



**FIRST
ELITE
CAPITAL
MODARABA**

*Annual Report
Two Thousand Thirteen*

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
SHARIAH ADVISOR'S REPORT	42-43
NOTICE OF ANNUAL REVIEW MEETING	44



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

SHARIAH ADVISOR

Mufti Tayyab Amin



FIRST ELITE CAPITAL MODARABA

AUDITORS OF THE MODARABA

Rahman Sarfaraz Rahim Iqbal Rafiq

Chartered Accountants

HR & R COMMITTEE

Mr. Muneeb Ahmed Dar	Chairman
Mr. Aamir Iftikhar Khan	Member
Mr. Ghazanfar Farrokh	Member

BANKERS OF THE MODARABA

Allied Bank Limited

Bank Alfalah Limited

KASB Bank Limited

Samba 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: info@fecm.com.pk

Web: www.fecm.com.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 22nd annual audited accounts of the Modaraba for the year ended June 30, 2013.

Financial Results

Financial results for the year ended June 30, 2013 are summarized as under:

	June 30, 2013 Rupees	June 30, 2012 Rupees
Total Income of Modaraba	61,784,232	59,345,638
Amortization of Assets Leased Out	32,443,237	31,142,058
Administrative & General Expenses	17,711,506	16,829,427
Impairment loss on financial assets	1,573,917	1,332,361
Financial Charges	14,153	15,981
Modaraba Company's Management Fee	1,004,142	1,002,581
Taxation	-	-
Profit after Taxation	9,037,277	9,023,230

Profit Distribution

The Board in its meeting held on September 25, 2013 has approved the distribution of profit of Rs. 0.55 (5.50%) per certificate of Rs. 10 each, subject to deduction of Zakat and tax at source where applicable, for the year ended June 30, 2013.

Review of Operations

During the period under review, the Modaraba has earned a net profit of Rs.9,037,277/= as compared to Rs.9,023,230/= earned in the corresponding period of last year. The performance of the Modaraba during the year is quite satisfactory particularly keeping in view the overall unfriendly economic and business environment prevailing in the country. The major revenues during the year is generated from Ijarah & Murabahah. The Modaraba earned a gross revenue of Rs.61,784,232/= during the period as against Rs.59,345,638/= to same period of last year. An amount of Rs.2,259,319/= has been transferred to statutory reserve. Total assets of the Modaraba were Rs.193,474,655/= as on June 30, 2013.

Future Outlook

In a difficult economic environment, the management of the Modaraba continue to explore good business opportunities in order to maximize certificate holders interest. The Management of the Modaraba will continue to place emphasis on service quality with focus on quality clients.

Corporate and Financial Reporting Framework

- The Financial statements, prepared by the management of the Modaraba, present fairly its true state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of accounts of the Modaraba have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International financial reporting standards, as applicable to Modaraba in Pakistan, have been followed in preparation of financial statements and any departures therefrom has been adequately disclosed and explained.



FIRST ELITE CAPITAL MODARABA

- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Modaraba's ability to continue as a going concern.
- 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.
- During the year under review four meetings of the Board of Directors were held. Attendance by each Director is as follows:-

	Name of Director	Number of Meetings Attended
I.	Mr. Aamir Iftikhar Khan	4
II.	Dr. Sardar Ahmad Khan	-
III.	Mr. Ghazanfar Farrokh	2
IV.	Mr. Muhammad Javed Amin	4
V.	Mr. Muneeb Ahmed Dar	4
VI.	Mrs. Rukhsana Javed Amin	1
VII.	Mrs. Shahana Javed Amin	1

- During the year under review four meetings of the Audit Committee were held. Mr. Muneeb Ahmed Dar, Mr. Muhammad Javed Amin, Mr. Aamir Iftikhar Khan attended all the four meetings and Mrs. Shahana Javed Amin attended one meeting.

