b>	765,837
Taxation	-	-
Profit after Taxation	<b>7,320,231</b>	6,892,537

#### Profit Distribution

The Board in its meeting held on September 30, 2010 has approved the distribution of profit of Rs. 0.50 (5%) per certificate of Rs.10 each, subject to deduction of Zakat and tax at source where applicable, for the year ended June 30, 2010.

#### Review of Operations

The economy of the country remained under pressure during the financial year. Despite the prevailing economic & business conditions the Modaraba has earned a net profit of Rs.7,320,231/= during the year as compared to Rs.6,892,537/= earned in the corresponding period of last year - an increase of Rs.427,694/= in the profit. The major activities of the Modaraba remained Murabahah & Ijarah during the period under review. The Modaraba earned a gross revenue of Rs.48,178,317/= during the period as against Rs.41,064,058/= to same period of last year. An impairment in marketable securities amounting to Rs.1,077,053/= charged to profit and loss account.

#### Future Outlook

Poor law & order situation & power shortage remained a challenge for the Government which are main causes for economic stability. Recently the worst floods of the history of Pakistan have badly destroyed its crops & infrastructure which will have significant impact on the overall economic position. However the Modaraba will remain focused on financing to best customers to enhance the profitability for all its stakeholders.

#### Corporate Governance

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

- 1). 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.
- 2). Proper books of account of the Modaraba have been maintained.
- 3). Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- 4). International accounting standard, as applicable in Pakistan, have been followed in preparation of financial statements.



## FIRST ELITE CAPITAL MODARABA

- 5). The system of internal control is sound and has been effectively implemented and monitored.
- 6). There are no doubts upon the Modaraba's ability to continue as a going concern.
- 7). There has been no material departure from the best practices of corporate governance as detailed in the listing regulation of the Stock Exchanges.
- 8). The Directors, CEO, CFO, Company Secretary and their spouses and minor children do not hold any interest in the certificates of Modaraba, other than that disclosed in the pattern of certificate holding.
- 9). A statement setting out the status of the compliance with the best practices of corporate governance is attached to the Annual Report.
- 10) During the year under review four meetings of the Board of Directors were held.

Attendance by each Director is as follows:-

	<b>Name of Director</b>	<b>Number of Meetings Attended</b>
i.	Mr. Aamir Iftikhar Khan	4
ii.	Dr. Sardar Ahmad Khan	-
iii.	Mr. Ghazanfar Farrokh	2
iv.	Mr. Muhammad Javed Amin	3
v.	Mr. Muneeb Ahmad Dar	4
vi.	Mrs. Rukhsana Javed Amin	-
vii.	Mrs. Shahana Javed Amin	4

### **Pattern of Certificate Holding**

A statement reflecting the pattern of holding of the certificates as on June 30, 2010 is annexed to this Report.

### **Key Operating & Financial Data**

A statement summarizing key operating and financial data for the last six years is attached to the Annual Report.

### **Auditors**

The board has approved the appointment of M/s Rahman Sarfaraz Rahim Iqbal Rafiq Chartered Accountants for the year 2010-2011 subject to the approval of the Registrar of Modaraba Companies & Modarabas.

### **Acknowledgment**

The Board thanks the regulatory authorities for their continuous guidance and co-operation and places on record its appreciation of the services rendered by the staff members for their hard work, dedication and commitment in discharge of their responsibilities in a difficult situation.

On behalf of the Board

**AAMIR IFTIKHAR KHAN**  
CHIEF EXECUTIVE  
**Crescent Modaraba Management Company Limited**

**Dated: September 30, 2010**



## FIRST ELITE CAPITAL MODARABA

### Auditors' Report to the Members

We have audited the annexed balance sheet of **FIRST ELITE CAPITAL MODARABA** ("the Modaraba") as at June 30, 2010 and the related profit and loss account, statement of other comprehensive income, 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 purpose of our audit.

These financial statements are the Modaraba Company's (**Crescent Modaraba Management Company 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 above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said 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 above said 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 Company in respect of First Elite Capital Modaraba as required by the 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 (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 accordance with accounting policies consistently applied;
  - 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 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, statement of other comprehensive income, 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 (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, 2010 and of the profit, other comprehensive income, 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.

**RAHMAN SARFARAZ RAHIM IQBAL RAFIQ**  
Chartered Accountants  
**Engagement Partner: IRFAN RAHMAN MALIK**

**Date:** SEPTEMBER 30, 2010  
**Place:** LAHORE





## FIRST ELITE CAPITAL MODARABA

### BALANCE SHEET AS AT JUNE 30, 2010

	Note	June 30, 2010 Rupees	June 30, 2009 Rupees
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and bank balances	5	6,480,085	10,438,727
Short term investments	6	11,858,691	10,967,729
Short term finances under murabahah arrangements - secured	7	25,422,253	21,199,281
Ijarah rentals receivable - secured	8	1,113,243	470,267
Profit receivable on musharakah finances	9	75,833	77,291
Profit receivable on murabahah finances	10	969,294	870,394
Advances, deposits, prepayments and other receivables	11	2,735,072	1,840,508
Advance income tax		1,259,828	1,235,017
		<b>49,914,299</b>	47,099,214
<b>Non-current assets</b>			
Long term finances under musharakah arrangements - secured	12	9,065,500	9,985,000
Long term finances under murabahah arrangements - secured	13	11,612,638	11,072,137
Assets leased out under ijarah contracts	14	82,673,259	75,342,450
Property and equipment	15	1,757,616	1,619,702
		<b>105,109,013</b>	98,019,289
<b>Total assets</b>		<b>155,023,312</b>	145,118,503
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accrued and other liabilities	16	4,056,728	6,805,517
Security deposits	17	5,974,736	2,997,409
Management fee payable		813,359	765,837
Unclaimed profit distribution		4,304,693	3,720,938
		<b>15,149,516</b>	14,289,701
<b>Non-current liabilities</b>			
Security deposits	17	19,811,816	16,289,408
Employees retirement benefits	18	2,382,202	1,988,992
		<b>22,194,018</b>	18,278,400
Contingencies and commitments	19	-	-
<b>Total liabilities</b>		<b>37,343,534</b>	32,568,101
<b>NET ASSETS</b>		<b>117,679,778</b>	112,550,402
<b>REPRESENTED BY</b>			
Issued, subscribed and paid-up capital	20	113,400,000	113,400,000
Reserves		4,279,778	(849,598)
		<b>117,679,778</b>	112,550,402

The annexed notes 1 to 37 form an integral part of these financial statements.

**Muneeb Ahmed Dar**  
Chairman  
CRESCENT MODARABA  
MANAGEMENT CO. LTD.

**Aamir Iftikhar Khan**  
Chief Executive  
CRESCENT MODARABA  
MANAGEMENT CO. LTD.

**Muhammad Javed Amin**  
Director  
CRESCENT MODARABA  
MANAGEMENT CO. LTD.



## FIRST ELITE CAPITAL MODARABA

### PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2010

	Note	June 30, 2010 Rupees	June 30, 2009 Rupees
<b>INCOME</b>			
Income from ijarah financing		<b>35,663,846</b>	27,654,609
Profit on musharakah financing		<b>914,372</b>	1,510,834
Profit on murabahah financing		<b>9,276,870</b>	9,954,260
Return on investments	22	<b>1,588,574</b>	1,138,892
Other income	23	<b>734,655</b>	805,463
		<b>48,178,317</b>	41,064,058
<b>EXPENSES</b>			
Amortization of assets leased out under ijarah contracts	14	<b>26,090,039</b>	19,692,146
Administrative and general expenses	24	<b>12,864,480</b>	11,122,954
Impairment loss on available for sale financial assets		<b>1,077,053</b>	2,577,409
Financial charges		<b>13,155</b>	13,175
		<b>40,044,727</b>	33,405,684
<b>Operating profit</b>		<b>8,133,590</b>	7,658,374
Management fee	25	<b>813,359</b>	765,837
<b>Profit before taxation</b>		<b>7,320,231</b>	6,892,537
Taxation	26	-	-
<b>Profit after taxation</b>		<b>7,320,231</b>	6,892,537
<b>Earnings per certificate - basic and diluted</b>	27	<b>0.65</b>	0.61

The annexed notes 1 to 37 form an integral part of these financial statements.

**Muneeb Ahmed Dar**  
Chairman  
CRESCENT MODARABA  
MANAGEMENT CO. LTD.

**Aamir Iftikhar Khan**  
Chief Executive  
CRESCENT MODARABA  
MANAGEMENT CO. LTD.

**Muhammad Javed Amin**  
Director  
CRESCENT MODARABA  
MANAGEMENT CO. LTD.



## FIRST ELITE CAPITAL MODARABA

### STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2010

	Note	June 30, 2010 Rupees	June 30, 2009 Rupees
Changes in fair value of available for sale investments	6	2,912,145	(5,720,074)
<b>Other comprehensive income/(loss) before taxation</b>		<b>2,912,145</b>	<b>(5,720,074)</b>
Taxation		-	-
<b>Other comprehensive income/(loss) after taxation</b>		<b>2,912,145</b>	<b>(5,720,074)</b>
<b>Profit for the year</b>		<b>7,320,231</b>	<b>6,892,537</b>
<b>Total comprehensive income</b>		<b>10,232,376</b>	<b>1,172,463</b>

The annexed notes 1 to 37 form an integral part of these financial statements.