Pattern of Certificate Holding

A statement reflecting the pattern of holding of the certificates as on June 30, 2013 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 present auditors M/s Rahman Sarfaraz Rahim Iqbal Rafiq Chartered Accountants are due for retirement and not eligible for the reappointment for the reason of the compulsory rotation of auditors as required by the Code of Corporate Governance. Therefore the audit committee has recommended and Board of Directors has approved the appointment of M/s Ilyas Saeed & Co. Chartered Accountants for the year 2013-2014 subject to the approval of the Registrar of Modaraba Companies & Modarabas.

Acknowledgement

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

Date: September 25, 2013



FIRST ELITE CAPITAL MODARABA

Auditors' Report to the Certificate Holders

We have audited the annexed balance sheet of **FIRST ELITE CAPITAL MODARABA** ("the Modaraba") as at June 30, 2013 and the related profit and loss account, statement of profit or loss and 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 profit or loss and 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, 2013 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: ZUBAIR IRFAN MALIK

Date: SEPTEMBER 25, 2013

Place: LAHORE



FIRST ELITE CAPITAL MODARABA

BALANCE SHEET AS AT JUNE 30, 2013

	Note	June 30, 2013 Rupees	June 30, 2012 Rupees
ASSETS			
CURRENT ASSETS			
Cash and bank balances	6	24,481,081	13,630,184
Short term investments	7	15,412,641	15,799,755
Short term finances under musharakah arrangements - Secured	8	1,440,000	-
Short term finances under murabahah arrangements - Secured	9	23,982,318	20,409,676
Ijarah rentals receivable - Secured	10	2,228,963	648,421
Profit receivable - Secured	11	673,950	757,416
Advances, deposits, prepayments and other receivables	12	4,637,124	3,196,689
Advance income tax		1,388,757	1,331,251
		74,244,834	55,773,392
NON-CURRENT ASSETS			
Long term finances under musharakah arrangements - Secured	13	-	2,162,500
Long term finances under murabahah arrangements - Secured	14	-	8,256,477
Assets leased out under ijarah contracts	15	116,847,930	118,124,523
Property and equipment	16	2,381,891	2,494,794
		119,229,821	131,038,294
TOTAL ASSETS		193,474,655	186,811,686
LIABILITIES			
CURRENT LIABILITIES			
Accrued and other liabilities	17	1,675,919	1,403,948
Security deposits	18	10,476,524	7,576,163
Management fee payable		1,045,810	1,141,667
Unclaimed profit distribution		6,053,517	5,379,480
		19,251,770	15,501,258
NON-CURRENT LIABILITIES			
Security deposits	18	36,219,381	39,872,130
Employees retirement benefits	19	4,318,233	3,373,515
		40,537,614	43,245,645
Contingencies and commitments	20	-	-
TOTAL LIABILITIES		59,789,384	58,746,903
NET ASSETS		133,685,271	128,064,783
REPRESENTED BY			
Authorized capital 20,000,000 (2012: 20,000,000) modaraba certificates of Rs. 10 each		200,000,000	200,000,000
Issued, subscribed and paid-up capital	21	113,400,000	113,400,000
Reserves		20,285,271	14,664,783
		133,685,271	128,064,783

The annexed notes 1 to 40 form an integral part of these financial statements.

Chairman
CRESCENT MODARABA
MANAGEMENT CO. LTD.

Chief Executive
CRESCENT MODARABA
MANAGEMENT CO. LTD.

Director
CRESCENT MODARABA
MANAGEMENT CO. LTD.