**Muneeb Ahmed Dar**  
Chairman  
CRESCENT MODARABA  
MANAGEMENT CO. LTD.

**Aamir Iftikhar Khan**  
Chief Executive  
CRESCENT MODARABA  
MANAGEMENT CO. LTD.

**Muhammad Javed Amin**  
Director  
CRESCENT MODARABA  
MANAGEMENT CO. LTD.



## FIRST ELITE CAPITAL MODARABA

### CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2010

	Note	June 30, 2010 Rupees	June 30, 2009 Rupees
<b>CASH GENERATED FROM OPERATIONS</b>	<b>28</b>	<b>31,678,255</b>	50,241,494
(Payments)/receipts for:			
Income taxes		(24,811)	(72,524)
Employees retirement benefits		(40,500)	-
Purchase of Ijarah assets		(38,425,000)	(52,962,139)
Proceeds from transfer of Ijarah assets		5,252,465	7,458,787
Profit distribution		(4,519,245)	(6,261,032)
<b>Net cash used in operating activities</b>		<b>(6,078,836)</b>	(1,595,414)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of property and equipment		(412,510)	(125,000)
Purchase of investments		(11,764,059)	(8,653,924)
Proceeds from sale of investments		13,273,007	6,045,990
Dividend received		1,023,756	806,344
<b>Net cash flow from investing activities</b>		<b>2,120,194</b>	(1,926,590)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		-	-
<b>Net decrease in cash and cash equivalents</b>		<b>(3,958,642)</b>	(3,522,004)
<b>Cash and cash equivalents at the beginning of the year</b>		<b>10,438,727</b>	13,960,731
<b>Cash and cash equivalents at the end of the year</b>	<b>29</b>	<b>6,480,085</b>	10,438,727

The annexed notes 1 to 37 form an integral part of these financial statements.

**Muneeb Ahmed Dar**  
Chairman  
CRESCENT MODARABA  
MANAGEMENT CO. LTD.

**Aamir Iftikhar Khan**  
Chief Executive  
CRESCENT MODARABA  
MANAGEMENT CO. LTD.

**Muhammad Javed Amin**  
Director  
CRESCENT MODARABA  
MANAGEMENT CO. LTD.



## FIRST ELITE CAPITAL MODARABA

### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2010

	Note	Issued Subscribed And paid-up Capital	Reserves				Total equity
			Statutory reserve	Available for sale financial assets	Accumulated losses	Total	
		Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
As at July 01, 2008		113,400,000	17,361,297	(3,089,303)	(9,490,055)	4,781,939	118,181,939
Profit for the year ended June 30, 2009		-	-	-	6,892,537	6,892,537	6,892,537
Transferred to statutory reserve	21	-	1,378,507	-	(1,378,507)	-	-
Profit distribution for the year ended June 30, 2008		-	-	-	(6,804,000)	(6,804,000)	(6,804,000)
Other comprehensive loss for the year ended June 30, 2009		-	-	(5,720,074)	-	(5,720,074)	(5,720,074)
As at June 30, 2009		<b>113,400,000</b>	<b>18,739,804</b>	<b>(8,809,377)</b>	<b>(10,780,025)</b>	<b>(849,598)</b>	<b>112,550,402</b>
Profit for the year ended June 30, 2010		-	-	-	7,320,231	7,320,231	7,320,231
Transferred to statutory reserve	21	-	1,464,046	-	(1,464,046)	-	-
Profit distribution for the year ended June 30, 2009		-	-	-	(5,103,000)	(5,103,000)	(5,103,000)
Other comprehensive income for the year ended June 30, 2010		-	-	-	-	-	-
As at June 30, 2010		<b>113,400,000</b>	<b>20,203,850</b>	<b>(5,897,232)</b>	<b>(10,026,840)</b>	<b>2,912,145</b>	<b>117,679,778</b>

The annexed notes 1 to 37 form an integral part of these financial statements.

**Muneeb Ahmed Dar**  
Chairman  
CRESCENT MODARABA  
MANAGEMENT CO. LTD.

**Aamir Iftikhar Khan**  
Chief Executive  
CRESCENT MODARABA  
MANAGEMENT CO. LTD.

**Muhammad Javed Amin**  
Director  
CRESCENT MODARABA  
MANAGEMENT CO. LTD.



# FIRST ELITE CAPITAL MODARABA

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

### 1 REPORTING ENTITY

First Elite Capital Modaraba ("the Modaraba") is a perpetual, multi-purpose and multi-dimensional non-trading modaraba formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Rules framed there under and is managed by Crescent Modaraba Management Company Limited ("the Management Company"), a company incorporated in Pakistan under the Companies Ordinance 1984. The registered office of the Modaraba is situated at 31/10-A Abu Bakar Block, New Garden Town, Lahore. The Modaraba was floated on September 26, 1991 and is listed on Karachi, Lahore and Islamabad Stock Exchanges. The Modaraba is primarily engaged in the business of ijarah, musharakah and murabahah financing, investment in marketable securities and other related businesses.

### 2 BASIS OF PREPARATION

#### 2.1 Statement of compliance

These financial statements have been prepared in accordance with the requirements of Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 ("the Ordinance"), the Modaraba Companies and Modaraba Rules, 1981 ("the Rules"), Prudential Regulations for Modarabas ("the Regulations") and other directives ("the Directives") issued by the Securities and Exchange Commission of Pakistan together with approved accounting standards as applicable in Pakistan to Modarabas. Approved accounting standards comprise of such International Financial Reporting Standards ("IFRSs"), the International Accounting Standards ("IASs") and the Islamic Financial Accounting Standards ("IFASs") as notified under the provisions of the Companies Ordinance, 1984 and made applicable to modarabas under the Ordinance, the Rules, the Regulations and the Directives. The requirements of the Ordinance, the Rules, the Regulations or the Directives take precedence wherever they differ from the requirements of approved standards. Further, where the requirements of IFAS differ from the requirements of other approved standards, the IFASs take precedence.

The Securities and Exchange Commission of Pakistan vide Circular No. 10 of 2004 date February 13, 2004 has deferred, till further orders, the applicability of the IAS 17 "Leases" with effect from July 01, 2003. Accordingly, this IAS has not been considered for the purpose of preparation of these financial statements.

#### 2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for certain financial assets at fair value, certain financial liabilities at amortized cost and employees retirement benefits at present value. In these financial statements, except for the cash flow statement, all transactions have been accounted for on accrual basis.

#### 2.3 Judgments, estimates and assumptions

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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 and in any future periods affected.

Judgments made by management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a risk of material adjustment in subsequent years are as follows:

##### 2.3.1 Depreciation method, rates and useful lives of property and equipment

The Modaraba reassesses useful lives, depreciation method and rates for each item of property and equipment annually by considering expected pattern of economic benefits that the Modaraba expects to derive from that item.

##### 2.3.2 Recoverable amount of assets/ cash generating units and impairment

The Modaraba reviews carrying amounts of its assets and cash generating units for possible impairment and makes formal estimates of recoverable amount if there is any such indication.

##### 2.3.3 Obligation under defined benefit plan

The Modaraba's obligation under the defined benefit plan is based on valuation carried out periodically by independent actuaries. The valuation requires



## FIRST ELITE CAPITAL MODARABA

assumptions to be made of future outcomes, the principal ones being in respect of increases in remuneration, remaining working lives of employees and discount rates to be used to determine present value of defined benefit obligation.

### 2.3.4 Provisions

Provisions are based on best estimate of the expenditure required to settle the present obligation at the reporting date, that is, the amount that the Modaraba would rationally pay to settle the obligation at the reporting date or to transfer it to a third party.

### 2.4 Functional currency

These financial statements are prepared in Pak Rupees which is the Modaraba's functional currency.

## 3 SIGNIFICANT ACCOUNTING POLICIES

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

### 3.1 Property and equipment

#### Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the item.

Parts of an item of property and equipment having different useful lives are recognized as separate items.

Major renewals and improvements to an item of property and equipment are recognized in the carrying amount of the item if it is probable that the embodied future economic benefits will flow to the Modaraba and the cost of renewal or improvement can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

#### Depreciation

Depreciation is recognized in profit or loss by applying reducing balance method over the useful life of each item of property and equipment using the rates specified in note 16 to the financial statements.

Depreciation on additions to property and equipment is charged from the month in which the item becomes available for use. Depreciation is discontinued from the month in which it is disposed or classified as held for disposal.

Depreciation method, useful lives and residual values are reviewed at each reporting date.

#### De-recognition

An item of property and equipment is de-recognized when permanently retired from use. Any gain or loss on disposal of property and equipment is recognized in profit or loss.

### 3.2 Assets leased out under ijarah contracts

Assets leased out are stated at cost less accumulated amortization. Amortization is recognized in profit or loss over the period of lease by applying straight line method. In respect of additions and sales / transfers during the year, amortization is charged proportionately to the period of lease.

### 3.3 Certificate capital

Certificate capital is recognized as equity. Incremental costs directly attributable to the issue of certificates are recognized as deduction from the equity.

### 3.4 Employees retirement benefits

#### 3.4.1 Short term employee benefits

The Modaraba recognizes the undiscounted amount of short term employee benefits to be paid in exchange for services rendered by employees as a liability after deducting amount already paid and as an expense in profit or loss. If the amount paid exceeds the undiscounted amount of benefits, the excess is recognized as an asset to the extent that the prepayment would lead to a reduction in future payments or cash refund.

#### 3.4.2 Post employment benefits

The Modaraba operates an unfunded gratuity scheme (defined benefit plan) for all its employees who have completed the minimum qualifying service period. Liability is adjusted on each reporting date to cover the obligation and the adjustment is charged to profit or loss. The amount recognized on balance sheet represents the



## FIRST ELITE CAPITAL MODARABA

present value of defined benefit obligation as adjusted for unrecognized actuarial gains or losses. Actuarial gains or loss are recognized using '10% corridor approach' as set out by International Accounting Standard 19 - Employee Benefits. The details of the scheme are referred to in note 18 to the financial statements.

### 3.5 Financial instruments

#### 3.5.1 Recognition

A financial instrument is recognized when the Modaraba becomes a party to the contractual provisions of the instrument.

#### 3.5.2 Classification

The Modaraba classifies its financial instruments into following classes depending on the purpose for which the financial assets and liabilities are acquired or incurred. The Modaraba determines the classification of its financial assets and liabilities at initial recognition.

##### 3.5.2(a) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Assets in this category are presented as current assets except for maturities greater than twelve months from the reporting date, where these are presented as non-current assets.

##### 3.5.2(b) Available for sale financial assets

Available for sale financial assets are non-derivative financial assets that are designated as such on initial recognition or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Assets in this category are presented as non-current assets unless the management intends to dispose of the asset within twelve months from the reporting date. The particular measurement methods adopted are disclosed in the individual policy statements associated with each instrument

##### 3.5.2(c) Financial liabilities at amortized cost

Non-derivative financial liabilities that are not financial liabilities at fair value through profit or loss are classified as financial liabilities at amortized cost. Financial liabilities in this category are presented as current liabilities except for maturities greater than twelve months from the reporting date where these are presented as non-current liabilities.

#### 3.5.3 Measurement

The particular measurement methods adopted are disclosed in the individual policy statements associated with each instrument.

#### 3.5.4 De-recognition

Financial assets are de-recognized if the Modaraba's contractual rights to the cash flows from the financial assets expire or if the Modaraba transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are de-recognized if the Modaraba's obligations specified in the contract expire or are discharged or cancelled. Any gain or loss on de-recognition of financial assets and financial liabilities is recognized in profit or loss.

#### 3.5.5 Off-setting

A financial asset and a financial liability is offset and the net amount reported in the balance sheet if the Modaraba has legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

#### 3.5.6 "Regular way" purchases and sales of financial assets

All regular way purchases and sales of financial assets are recognized on trade date, i.e. the date the Modaraba commits to purchase or sell the asset. Regular way purchases or sales of financial assets are those contracts which require delivery of assets within the time frame generally established by the regulation or convention in the market.

### 3.6 Investments in equity securities

Investments in equity securities, which are intended to be held for an indefinite period of time and may be sold in response to need for liquidity or significant changes in equity prices are





## FIRST ELITE CAPITAL MODARABA

classified as 'available for sale financial assets'. On initial recognition these are measured at cost, being their fair value on date of acquisition, plus attributable transaction costs. Subsequent to initial recognition, these are measured at fair value subsequent to initial recognition. Changes in fair value are recognized in other comprehensive income until the investment is derecognized or impaired. Gains and losses on de-recognition and impairment losses are recognized in profit or loss.

### 3.7 Accrued and other liabilities

#### 3.7.1 Financial liabilities

These are classified as 'financial liabilities at amortized cost'. On initial recognition, these are measured at cost, being their fair value at the date the liability is incurred, less attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method, with interest recognized in profit or loss.

#### 3.7.2 Non-financial liabilities

These, both on initial recognition and subsequently, are measured at cost.

### 3.8 Advances and other receivables

#### 3.8.1 Financial assets

These are classified as 'loans and receivables'. On initial recognition, these are measured at cost, being their fair value at the date of transaction, less attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method, with interest recognized in profit or loss.

#### 3.8.2 Non-financial assets

These, on initial recognition and subsequently, are measured at cost.

### 3.9 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and cash at banks. Cash and cash equivalents are carried at cost.

### 3.10 Revenue

Revenue is measured at the fair value of the consideration received or receivable, net of returns allowances, trade discounts and rebates, and represents amounts received or receivable for goods and services provided and other operating income earned in the normal course of business. Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Modaraba, and the amount of revenue and the associated costs incurred or to be incurred can be measured reliably.

Revenue from different sources is recognized as follows:

Ijarah rentals are recognized over the period of lease as and when the related rentals become due.

Profit on murabahah finances is recognized on time proportion basis as and when accrued.

Profit on musharakah finances is recognized on time proportion basis as and when accrued.

Return on saving accounts is recognized on time proportion basis as and when accrued.

Dividend income is recognized when right to receive payment is established.

### 3.11 Comprehensive income

Comprehensive income is the change in equity resulting from transactions and other events, other than changes resulting from transactions with shareholders in their capacity as shareholders. Total comprehensive income comprises all components of profit or loss and other comprehensive income. Other comprehensive income comprises items of income and expense, including reclassification adjustments, that are not recognized in profit or loss as required or permitted by approved accounting standards, and is presented in 'statement of other comprehensive income'.

### 3.12 Income tax

Income tax expense comprises current tax and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in other comprehensive income, in which case it is recognized in other comprehensive income.

#### 3.12.1 Current taxation

Current tax is the amount of tax payable on taxable income for the year and any adjustment to the tax payable in respect of previous years. Provision for current tax is based on current rates of taxation in Pakistan after taking into account tax



## FIRST ELITE CAPITAL MODARABA

credits, rebates and exemptions available, if any. The amount of unpaid income tax in respect of the current or prior periods is recognized as a liability. Any excess paid over what is due in respect of the current or prior periods is recognized as an asset.

### 3.12.2 Deferred taxation

Deferred tax is accounted for using the balance sheet approach providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. In this regard, the effects on deferred taxation of the portion of income that is subject to final tax regime is also considered in accordance with the treatment prescribed by the Institute of Chartered Accountants of Pakistan. Deferred tax is measured at rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for deductible temporary differences to the extent that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

### 3.13 Earnings per certificate (EPC)

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 period.

Diluted EPC is calculated by adjusting basic EPC by the weighted average number of certificates that would be issued on conversion of all dilutive potential certificates into certificates and post-tax effect of changes in profit or loss attributable to certificate holders of the Modaraba that would result from conversion of all dilutive potential certificates into certificates.

### 3.14 Impairment

#### 3.14.1 Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment loss in respect of a financial asset measured at fair value is determined by reference to that fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in profit or loss. Any cumulative loss in respect of an available for sale financial asset recognized previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss is reversed only to the extent that the financial asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

#### 3.14.2 Non-financial assets

The carrying amount of the Modaraba's non financial assets, other than inventories and deferred tax assets, if any, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

An impairment loss is recognized if the carrying amount of the assets or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash generating units are allocated to reduce the carrying amounts of the assets in a unit on a pro rata basis.



## FIRST ELITE CAPITAL MODARABA

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used in determine the recoverable amount. An impairment loss is reversed only to that extent that the asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

### 3.15 Provisions and contingencies

Provisions are recognized when the Modaraba has a legal and constructive obligation as a result of past events and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provision is recognized at an amount that is the best estimate of the expenditure required to settle the present obligation at the reporting date. Where outflow of resources embodying economic benefits is not probable, a contingent liability is disclosed, unless the possibility of outflow is remote.

### 3.16 Profit distribution to certificate holders

Profit distribution to certificate holders is recognized as a deduction from accumulated profit in statement of changes in equity and as a liability, to the extent it is unclaimed/unpaid, in the Modaraba's financial statements in the year in which the dividends are approved by the Board of Directors of the Management Company.

## 4 NEW AND REVISED APPROVED ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS THERETO

### 4.1 New and revised approved accounting standards, interpretations and amendments thereto that are effective in the current year

#### IAS 1 - Presentation of financial statements (Revised 2007)

The revised standard has brought about terminology changes, and changes in format and content of the financial statements. A new term "Comprehensive Income", which represents changes in equity during a period other than those resulting from transactions with shareholders in their capacity as shareholders, has been introduced, along with new titles for the financial statements. The Modaraba has applied this standard retrospectively, but only to the extent it is consistent with the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Rules and Regulations made thereunder. Certain requirements of the standard, including change of titles for financial statements, that are in conflict with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Rules and Regulations made thereunder, have not been applied in presenting these financial statements. The application of this standard has resulted in presentation of all non-owner changes in equity, other than profit after taxation, which is presented in profit and loss account, separately from owner changes, in 'Statement of Other Comprehensive Income'. There are no other adjustments in current or prior periods, however the removal of above mentioned inconsistencies and conflicts in future, will cause further changes in content and format of these financial statements.

### 4.2 Approved accounting standards, interpretations and amendments thereto effective with no impact on Modaraba's financial statements

#### **Standards, interpretations and amendments**

	<b>Description</b>
IFRS 8 - Operating Segments	The standard introduces 'Management Approach' to segment reporting.
IAS 23 - Borrowing Costs (Revised 2007)	The revised standard has removed the option to expense out borrowing costs and requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of qualifying asset.
IFRIC 13 - Customer Loyalty Programmes	This interpretation addresses accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customers. It relates to customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services.
IAS 27 - Consolidated and Separate Financial Statements (amendments)	The amendments deal with measurement of



## FIRST ELITE CAPITAL MODARABA

	cost of investment in subsidiaries, jointly controlled entities.
IAS 38 - Intangible Assets (amendments)	The amendment permits an entity to recognize a prepayment asset for advertising or promotional expenditure only up to the point at which the entity has the right to access the goods purchased or up to the point of receipt of services.
IAS 40 - Investment Property (amendments)	The standard has been amended to include within its scope investment property in the course of construction.
IAS 20 - Government Grants (amendments)	The amendment requires that the benefit of a government loan at a below-market rate of interest be treated as government grant.
IAS 39 - Financial Instruments Recognition and Measurement (amendments)	The standard has been amended to permit an entity to reclassify non-derivative financial assets out of the 'fair value through profit or loss' and 'available for sale' categories in very limited circumstances. The amendment also clarifies accounting for embedded derivatives in case of such reclassification.
IFRS 2 - Share Based Payments (amendments)	The amendment clarifies the definition of vesting conditions and accounting treatment for cancellations, and introduce the concept of non-vesting conditions.
IAS 32 - Financial Instruments Presentation And IAS 1 - Presentation of Financial Statements (amendments)	These amendments require puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met.
IFRIC 15 - Agreements for the Construction of Real Estate	The interpretation addresses how entities should determine whether an agreement for the construction of real estate is within the scope of IAS 11 - Construction Contracts or IAS 18 - Revenue, and when revenue from the construction of real estate should be recognized.
IFRIC 16 - Hedges of a Net Investment in a Foreign Operation	The interpretation provides guidance on detailed requirements for net investment hedging for certain hedge accounting designations.
IFRS 3 - Business Combinations (Revised 2008)	The revision broadens the definition of business combinations, provides guidance on measurement of contingent consideration, pre-existing interests in acquiree and non-controlling interests and on accounting for transaction costs.
IAS 27 - Consolidated and Separate Financial Statements (Revised 2008)	The revisions principally address the accounting for transactions or events that result in a change in the Modaraba's interest in subsidiaries.