FIRST ELITE CAPITAL MODARABA

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2013

	Note	June 30, 2013 Rupees	June 30, 2012 Rupees
INCOME			
Income from ijarah financing		50,480,632	46,441,902
Profit on murabahah and musharakah financing		7,699,515	9,999,678
Return on investments	23	1,137,788	2,115,961
Other income	24	2,466,297	788,097
		61,784,232	59,345,638
EXPENSES			
Amortization of assets leased out under ijarah contracts	15	32,443,237	31,142,058
Administrative and general expenses	25	17,711,506	16,829,427
Impairment loss on financial assets	26	1,573,917	1,332,361
Financial charges		14,153	15,981
		51,742,813	49,319,827
Operating profit		10,041,419	10,025,811
Management fee	27	1,004,142	1,002,581
Profit before taxation		9,037,277	9,023,230
Taxation	28	-	-
Profit after taxation		9,037,277	9,023,230
Earnings per certificate - basic and diluted	29	0.80	0.80

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FIRST ELITE CAPITAL MODARABA

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2013

	Note	June 30, 2013 Rupees	June 30, 2012 Rupees
Items that may be reclassified subsequently to profit or loss			
Changes in fair value of available for sale investments	7	313,779	1,425,484
Reclassification adjustments for losses/(gains) included in profit or loss	23.1	2,506,432	(188,883)
		2,820,211	1,236,601
Items that will not be reclassified to profit or loss			
		-	-
Other comprehensive income before taxation		313,779	1,425,484
Taxation		-	-
Other comprehensive income after taxation		313,779	1,425,484
Profit after taxation		9,037,277	9,023,230
Total comprehensive income		9,351,056	10,448,714

The annexed notes 1 to 40 form an integral part of these financial statements.

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FIRST ELITE CAPITAL MODARABA

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2013

	Note	June 30, 2013 Rupees	June 30, 2012 Rupees
CASH GENERATED FROM OPERATIONS	30	42,151,513	59,299,305
(Payments)/receipts for:			
Income taxes		(57,506)	(29,922)
Employees retirement benefits		-	(262,020)
Purchase of Ijarah assets		(49,709,500)	(64,545,800)
Transfer of Ijarah assets		19,436,786	9,042,580
Management fee		(1,099,999)	(840,000)
Profit distribution		(5,562,963)	(5,806,329)
Net cash generated from/(used in) operating activities		5,158,331	(3,142,186)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(291,260)	(7,000)
Purchase of investments		(8,533,105)	(8,654,287)
Proceeds from sale of investments		13,159,439	7,072,431
Dividend received		1,357,492	1,536,625
Net cash generated from/(used in) investing activities		5,692,566	(52,231)
CASH FLOW FROM FINANCING ACTIVITIES		-	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		10,850,897	(3,194,417)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		13,630,184	16,824,601
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	31	24,481,081	13,630,184

The annexed notes 1 to 40 form an integral part of these financial statements.

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MANAGEMENT CO. LTD.



FIRST ELITE CAPITAL MODARABA

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2013

	Note	Reserves				Total equity
		Issued Subscribed And paid-up Capital	Statutory reserve	Available for sale financial assets	Accumulated losses	
		Rupees	Rupees	Rupees	Rupees	Rupees
Balance as at July 01, 2011		113,400,000	22,230,558	(2,676,830)	(8,911,776)	124,041,952
Comprehensive income		-	-	-	9,023,230	9,023,230
Profit after taxation		-	-	1,236,601	-	1,236,601
Other comprehensive income		-	-	1,236,601	9,023,230	10,259,831
Transaction with owners		-	-	-	(6,237,000)	(6,237,000)
Profit distribution @ 5.5% i.e. Re. 0.55 per certificate	22	-	2,255,808	-	(2,255,808)	-
Transferred to statutory reserve		-	24,486,366	(1,440,229)	(8,381,354)	14,664,783
Balance as at June 30, 2012		113,400,000	24,486,366	(1,440,229)	(8,381,354)	128,064,783
Comprehensive income		-	-	-	9,037,277	9,037,277
Profit after taxation		-	-	2,820,211	-	2,820,211
Other comprehensive income		-	-	2,820,211	9,037,277	11,857,488
Transaction with owners		-	-	-	(6,237,000)	(6,237,000)
Profit distribution @ 5.5% i.e. Re. 0.55 per certificate	22	-	2,259,319	-	(2,259,319)	-
Transferred to statutory reserve		-	26,745,685	1,379,982	(7,840,396)	20,285,271
Balance as at June 30, 2013		113,400,000	26,745,685	1,379,982	(7,840,396)	133,685,271

The annexed notes 1 to 40 form an integral part of these financial statements.