## FIRST ELITE CAPITAL MODARABA

IAS 28 - Investments in Associates  
(Revised 2008)

The revisions principally address the accounting for transactions or events that result in a change in the Modaraba's interest in associates.

IAS 39 - Financial Instruments Recognition  
and Measurement (amendments)

The amendments provide clarification on two aspects of hedge accounting: identifying inflation as a hedged risk or portion, and hedging with options.

IFRIC 17 - Distribution of Non-Cash  
Assets to Owners

The interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders.

### 4.3 Approved accounting standards, interpretations and amendments thereto issued but not effective as at the reporting date

The following standards, interpretations and amendments are in issue which are not effective as at the reporting date. Their impact on the Modaraba's financial statements cannot be ascertained as at the reporting date.

#### Standards, interpretations and amendments

#### Description

IFRS 5 - Non-Current Asset Held  
for Sale and Discontinued Operations  
(amendments)

The standard has been amended to modify disclosure requirements. The amendment is effective for annual period beginning on or after January 01, 2010.

IAS 7 - Statement of Cash Flows  
(amendments)

The amendments specify that only expenditures that result in a recognized asset in the balance sheet can be classified as cash flows from investing activities. The amendments are effective for annual period beginning on or after January 01, 2010.

Note	June 30, 2010 Rupees	June 30, 2009 Rupees
------	----------------------------	----------------------------

### 5 CASH AND BANK BALANCES

Cash in hand	<b>172,954</b>	170,209
Cash at banks in:		
local currency		
- current accounts	<b>50,799</b>	47,414
- saving accounts	<b>6,256,332</b>	10,221,104
	<b>6,307,131</b>	10,268,518
	<b>6,480,085</b>	10,438,727

5.1 Effective rate of return on saving accounts ranges from 4.5% to 9.5% (2009: 4.5% to 9.5%).

### 6 SHORT TERM INVESTMENTS

These represent investments in listed equity securities and have been classified as available for sale financial assets.

Cost	<b>6.1 21,410,385</b>	<b>22,354,515</b>
Accumulated impairment losses	<b>(3,654,462)</b>	<b>(2,577,409)</b>
Fair value adjustment	<b>(5,897,232)</b>	<b>(8,809,377)</b>
	<b>11,858,691</b>	<b>10,967,729</b>



### 6.1 Particulars of investments

#### **Oil and Gas Producers**

Attock Petroleum Limited  
Oil and Gas Development Company Limited  
Pakistan State Oil Company Limited  
Pakistan Oilfield Limited  
Pakistan Petroleum Limited  
Pakistan Refinery Limited

#### **Chemicals**

Fauji Fertilizer Bin Qasim Limited  
Fauji Fertilizer Company Limited

#### **Industrial Metals and Mining**

Crescent Steel and Allied Products Limited

#### **Construction and Materials**

D.G.Khan Cement Company Limited  
Fauji Cement Company Limited  
Lafarge Pakistan Cement Limited

#### **Beverages**

Shakarganj Foods Limited

#### **Food Producers**

Hussain Sugar Mills Limited  
JDW Sugar Mills Limited

#### **Personal Goods**

Crescent Jute Products Limited  
Crescent Textile Mills Limited  
Libaas Textiles Limited  
Nishat Chunian Limited  
Sunrise Textiles Limited  
Suraj Cotton Mills Limited

#### **Pharma and Bio Tech**

Ferozsons Laboratories Limited

#### **Fixed Line Telecommunication**

Callmate Telips Telecom Limited  
Pakistan Telecommunication Company Limited

#### **Electricity**

Hub Power Company Limited  
Sitara Energy Limited

#### **Gas Water and Multiutilities**

Sui Northern Gas Pipelines Limited  
Sui Southern Gas Pipelines Limited

#### **Banks**

Bank Alfalah Limited  
Askari Bank Limited  
The Bank of Khyber  
The Bank of Punjab  
JS Bank Limited  
MCB Bank Limited  
NIB Bank Limited  
Samba Bank Limited  
United Bank Limited

#### **Non Life Insurance**

Adamjee Insurance Company Limited  
PICIC Insurance Company Limited  
Premier Insurance Limited

#### **Financial Services**

Dadabhoy Leasing Company Limited  
IGI Investment Bank Limited  
Invest Capital and Investment Bank Limited  
Al-Zamin Leasing Corporation Limited  
Javed Omer Vohra and Company Limited  
Jahangir Siddiqui and Company Limited  
Bankers Equity Limited

#### **Equity Investment Instruments**

First Equity Modaraba

#### **Mutual Funds**

National Investment Trust Limited

#### **TOTAL**



## FIRST ELITE CAPITAL MODARABA

No. Of Shares/ Certificates		Average Cost		Fair Value	
June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
		Rupees		Rupees	
<b>1,000</b>	-	<b>299,071</b>	-	<b>289,750</b>	-
-	10,500	-	1,200,315	-	825,720
-	1,500	-	421,682	-	320,475
<b>4,200</b>	4,200	<b>1,200,238</b>	1,200,238	<b>906,780</b>	612,780
-	2,700	-	513,069	-	511,758
-	500	-	52,561	-	44,900
<b>61,000</b>	20,000	<b>1,992,324</b>	782,062	<b>1,588,440</b>	353,800
<b>20,000</b>	17,876	<b>906,966</b>	871,542	<b>2,061,400</b>	1,554,318
<b>4,400</b>	4,400	<b>348,369</b>	348,369	<b>110,484</b>	79,068
<b>5,000</b>	-	<b>178,041</b>	-	<b>118,100</b>	-
<b>10,000</b>	-	<b>85,280</b>	-	<b>45,500</b>	-
<b>26,100</b>	26,100	<b>376,989</b>	376,989	<b>71,514</b>	70,470
<b>2,000</b>	2,000	<b>39,708</b>	39,708	<b>2,240</b>	4,620
<b>1,700</b>	1,700	<b>61,978</b>	61,978	<b>8,568</b>	28,373
<b>12,000</b>	11,623	<b>178,272</b>	158,647	<b>762,120</b>	511,412
<b>122</b>	122	<b>579</b>	579	<b>124</b>	183
<b>30,877</b>	31,902	<b>443,209</b>	457,918	<b>666,017</b>	781,599
<b>82,000</b>	82,000	<b>815,655</b>	815,655	<b>82,000</b>	123,000
<b>10,000</b>	8,800	<b>421,373</b>	396,420	<b>157,800</b>	75,768
<b>153,900</b>	153,900	<b>2,023,076</b>	2,023,076	-	-
<b>7,500</b>	-	<b>276,970</b>	-	<b>236,325</b>	-
<b>51</b>	-	<b>5,132</b>	-	<b>5,292</b>	-
<b>5,100</b>	5,100	<b>530,323</b>	530,323	<b>9,690</b>	9,690
<b>52,000</b>	52,000	<b>3,555,002</b>	3,555,002	<b>925,600</b>	896,480
<b>16,000</b>	16,000	<b>561,413</b>	561,413	<b>511,360</b>	433,440
<b>10,000</b>	10,000	<b>287,557</b>	287,557	<b>205,000</b>	195,500
<b>11,000</b>	11,000	<b>409,772</b>	409,772	<b>305,690</b>	351,450
<b>11,275</b>	11,275	<b>483,072</b>	483,072	<b>179,385</b>	157,850
<b>1,295</b>	295	<b>24,652</b>	11,804	<b>12,251</b>	3,112
<b>40,860</b>	64,490	<b>853,783</b>	1,617,218	<b>621,889</b>	985,407
<b>15,240</b>	15,240	<b>351,885</b>	351,885	<b>57,607</b>	42,824
-	2,000	-	25,565	-	21,960
<b>15,500</b>	15,500	<b>303,183</b>	303,183	<b>43,555</b>	93,465
<b>2,000</b>	3,200	<b>436,792</b>	589,817	<b>388,380</b>	496,096
<b>11,150</b>	11,150	<b>252,583</b>	252,583	<b>33,338</b>	52,963
<b>40,371</b>	40,371	<b>588,172</b>	588,172	<b>91,642</b>	120,306
<b>1,500</b>	-	<b>82,562</b>	-	<b>81,315</b>	-
-	1,000	-	96,764	-	83,990
-	57	-	570	-	341
<b>76,837</b>	64,815	<b>1,138,965</b>	1,113,226	<b>722,268</b>	528,242
<b>1,000</b>	1,000	<b>9,000</b>	9,000	<b>1,400</b>	1,400
<b>7,000</b>	7,000	<b>36,358</b>	36,358	<b>14,980</b>	29,260
<b>36,523</b>	-	<b>108,169</b>	-	<b>31,045</b>	-
-	15,218	-	108,169	-	28,458
<b>8,800</b>	8,800	<b>1,164,611</b>	1,164,611	<b>12,640</b>	118,536
<b>1,000</b>	-	<b>41,658</b>	-	<b>46,992</b>	-
<b>2,000</b>	2,000	<b>26,100</b>	26,100	-	-
<b>50,000</b>	50,000	<b>311,523</b>	311,523	<b>62,500</b>	49,500
<b>13,700</b>	13,700	<b>200,020</b>	200,020	<b>387,710</b>	369,215
<b>862,001</b>	801,034	<b>21,410,385</b>	22,354,515	<b>11,858,691</b>	10,967,729



## FIRST ELITE CAPITAL MODARABA

	Note	June 30, 2010 Rupees	June 30, 2009 Rupees
<b>7 SHORT TERM FINANCES UNDER MURABAHAH ARRANGEMENTS - SECURED</b>			
Considered good		<b>25,422,253</b>	21,199,281
Considered doubtful	7.1	<b>46,628,308</b>	46,650,643
		<b>72,050,561</b>	67,849,924
Accumulated impairment		<b>(46,628,308)</b>	(46,650,643)
		<b>25,422,253</b>	21,199,281
These represent receivable against murbahaha transactions on deferred payment basis at a specified margin. These are secured against pledge of marketable securities, mortgage of property, hypothecation of stocks, demand promissory notes and personal guarantees. Profit margin on murabahah transactions ranges from 15% to 20% (2009: 15% to 20%) per annum receivable on monthly basis. Financing is done initially for a period of one year and is further extended, on expiry, by mutual consent.			
<b>7.1</b> Movement in accumulated impairment is as follows:			
As at beginning of the year		<b>46,650,643</b>	46,691,023
Recognized during the year		-	-
Reversed during the year		<b>(22,335)</b>	(40,380)
As at end of the year		<b>46,628,308</b>	46,650,643
<b>8 IJARAH RENTALS RECEIVABLE - SECURED</b>			
Considered good		<b>1,113,243</b>	470,267
Considered doubtful	8.1	<b>3,872,172</b>	2,440,587
		<b>4,985,415</b>	2,910,854
Accumulated impairment		<b>(3,872,172)</b>	(2,440,587)
		<b>1,113,243</b>	470,267
These represent rentals receivable against assets leased out under Ijarah contracts.			
<b>8.1</b> Movement in accumulated impairment is as follows:			
As at beginning of the year		<b>2,440,587</b>	2,363,236
Recognized during the year		<b>1,705,422</b>	507,305
Reversed during the year		<b>(273,837)</b>	(429,954)
As at end of the year		<b>3,872,172</b>	2,440,587
<b>9 PROFIT RECEIVABLE ON MUSHARAKAH FINANCES</b>			
Considered good		<b>75,833</b>	77,291
Considered doubtful	9.1	<b>954,610</b>	876,373
		<b>1,030,443</b>	953,664
Accumulated impairment		<b>(954,610)</b>	(876,373)
		<b>75,833</b>	77,291
<b>9.1</b> Movement in accumulated impairment is as follows:			
As at beginning of the year		<b>876,373</b>	622,592
Recognized during the year		<b>78,237</b>	253,781
Reversed during the year		-	-
As at end of the year		<b>954,610</b>	876,373





## FIRST ELITE CAPITAL MODARABA

	Note	June 30, 2010 Rupees	June 30, 2009 Rupees
<b>10 PROFIT RECEIVABLE ON MURABAHAH FINANCES</b>			
Considered good		969,294	870,394
Considered doubtful	10.1	34,037,518	33,780,533
		<b>35,006,812</b>	34,650,927
Accumulated impairment		<b>(34,037,518)</b>	(33,780,533)
		<b>969,294</b>	870,394
<b>10.1</b> Movement in accumulated impairment is as follows:			
As at beginning of the year		33,780,533	33,860,533
Recognized during the year		256,985	-
Reversed during the year		-	(80,000)
As at end of the year		<b>34,037,518</b>	33,780,533
<b>11 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>			
Advances to employees against salary	11.1	586,074	307,125
against retirement benefits	11.1	926,356	218,359
Security deposits		60,450	60,450
Prepayments		147,575	70,596
Other receivables - unsecured	11.2	1,014,617	1,183,978
		<b>2,735,072</b>	1,840,508
<b>11.1</b> These represent advances to employees against future salaries and post employment benefits in accordance with the Modaraba's policy for such advances. These include advances to officers of the Modaraba amounting to Rs. 926,356 (2009: 218,359).			
<b>11.2</b> These mainly include amounts recoverable from customers in respect of expenses incurred by the Modaraba on their behalf. Particulars of other receivables are as follows:			
Considered good		1,014,617	1,183,978
Considered doubtful	11.2.1	6,573,517	6,573,517
		<b>7,588,134</b>	7,757,495
Accumulated impairment		<b>(6,573,517)</b>	(6,573,517)
		<b>1,014,617</b>	1,183,978
<b>11.2.1</b> Movement in accumulated impairment is as follows:			
As at beginning of the year		6,573,517	6,573,517
Recognized during the year		-	-
Reversed during the year		-	-
As at end of the year		<b>6,573,517</b>	6,573,517
<b>12 LONG TERM FINANCES UNDER MUSHARAKAH ARRANGEMENTS - SECURED</b>			
These represent investments made under musharakah arrangements on profit and loss sharing basis and are secured by specific and ranking charges over operating fixed assets, demand promissory notes and personal guarantees. The share of profit of Modaraba ranges from 12% to 40% per annum (2009: 12% to 40% per annum) receivable on monthly basis.			
<b>13 LONG TERM FINANCES UNDER MURABAHAH ARRANGEMENTS - SECURED</b>			
These represent receivables against murabahah transactions on deferred payment basis at a specified margin and are secured by way of equitable mortgage and registered token mortgage of property. Profit margin ranges from 14% to 20% per annum (2009: 14% to 20% per annum) receivable on monthly basis.			



**14 ASSETS LEASED OUT UNDER IJARAH CONTRACTS**

**Year ended June 30, 2010**

PARTICULARS	COST			AMORTISATION			Carrying Value As at June 30, 2010
	As at July 01, 2009	Additions	Disposals	As at June 30, 2010	For the year	Adjustment	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Vehicles	67,309,776	23,980,000	(11,276,500)	80,013,276	17,062,712	(7,794,782)	24,178,161
Office equipment	10,651,428	7,795,000	(3,613,000)	14,833,428	4,547,337	(3,091,566)	5,363,027
Machinery	28,707,500	6,650,000	(7,434,500)	27,923,000	9,716,205	(6,433,500)	10,555,257
	<b>106,668,704</b>	<b>38,425,000</b>	<b>(22,324,000)</b>	<b>122,769,704</b>	<b>31,326,254</b>	<b>(17,319,848)</b>	<b>40,096,445</b>
					<b>26,090,039</b>	<b>(17,319,848)</b>	<b>82,673,259</b>

**Year ended June 30, 2009**

PARTICULARS	COST			AMORTISATION			Carrying Value As at June 30, 2009
	As at July 01, 2008	Additions	Disposals	As at June 30, 2009	For the year	Adjustment	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Vehicles	50,679,876	36,158,900	(19,529,000)	67,309,776	11,240,838	(12,792,145)	17,062,712
Office equipment	8,799,189	2,415,239	(563,000)	10,651,428	3,046,757	(503,200)	4,547,337
Machinery	15,619,100	14,388,000	(1,299,600)	28,707,500	5,404,551	(932,307)	9,716,205
	<b>75,098,165</b>	<b>52,962,139</b>	<b>(21,391,600)</b>	<b>106,668,704</b>	<b>19,692,146</b>	<b>(14,227,652)</b>	<b>31,326,254</b>
					<b>17,319,848</b>	<b>(17,319,848)</b>	<b>50,247,064</b>
					<b>6,104,091</b>	<b>(932,307)</b>	<b>18,991,295</b>
					<b>75,342,450</b>		<b>75,342,450</b>

**14.1** Disposals represent assets disposed through negotiation after expiry/termination of ijarah contracts. However, in view of large number of disposals, detail of each disposal have not been given.



**15 PROPERTY AND EQUIPMENT**

**Year ended June 30, 2010**

PARTICULARS	COST			DESCRIPTION			Net book value as at June 30, 2010		
	As at July 01, 2009	Additions	Disposals	As at June 30, 2010	Rate	As at July 01, 2009		Adjustment	For the year
	Rupees	Rupees	Rupees	Rupees		Rupees	Rupees	Rupees	Rupees
Furniture and fixtures	131,915	57,215	-	189,130	10%	80,994	6,584	-	87,578
Office equipment	1,379,635	289,295	-	1,668,930	10%	704,409	79,392	-	783,801
Vehicles	1,613,500	66,000	-	1,679,500	20%	719,945	188,620	-	908,565
	<b>3,125,050</b>	<b>412,510</b>	<b>-</b>	<b>3,537,560</b>		<b>1,505,348</b>	<b>274,596</b>	<b>-</b>	<b>1,779,944</b>
									<b>1,757,616</b>

**Year ended June 30, 2009**

PARTICULARS	COST			DESCRIPTION			Net book value as at June 30, 2009		
	As at July 01, 2008	Additions	Disposals	As at June 30, 2009	Rate	As at July 01, 2008		Adjustment	For the year
	Rupees	Rupees	Rupees	Rupees		Rupees	Rupees	Rupees	Rupees
Furniture and fixtures	131,915	-	-	131,915	10%	75,336	5,658	-	80,994
Office equipment	1,254,635	125,000	-	1,379,635	10%	636,938	67,471	-	704,409
Vehicles	1,613,500	-	-	1,613,500	20%	496,556	223,389	-	719,945
	<b>3,000,050</b>	<b>125,000</b>	<b>-</b>	<b>3,125,050</b>		<b>1,208,830</b>	<b>296,518</b>	<b>-</b>	<b>1,505,348</b>
									<b>1,619,702</b>