Chairman
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FIRST ELITE CAPITAL MODARABA

NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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 International Accounting Standard 17 "Leases" with effect from July 01, 2003. Accordingly, this standard 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 instruments at fair value/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 judgements, 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 judgements 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 judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Subsequently, 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 Recoverable amount and impairment

The Modaraba reviews carrying amounts of its assets for possible impairment and makes formal estimates of recoverable amount if there is any such indication. Investments in marketable securities are tested for impairment by reference to their prices in the active market. An allowance for impairment is made for all investments for which there is an indication of permanent diminution in market values. Musharakah, Murabahah and Ijarah finances, and related other receivables are tested for impairment taking into account the borrowers' payment/credit history, adequacy of security and requirements of Prudential Regulations for Modarabas.

2.3.2 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.



FIRST ELITE CAPITAL MODARABA

2.3.3 Obligation under defined benefit plan

The Modaraba's obligation under the defined benefit plan is based on assumptions 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, other than allowances for impairment, 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

These comprise operating fixed assets of the Modaraba.

Operating fixed assets are measured at cost less accumulated depreciation and accumulated impairment losses. Cost comprises purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, and includes other costs directly attributable to the acquisition or construction, erection and installation.

Major renewals and improvements to operating fixed assets 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 cost of the day-to-day servicing of operating fixed assets are recognized in profit or loss as incurred.

The Modaraba recognizes depreciation in profit or loss by applying reducing balance method over the useful life of each operating fixed asset using rates specified in note 16 to the financial statements. Depreciation on additions to operating fixed assets 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.

An operating fixed asset is de-recognized when permanently retired from use. Any gain or loss on disposal of operating fixed assets 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 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 19 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



FIRST ELITE CAPITAL MODARABA

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. 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 listed securities

Investments in listed equity and other 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 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. Changes in fair value are recognized as 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,



FIRST ELITE CAPITAL MODARABA

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 profit or loss and 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 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



FIRST ELITE CAPITAL MODARABA

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. 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. 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. All impairment losses are recognized in profit or loss. Impairment losses in respect of Musharakah, Murabahah and Ijarah finances are determined by reference to the borrowers' payment/ credit history, adequacy of security and requirements of the Prudential Regulations for Modarabas. 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 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 asset 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. 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



FIRST ELITE CAPITAL MODARABA

Modaraba's financial statements in the year in which the dividends are approved by the Board of Directors of the Management Company.

4 ADOPTION OF NEW AND REVISED APPROVED ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS

The following amendments to approved accounting standards are effective in the current year and relevant to the Company.

IAS 1 - Presentation of Financial Statements ('Amendments')

The amendments rename 'statement of comprehensive income' as 'statement of profit or loss and other comprehensive income' and require entities to group items presented as other comprehensive income based on whether they are potentially reclassifiable to profit or loss subsequently, i.e. those that might be reclassified and those that will not be reclassified, and require tax associated with items presented before tax to be shown separately for each of the two groups, without changing the option to present items of other comprehensive income either before tax or net of tax. The adoption of amendment does not have any impact on these financial statements, other than change of name to 'statement of profit or loss and other comprehensive income' and presentation of items of other comprehensive income as mentioned above.

5 NEW AND REVISED APPROVED ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS NOT YET EFFECTIVE

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.

5.1 New and Revised Approved Accounting Standards and Interpretations

IFRS 9 - Financial Instruments: Classification and Measurement (2010)

The revised standard incorporates new requirements for the classification and measurement of financial instruments and carries over existing derecognition requirements from IAS 39 - Financial Instruments: Recognition and Measurement. The standard was originally effective for annual periods beginning on or after January 01, 2013, however IASB issued "Mandatory Effective Date and Transition Disclosures (Amendments to IFRS 9 and IFRS 7)" which amended the effective date of IFRS 9 to annual periods beginning on or after January 01, 2015.