## FIRST ELITE CAPITAL MODARABA

	Note	June 30, 2010 Rupees	June 30, 2009 Rupees		
<b>16 ACCRUED AND OTHER LIABILITIES</b>					
Accrued expenses		548,349	651,859		
Withholding tax		28,457	6,158		
Insurance payable		-	160,759		
Other payables - unsecured		3,479,922	5,986,741		
		<b>4,056,728</b>	<b>6,805,517</b>		
<b>17 SECURITY DEPOSITS</b>					
Security deposits under ijarah contracts		25,786,552	19,286,817		
Current maturity presented under current liabilities		(5,974,736)	(2,997,409)		
		<b>19,811,816</b>	<b>16,289,408</b>		
<b>18 EMPLOYEES RETIREMENT BENEFITS</b>					
The amounts recognized on balance sheet are as follows:					
Present value of defined benefit obligation	18.1	2,622,821	2,211,558		
Unrecognized actuarial losses	18.2	(240,619)	(222,566)		
		<b>2,382,202</b>	<b>1,988,992</b>		
<b>18.1 Movement in present value of defined benefit obligation</b>					
As at beginning of the year		2,211,558	1,709,168		
Charged to profit or loss for the year	18.3	433,710	400,860		
Benefits paid during the year		(40,500)	-		
Actuarial loss arising during the year	18.2	18,053	101,530		
As at end of the year		<b>2,622,821</b>	<b>2,211,558</b>		
The present value of defined benefit obligation has been determined by the management of the Modaraba using the following assumptions:					
Discount rate		12.75%	9%		
Expected rates of increase in salary		10.50%	10%		
Expected average remaining working lives of employees		11 years	11 years		
<b>18.2 Movement in unrecognized actuarial losses</b>					
As at beginning of the year		222,566	121,036		
Loss arising during the year		18,053	101,530		
Recognized during the year	18.3	-	-		
As at end of the year		<b>240,619</b>	<b>222,566</b>		
<b>18.3 Charge to profit or loss</b>					
Current service cost		234,668	247,035		
Interest cost		199,042	153,825		
	18.1	433,710	400,860		
Actuarial gain recognized during the year	18.2	-	-		
		<b>433,710</b>	<b>400,860</b>		
<b>18.4 Historical information</b>					
	June 30, 2010	June 30, 2009	June 30, 2008	June 30, 2007	June 30, 2006
Present value of defined benefit obligation (Rupees)	2,622,821	2,211,558	1,709,168	1,431,267	1,119,229
Actuarial adjustment arising during the year (%)	0.69	4.59%	1.41%	0.24%	2.10%
The experience adjustment component of the actuarial adjustment is impracticable to determine and thus has not been disclosed.					



## FIRST ELITE CAPITAL MODARABA

### 19 CONTINGENCIES AND COMMITMENTS

#### 19.1 Contingencies

The Modaraba has filed execution petitions and recovery suits with the Modaraba Tribunal Punjab, Lahore against various parties for recovery of amounts of Rs. 87 million (2009: Rs. 87 million), which are pending. Additionally claims for Rs. 23.7 million (2009: Rs. 23.7 million) have been filed against two companies, which are currently under liquidation, with official liquidators appointed by the Lahore High Court. The Modaraba has made adequate provisions in respect of these balance, as required by the Regulations.

#### 19.2 Commitments

There are no significant commitments as at the reporting date except for those under ijarah contracts regarding use by lessees of assets leased out under ijarah contracts against future rentals, which are as follows:

	Note	June 30, 2010 Rupees	June 30, 2009 Rupees
Future Ijara rentals receivable			
Not later than one year		33,727,189	32,576,733
Later than one year but not later than five years		43,337,986	50,645,570
Later than five years		-	-
		<b>77,065,175</b>	<b>83,222,303</b>

### 20 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Modaraba certificates of Rs. 10 each 10,000,000 (2009: 10,000,000) certificates issued for cash		100,000,000	100,000,000
1,340,000 (2009: 1,340,000) certificates issued as bonus certificates		13,400,000	13,400,000
		<b>113,400,000</b>	<b>113,400,000</b>

### 21 STATUTORY RESERVE

This represents special reserve created in compliance with the Prudential Regulations for Modarabas issued by the Securities and Exchange Commission of Pakistan.

### 22 RETURN ON INVESTMENTS

Dividend income		1,023,756	806,344
Gain on sale of investments		564,818	332,548
		<b>1,588,574</b>	<b>1,138,892</b>

### 23 OTHER INCOME

#### Gain on financial instruments

Return on bank deposits		633,100	725,673
Reversal of impairment		22,335	40,380
		<b>655,435</b>	<b>766,053</b>

#### Other income

Documentation and processing charges		79,220	39,410
		<b>734,655</b>	<b>805,463</b>

### 24 ADMINISTRATIVE AND GENERAL EXPENSES

Salaries and benefits	24.1	4,463,661	3,708,759
Rent, rates and taxes		9,780	21,725
Service charges		2,774,236	2,960,479
Electricity, water and gas		197,233	143,352
Repair and maintenance		429,462	332,520
Printing and stationery		417,468	441,527
Communication		225,866	294,632
Postage		191,265	170,764
Travelling and conveyance		635,584	401,098



## FIRST ELITE CAPITAL MODARABA

	Note	June 30, 2010 Rupees	June 30, 2009 Rupees
Insurance		2,161,960	1,459,011
Advertisement		55,575	57,000
Fee and subscription		232,285	187,335
Newspapers, books and periodicals		10,672	10,135
Entertainment		41,340	59,448
Auditors' remuneration	24.2	315,000	315,000
Legal and professional charges		276,000	180,500
Depreciation	15	274,596	296,517
Zakat		-	375
Others		152,497	82,777
		<b>12,864,480</b>	<b>11,122,954</b>

**24.1** These include charge in respect of employees retirement benefits amounting to Rs. 433,710 (Rs. 400,860).

### **24.2 Auditors' remuneration**

Annual statutory Audit	250,000	250,000
Half yearly review	35,000	35,000
Review report under Code of Corporate Governance	25,000	25,000
Out of pocket expenses	5,000	5,000
	<b>315,000</b>	<b>315,000</b>

## **25 MANAGEMENT FEE**

This represents remuneration of the Management Company for the management of affairs of the Modaraba and is calculated at ten percent of the operating profit for the year.

## **26 TAXATION**

**26.1** No provision for current tax has been made in these financial statements as the income of non-trading modaraba is exempt from income tax under clause 100 of Part I of Second Schedule to the Income Tax Ordinance, 2001, if the modaraba distributes atleast ninety percent of its profits, as reduced by the amount transferred to statutory reserve, as cash dividends to the certificate holders.

**26.2** No deferred tax has been provided in these financial statements as the management intends to continuously avail the tax exemption by distributing the minimum prescribed amount as cash dividend to certificate holders.

## **27 EARNINGS PER CERTIFICATE**

Profit attributable to certificate holders	Rupees	<b>7,320,231</b>	6,892,537
Weighted average number of certificates outstanding during the year	No. of shares	<b>11,340,000</b>	11,340,000
Earnings per certificate	Rupees	<b>0.65</b>	0.61

There is no diluting effect on the basic earnings per certificate of the Modaraba

## **28 CASH GENERATED FROM OPERATIONS**

<b>Profit before taxation</b>	<b>7,320,231</b>	6,892,537
<b>Adjustments for non-cash and other items</b>		
Depreciation	<b>274,596</b>	296,518
Amortization of assets leased out under ijarah contracts	<b>26,090,039</b>	19,692,146
Gain on sale of investments	<b>(564,818)</b>	(332,548)
Impairment loss	<b>1,077,053</b>	2,577,409
Reversal of impairment loss	<b>(22,335)</b>	(40,380)
Dividend income	<b>(1,023,756)</b>	(806,344)
Gain on transfer of assets leased out	<b>(248,313)</b>	(294,839)
Provision for employees retirement benefits	<b>433,710</b>	400,860
	<b>26,016,176</b>	21,492,822
<b>Operating profit before changes in working capital</b>	<b>33,336,407</b>	28,385,359



## FIRST ELITE CAPITAL MODARABA

	Note	June 30, 2010 Rupees	June 30, 2009 Rupees
<b>Changes in working capital</b>			
Finances under murabahah arrangements		(4,741,138)	8,183,810
Finances under musharakah arrangements		919,500	7,540,000
Ijarah rentals receivable		(642,976)	217,767
Profit receivable on murabahah finances		1,458	60,783
Profit receivable on musharakah finances		(98,900)	73,930
Advances, deposits, prepayments and other receivables		(894,564)	(290,892)
Security deposits		6,499,735	3,912,255
Accrued and other liabilities		(2,748,789)	2,487,504
Management fee payable		47,522	(329,022)
		(1,658,152)	21,856,135
<b>Cash generated from operations</b>		<b>31,678,255</b>	<b>50,241,494</b>
<b>29 CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	5	6,480,085	10,438,727
		<b>6,480,085</b>	<b>10,438,727</b>

### 30 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties from the Modaraba's perspective comprise Modaraba's Management Company only. Transactions with related party are limited to management fee payable to the Management Company.

Details of transactions and balances with related parties is as follows:

#### 30.1 Transactions with related parties

Management fee	813,359	765,837
Profit distribution	510,300	680,400

#### 30.2 Balances with related parties

Management fee payable	813,359	765,837
------------------------	---------	---------

Note	2010		2009	
	Loans and receivables Rupees	Available for sale financial assets Rupees	Loans and receivables Rupees	Available for sale financial assets Rupees

### 31 FINANCIAL INSTRUMENTS

#### 31.1 Financial instruments by class and category

##### Financial assets

Cash and bank balances	5	6,480,085	-	10,438,727	-
Short term investments	6	-	11,858,691	-	10,967,729
Finances under murabahah arrangements	7 & 13	37,034,891	-	32,271,418	-
Finances under musharakah arrangements	12	9,065,500	-	9,985,000	-
Ijarah rentals receivable	8	1,113,243	-	470,267	-
Profit receivable on musharakah finances	9	75,833	-	77,291	-
Profit receivable on murabahah finances	10	969,294	-	870,394	-
Advances to employees	11	1,512,430	-	525,484	-
Security deposits	11	60,450	-	60,450	-
Other receivables	11	1,014,617	-	1,183,978	-
		<b>57,326,343</b>	<b>11,858,691</b>	<b>55,883,009</b>	<b>10,967,729</b>



## FIRST ELITE CAPITAL MODARABA

	Note	Financial liabilities at amortized cost Rupees	Financial liabilities at amortized cost Rupees
<b>Financial liabilities</b>			
Accrued expenses	16	548,349	651,859
Other payables	16	3,479,922	5,986,741
Management fee payable		813,359	765,837
		<b>4,841,630</b>	<b>7,404,437</b>

### 31.2 Fair values of financial instruments

Fair value is the amount for which an asset could be exchanged or liability be settled between knowledgeable willing parties in an arm's length transaction. As at the reporting date, fair values of all financial instruments are considered to approximate their carrying amounts.

#### 31.2.1 Methods of determining fair values

Fair values of financial instruments for which prices are available from the active market are measured by reference to those market prices. Fair values of financial assets and liabilities with no active market are determined in accordance with generally accepted pricing models based on discounted cash flow analysis based on inputs from other than observable market.

#### 31.2.2 Discount/interest rates used for determining fair values

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve as at the reporting date plus an adequate credit spread.

## 32 FINANCIAL RISK EXPOSURE AND MANAGEMENT

The Modaraba's objective in managing risks is creation and protection of certificate holders' value. Risk is inherent in the Modaraba's activities, but it is managed through a process of ongoing identification, measurement and monitoring subject to risk limits and other controls. The process of risk management is critical to Modaraba's continuing profitability. The Modaraba is exposed to credit risk, liquidity risk and market risk arising from the financial instruments it holds.

The Modaraba primarily invests in ijarah assets, musharakah, murabahah and diversified portfolio of listed securities. These are subject to varying degrees of risks. The way these risks affect revenues, expenses, assets, liabilities and forecast transactions of the Modaraba and the manner in which these risks are managed is as follows:

### 32.1 Credit risk

Credit risk is the risk of financial loss to the Modaraba, if the counterparty to a financial instrument fails to meet its obligations.

Note	June 30, 2010 Rupees	June 30, 2009 Rupees
------	----------------------	----------------------

#### 32.1.1 Maximum exposure to credit risk

The maximum exposure to credit risk as at the reporting date is as follows:

##### Loans and receivables

Cash at bank	5	6,307,131	10,268,518
Finances under murabahah arrangements	7 & 13	83,663,199	78,922,061
Finances under musharakah arrangements	12	9,065,500	9,985,000
Ijarah rentals receivable	8	4,985,415	2,910,854
Profit receivable on musharakah finances	9	1,030,443	953,664
Profit receivable on murabahah finances	10	35,006,812	34,650,927
Other receivables	11	7,588,134	7,757,495
		<b>147,646,634</b>	<b>145,448,519</b>





## FIRST ELITE CAPITAL MODARABA

### 32.1.2 Concentration of credit risk

The Modaraba identifies concentrations of credit risk by reference to type of counterparty and balances with customers are further analyzed by reference to industry distribution. Maximum exposure to credit risk by type of counterparty is as follows:

	<b>June 30, 2010</b> Rupees	June 30, 2009 Rupees
Customers	<b>141,339,503</b>	135,180,001
Banking companies and financial institutions	<b>6,307,131</b>	10,268,518
	<b>147,646,634</b>	145,448,519

Concentration of credit risk in respect of balances with customers by industrial distribution is as follows:

2010						
	Ijarah rentals receivable	Finances under Murabahah arrangement	Finances under Musharikhah arrangements	Profit receivables	Others receivables	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Services	52,098	65,500	-	492,208	181,319	791,125
Sugar	-	-	-	-	-	-
Pharmaceutical	-	-	-	-	-	-
Fuel and energy	585,622	287,770	6,500,000	84,971	-	7,458,363
Textile	133,162	46,032,190	-	30,035,481	5,110,571	81,311,404
Transport	-	-	2,565,500	954,610	512,304	4,032,414
Electrical and engineering	313,469	-	-	255,647	-	569,116
Packaging	-	3,180,619	-	3,013,864	132,928	6,327,411
Education	-	-	-	-	-	-
Individuals	3,901,064	34,097,120	-	1,200,474	1,651,012	40,849,670
	<b>4,985,415</b>	<b>83,663,199</b>	<b>9,065,500</b>	<b>36,037,255</b>	<b>7,588,134</b>	<b>141,339,503</b>

  

2009						
	Ijarah rentals receivable	Finances under Murabahah arrangement	Finances under Musharikhah arrangements	Profit receivables	Others receivables	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Services	153,546	-	-	492,208	292,544	938,298
Sugar	-	-	-	-	-	-
Pharmaceutical	-	-	-	-	-	-
Fuel and energy	54,549	587,770	7,000,000	87,966	-	7,730,285
Textile	133,162	48,020,025	-	30,041,005	5,110,571	83,304,763
Transport	-	-	2,985,000	876,373	512,304	4,373,677
Electrical and engineering	313,469	-	-	255,647	-	569,116
Packaging	-	3,180,619	-	3,013,864	132,928	6,327,411
Education	-	-	-	-	-	-
Individuals	2,256,128	27,133,647	-	837,528	1,709,148	31,936,451
	<b>2,910,854</b>	<b>78,922,061</b>	<b>9,985,000</b>	<b>35,604,591</b>	<b>7,757,495</b>	<b>135,180,001</b>

### 32.1.3 Credit quality and impairment

Credit quality of financial assets is assessed by reference to external credit ratings, except for balances with customers where credit quality is assessed by reference to historical information about counterparty default rates and present ages.

#### 32.1.3(a) Counterparties with external credit ratings

These include banking companies, which are counterparties to cash deposits. These counterparties have reasonably high credit ratings as determined by various credit rating agencies and management does not expect non-performance by these counterparties on their obligations to the Modaraba.



## FIRST ELITE CAPITAL MODARABA

### 32.1.3(b) Counterparties without external credit ratings

These include customers which are counter parties to finances under murabahah, musharakah and ijara arrangements, profit receivable thereon and other amounts receivable in connection therewith. The Modaraba is exposed to credit risk in respect of these balances. The analysis of ages of customer balances as at the reporting date is as follows:

	2010		2009	
	Gross Carrying Amount Rupees	Accumulated Impairment Rupees	Gross carrying amount Rupees	Accumulated Impairment Rupees
Neither past due nor impaired	42,584,890	-	41,206,417	-
Past due by 30 to 90 days	2,749,350	590,979	1,760,767	173,453
Past due by 90 to 180 days	661,424	661,424	842,157	329,852
Past due by 180 days to 1 year	3,325,973	760,473	343,824	343,824
Past due by 1 to 2 years	1,227,677	715,373	391,384	391,384
Past due by 2 to 3 years	381,384	381,384	296,941	296,941
Past due by 3 years or more	90,408,805	88,956,492	90,338,511	88,786,199
	<u>141,339,503</u>	<u>92,066,125</u>	<u>135,180,001</u>	<u>90,321,653</u>

The Management believes that the existing impairment allowance is adequate and no further allowance is necessary.

### 32.1.4 Collateral held

The Modaraba's investments in ijarah assets are secured by registration of title to the underlying assets in the name of Modaraba. Particulars of collateral held against financing under musharakah and murabahah arrangements and profit receivable thereon is referred to in relevant notes to the financial statements.

### 32.1.5 Credit risk management

The Modaraba's portfolio of loans and receivables is broadly diversified and transactions are entered into with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk. The Modaraba does not have significant concentration of credit risk with a single counterparty. Formal policies and procedures of credit management and administration of receivables are established and executed. In monitoring customer credit risk, the ageing profile of total receivable balances and individually significant balances, along with collection activities are reported Management Company on a monthly basis. High risk customers are identified and restrictions are placed on future financing and credit period extensions.

## 32.2 Liquidity risk

Liquidity risk is the risk that the Modaraba will not be able to meet its financial obligations as they fall due. Given the nature of Modaraba's operations and existing financial liabilities, the Modaraba's exposure to liquidity risk is very limited and liquidity risk management is limited to ensuring that it has sufficient cash on demand to meet expected operational cash flows.

## 32.3 Market risk

### 32.3.1 Currency risk

The Modaraba is not exposed to currency risk.

### 32.3.2 Profit rate risk

Profit rate risk is the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in profit rates. The Modaraba's exposure to profit rate risk is limited as all of its investments in ijarah assets, musharakah, murabahah are fixed rate instruments.



## FIRST ELITE CAPITAL MODARABA

### 32.3.3 Price risk

Price risk represents the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market prices, other than those arising from profit rate risk or currency risk, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments.

The Modaraba is exposed to unfavorable changes in the fair value of the investments in listed equity securities as a result of the changes in the equity prices. The particulars of investments exposed to price risk as at the reporting date are referred to note 6 to the financial statements. A ten percent increase in market prices would have increased equity by Rs. 1.2 million (2009: Rs. 1.1 million). A ten percent decrease in market prices would have had an equal but opposite impact on equity.

### 33 CAPITAL MANAGEMENT

The Modaraba's policy is to maintain a strong capital base so as to maintain investor confidence and to sustain future development of the business. The Management Company monitors the return on assets of the Modaraba, including finances under ijarah, murabahah and musharakah arrangements and investments in capital market which are managed through appropriate risk management policies. For major aspects of capital management, the Modaraba adheres to the requirements of the Ordinance, Rules and Regulations including the requirements of statutory reserve. The level of profit distribution to certificate holders is kept at the required level in order to avail the tax exemption. There were no changes in the Modaraba's approach to capital management during the year.

### 34 EVENTS AFTER THE REPORTING PERIOD

The Board of Directors of the Management Company in their meeting held on September 30, 2010 has approved profit distribution to certificate holders at Rs. 0.50 per certificate of Rs. 10 each.

### 35 REMUNERATION OF OFFICERS AND OTHER EMPLOYEES

The aggregate amount charged to profit or loss in respect of officers and other employees on account of managerial remuneration, allowances and perquisites, post employment benefits and the number of such directors and executives is as follows:

	2010		
	Officers	Other Employees	Total
	Rupees	Rupees	Rupees
Managerial remuneration	1,177,200	1,250,888	2,428,088
Allowances and perquisites	863,932	737,931	1,601,863
Post employment benefits	263,810	169,900	433,710
	<u>2,304,942</u>	<u>2,158,719</u>	<u>4,463,661</u>
Number of persons	<u>3</u>	<u>11</u>	<u>14</u>
	2009		
	Officers	Other Employees	Total
	Rupees	Rupees	Rupees
Managerial remuneration	1,089,600	947,947	2,037,547
Allowances and perquisites	718,650	551,702	1,270,352
Post employment benefits	252,313	148,547	400,860
	<u>2,060,563</u>	<u>1,648,196</u>	<u>3,708,759</u>
Number of persons	<u>3</u>	<u>11</u>	<u>14</u>



## FIRST ELITE CAPITAL MODARABA

### 36 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on September 30, 2010 by the Board of Directors of the Management Company.

### 37 GENERAL

Figures have been rounded off to the nearest rupee.

Comparative figures have been rearranged and reclassified, where necessary, for the purpose of comparison.

**Muneeb Ahmed Dar**  
Chairman  
CRESCENT MODARABA  
MANAGEMENT CO. LTD.

**Aamir Iftikhar Khan**  
Chief Executive  
CRESCENT MODARABA  
MANAGEMENT CO. LTD.

**Muhammad Javed Amin**  
Director  
CRESCENT MODARABA  
MANAGEMENT CO. LTD.



## FIRST ELITE CAPITAL MODARABA

### STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The Crescent Modaraba Management Company Limited ("the Management Company") is a Public Limited Company and is not listed on any Stock Exchange. However, the First Elite Capital Modaraba ("the Modaraba") is listed on Karachi, Lahore and Islamabad Stock Exchanges. The Board of Directors ("the Board") of Crescent Modaraba Management Company Limited is responsible for the management of the affairs of the Modaraba.

The Management Company of the Modaraba has applied the principles contained in the Code in the following manner:

1. The Board presently comprises seven directors including six non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including the Management Company.
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBF1 or being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. One casual vacancy occurred during the financial year 2009-2010 and was filled within 30 days thereof.
5. The Modaraba has prepared a "Statement of Ethics and Business Practices" which has been signed by all the directors of the Management Company and employees of the Modaraba.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Modaraba. A complete record of particulars of significant policies alongwith the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. 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 and the Board met at least once in every quarter. Written notices of the Board meetings, alongwith agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board has arranged orientation courses for its directors to apprise them of their duties and responsibilities.
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.
11. The Directors report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the modaraba were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the certificates of modaraba other than that disclosed in the pattern of holding of certificates.
14. The modaraba has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an audit committee. It comprises four members, of whom three are non-executive directors including the chairman of the committee.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the modaraba and as required by the code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has set up an effective internal audit function.
18. There were no related party transactions falling within the ambit of the Sib-Regulation (xiii) of the Listing Regulation 35 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009, other than normal management fee.
19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold certificates of the Modaraba and that firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. We confirm that all other material principles contained in the Code have been complied with.

**On behalf of the Board**

**Aamir Iftikhar Khan**  
Chief Executive  
**Crescent Modaraba Management Company Limited**

**Date: September 30, 2010**



## FIRST ELITE CAPITAL MODARABA

### PATTERN OF CERTIFICATE HOLDERS AS AT JUNE 30, 2010

NUMBER OF CERTIFICATE HOLDERS	CERTIFICATE HOLDINGS FROM	TO	TOTAL CERTIFICATE HELD
2,337	1	100	115501
467	101	500	152384
1,296	501	1000	765211
348	1001	5000	786971
80	5001	10000	598297
45	10001	15000	569414
13	15001	20000	225223
9	20001	25000	208430
14	25001	30000	388880
3	30001	35000	94873
5	35001	40000	190686
1	40001	45000	41050
1	45001	50000	46500
1	50001	55000	52977
3	55001	60000	171307
3	60001	65000	191055
4	70001	5000	292122
1	75001	80000	78500
1	90001	95000	91210
2	95001	100000	195197
2	105001	110000	214500
1	110001	115000	110016
1	115001	120000	119000
2	135001	140000	279000
1	160001	165000	163500
1	195001	200000	198063
1	270001	275000	275000
1	495001	500000	500000
1	530001	535000	531872
1	1045001	1050000	1050000
1	1130001	1135000	1134000
1	1505001	1510000	1509261
<b>4,648</b>			<b>11340000</b>



## FIRST ELITE CAPITAL MODARABA

### CATEGORIES OF CERTIFICATE HOLDING AS AT JUNE 30, 2010

CATEGORIES OF CERTIFICATE HOLDERS	NUMBERS	CERTIFICATE HELD	PERCENTAGE
<b>ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES</b>			
Crescent Modaraba Management Co. Ltd.	1	1,134,000	10.00%
<b>NIT &amp; ICP</b>			
National Bank of Pakistan, Trustee Deptt.	1	1,509,261	13.31%
Investment Corporation of Pakistan	1	15,000	0.13%
<b>DIRECTORS, CEO AND THEIR SPOUSES AND MINOR CHILDREN</b>			
	<b>8</b>	<b>253,214</b>	<b>2.23%</b>
Mr. Muhammad Javed Amin		136,228	
Miss Mahnoor Amin		3,000	
Mr. Muhammad Shams Amin		43,386	
Miss Jehan Ara Amin		5,500	
Mr. Muhammad Ahmad Amin		9,400	
Miss Tajwer Amin		2,000	
Mrs. Shahana Javed Amin		45,000	
Mrs. Rukhsana Javed Amin		8,700	
<b>EXECUTIVE</b>			
		-	-
<b>PUBLIC SECTOR COMPANIES AND CORPORATIONS</b>			
State Life Insurance Corporation of Pakistan	1	531,972	4.69%
<b>BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON BANKING FINANCE INSTITUTIONS, INSURANCE COMPANIES, MODARABAS AND MUTUAL FUNDS</b>			
	9	270,816	2.39%
<b>JOINT STOCK COMPANIES</b>			
	30	1,478,830	13.04%
<b>INDIVIDUALS</b>			
	4,597	6,146,907	54.21%
<b>TOTAL:</b>	<b>4,648</b>	<b>11,340,000</b>	<b>100.00%</b>

### CERTIFICATES HOLDERS HOLDING TEN PERCENTAGE OR MORE INTEREST IN THE LISTED COMPANY.

Crescent Modaraba Management Company Limited	1,134,000	10.00%
National Bank of Pakistan, Trustee Deptt.	1,509,261	13.31%



## FIRST ELITE CAPITAL MODARABA

### KEY OPERATING AND FINANCIAL DATA

YEAR	2010	2009	2008	2007	2006	2005
	Rupees in million					
Revenues	<b>48.18</b>	41.06	35.81	30.26	31.72	35.44
Profit after management fee & taxation	<b>7.32</b>	6.89	9.85	9.62	10.78	10.75
Paid up Capital	<b>113.40</b>	113.40	113.40	113.40	113.40	113.40
Certificate Holder's Equity	<b>117.68</b>	112.55	118.18	123.95	112.98	107.21
Current Liabilities	<b>15.15</b>	14.29	12.72	6.97	8.05	12.87
Fixed assets	<b>84.43</b>	76.96	51.03	39.22	32.60	30.93
Current Assets	<b>49.91</b>	47.10	67.34	82.86	76.76	68.70
Dividend (%)	<b>5.00</b>	4.50	6.00	6.00	6.00	6.00
Earning per Certificate	<b>0.65</b>	0.61	0.87	0.85	0.95	0.95
Break up Value	<b>10.38</b>	9.93	10.42	10.93	9.96	9.45





## FIRST ELITE CAPITAL MODARABA

### **Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance**

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Crescent Modaraba Management Company Limited** ("the Management Company") in respect of **First Elite Capital Modaraba** ("the Modaraba") to comply with the Listing Regulation No. 35 of the Karachi Stock Exchange, the chapter XI of the Listing Regulations of the Lahore Stock Exchange (Guarantee) Limited and chapter XI of Listing Regulations of Islamabad Stock Exchange (Guarantee) Limited, where the Modaraba is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Management Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Modaraba's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Modaraba personnel and review of various documents prepared by the Modaraba to comply with the Code.

As part of our audit of 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's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Modaraba's corporate governance procedures and risks.

There were no related party transactions falling within the ambit of the Sub-Regulation (xiii) of the Listing Regulations 35 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009, other than normal management fee.

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 Modaraba's compliance, in all material respects, with the best practices contained in the code of corporate governance, for the year ended June 30, 2010.

**RAHMAN SARFARAZ RAHIM IQBAL RAFIQ**

Chartered Accountants

**Engagement Partner:** IRFAN RAHMAN MALIK

**Date:** SEPTEMBER 30, 2010

**Place:** LAHORE



## **FIRST ELITE CAPITAL MODARABA**

---

### **NOTICE OF ANNUAL REVIEW MEETING**

Notice is hereby given that Eleventh Annual Review Meeting of the First Elite Capital Modaraba will be held on Friday, October 29, 2010 at 12:30 p.m. at 31/10-A, Abu Baker Block, New Garden Town, Lahore to review the performance of the Modaraba for the year ended June 30, 2010. The Certificate Holders whose names appear on the Register of the Modaraba as on October 22, 2010 are eligible to attend the Meeting.

**Muhammad Arif Hilal**  
Company Secretary  
**Crescent Modaraba Management Company Limited**

**Date: October 07, 2010**

**Place : LAHORE**

**BOOK POST**  
UNDER POSTAL CERTIFICATE



IF UNDELIVERED PLEASE RETURN TO

**FIRST ELITE CAPITAL MODARABA**

Managed By  
Crescent Modaraba Management Company Limited

**PRINCIPAL & REGISTERED OFFICE**  
31/10-A, Abu Baker Block,  
New Garden Town, Lahore - Pakistan  
Tel: 35913701, 35913702  
Fax: 35913703  
E-mail: fecm@nexlinx.net.pk