IFRS 10 - Consolidated Financial Statements (2011)

The standard replaces those parts of IAS 27 - Consolidated and Separate Financial Statements, that address when and how an investor should prepare consolidated financial statements and supersedes SIC 12 - Consolidation: Special Purpose Entities. The standard is effective for annual periods beginning on or after January 01, 2013.

IFRS 11 - Joint Arrangements (2011)

The standard supersedes IAS 31 - Interest in Joint Ventures and SIC 13 - Jointly Controlled Entities: Non-monetary Contributions by Venturers. The standard is effective for annual periods beginning on or after January 01, 2013.

IFRS 12 - Disclosure of Interests in Other Entities (2011)

The standard introduces disclosure requirements relating to interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard is effective for annual periods beginning on or after January 01, 2013.

IFRS 13 - Fair Value Measurement (2011)

The standard establishes a single framework for measuring fair value where that is required by other standards. The standard is effective for annual periods beginning on or after January 01, 2013.

IAS 19 - Employee Benefits (Revised 2011)

The revised standard requires actuarial gains and losses to be recognized immediately in other comprehensive income and removes the corridor method as well as the option to recognize all changes in defined benefit obligation and plan assets in profit or loss. The revisions are effective for annual periods beginning on or after January 01, 2013.

IAS 27 - Separate Financial Statements (Revised 2011)

The revised standard supersedes IAS 27 - Consolidated and Separate Financial Statements (Revised 2008). The revised standard carries forward existing accounting and disclosure requirements for separate financial statements with some minor clarifications. The revised standard is effective for annual periods beginning on or after January 01, 2013.

IAS 28 - Investments in Associates and Joint Ventures (Revised 2011)

The revised standard supersedes IAS 28 - Investments in Associates (revised 2008). The revised standard makes amendments to apply IFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations to investment, or a portion thereof, in an associate or joint venture,



FIRST ELITE CAPITAL MODARABA

that meets the criteria to be classified as held for sale. The revised standard is effective for annual periods beginning on or after January 01, 2013.

IFRIC 20 - Stripping Cost in the Production Phase of a Surface Mining (2011)

The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The Interpretation is effective for annual periods beginning on or after January 01, 2013.

IFRIC 21 - Levies (2013)

The interpretation provides guidance on when to recognize a liability for levy imposed by a government. The Interpretation is effective for annual periods beginning on or after January 01, 2014.

5.2 Amendments to Approved Accounting Standards and Interpretations

Government Loans (Amendments to IFRS 1 – First-time Adoption of International Financial Reporting Standards)

The amendments address how a first-time adopter would account for a government loan with a below-market rate of interest when transitioning to International Financial Reporting Standards. The amendments are effective for annual periods beginning on or after January 01, 2013.

Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7 - Financial Instruments: Disclosures)

The amendments contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement. The amendments are effective for annual periods beginning on or after January 01, 2013.

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32 - Financial Instruments: Presentation)

The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement. The amendments are effective for annual periods beginning on or after January 01, 2014.

Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10 – Consolidated Financial Statements, IFRS 11 – Joint Arrangements and IFRS 12 – Disclosure of Interests in Other Entities)

The amendments provide transitional relief by limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Also, amendments to IFRS 11 and IFRS 12 eliminate the requirement to provide comparative information for periods prior to the immediately preceding period. The amendments are effective for annual periods beginning on or after January 01, 2013.

Investment Entities (Amendments to IFRS 10 – Consolidated Financial Statements, IFRS 12 – Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements)

The amendments provide exemption from consolidation of particular subsidiaries by certain entities defined as "Investment Entities" and require additional disclosures where such subsidiaries are excluded from consolidation pursuant to exemption. The amendments are effective for annual periods beginning on or after January 01, 2014.

Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36 – Impairment of Assets)

The amendments reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed clarify the disclosures required and introduce an explicit requirement to disclose the discount rate used in determining impairment or reversals where recoverable amount is determined using a present value technique. The amendments are effective for annual periods beginning on or after January 01, 2014.

Novation of Derivative and Continuation of Hedge Accounting (Amendments to IAS 39 – Financial Instruments: Recognition and Measurement)

The amendments clarify that there is no need to discontinue hedge accounting if a hedge derivative is novated provided certain criteria are met. The amendments are effective for annual periods beginning on or after January 01, 2014.

Annual Improvements 2009-2011 (effective for annual periods beginning on or after January 01, 2013)



FIRST ELITE CAPITAL MODARABA

The new cycle of improvements contains amendments to the following standards, with consequential amendments to other standards and interpretations.

IFRS 1 – First-time Adoption of International Financial Reporting Standards

The amendments clarify that an entity may apply IFRS 1 if its most recent previous annual financial statements did not contain an explicit and unreserved statement of compliance with International Financial Reporting Standards even if the entity applied IFRS 1 in the past.

IAS 1 - Presentation of Financial Statements

The amendments clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the 'third statement of financial position', when required, is only required if the effect of restatement is material to statement of financial position.

IAS 16 - Property, Plant and Equipment

The amendments clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories.

IAS 32 - Financial Instruments: Presentation

The amendments clarify that IAS 12 - Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.

IAS 34 - Interim Financial Reporting

The amendments align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 - Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

	Note	June 30, 2013 Rupees	June 30, 2012 Rupees
6 CASH AND BANK BALANCES			
Cash in hand		376,451	205,275
Cash at bank in			
current accounts		740,213	795,417
saving/deposit accounts	6.1	23,364,417	12,629,492
		<u>24,104,630</u>	13,424,909
		<u>24,481,081</u>	<u>13,630,184</u>
6.1	Effective rate of return on deposit/saving accounts, for the year, ranges from 6% to 8% (2012: 4.5% to 9.5%).		
7 SHORT TERM INVESTMENTS			
These represent investments in listed securities and have been classified as available for sale financial assets.			
Cost	7.1	18,523,204	23,369,242
Accumulated impairment	7.1	(4,490,545)	(6,129,258)
Accumulated changes in fair value	7.1	1,379,982	(1,440,229)
		<u>15,412,641</u>	<u>15,799,755</u>



FIRST ELITE CAPITAL MODARABA

7.1 Particulars of investments

Oil and Gas Producers

Pakistan Petroleum Limited
Byco Petroleum Limited
Attock Refinery Limited
Pakistan State Oil Company Limited

Chemicals

Fauji Fertilizer Bin Qasim Limited
Lottee Pakistan PTA Limited
Fauji Fertilizer Company Limited

Industrial Metals and Mining

Crescent Steel & 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

JDW Sugar Mills Limited
Hussain Sugar Mills Limited

Personal Goods

Sunrise Textiles Limited
The Crescent Textile Mills Limited
Nishat Chunian Limited
Libaas Textiles Limited
Crescent Cotton Mills Limited
Suraj Cotton Mills Limited

Fixed Line Telecommunication

Callmate Telips Telecom Limited
Pakistan Telecommunication Company Limited

Electricity

Hub Power Company Limited
Nishat Power Limited
Sitara Energy Limited

Gas Water and Multiutilities

Sui Northern Gas Pipelines Limited
Sui Southern Gas Pipelines Limited

Banks

Askari Bank Limited
Samba Bank Limited
NIB Bank Limited
JS Bank Limited
The Bank of Khyber
MCB Bank Limited
National Bank of Pakistan
Meezan Bank Limited

Non Life Insurance

Premier Insurance Limited

Financial Services

Invest Capital Investment Bank Limited
Dadabhoy Leasing Company Limited
Bankers Equity Limited
IGI Investment Bank Limited
Jahangir Siddiqui & Company Limited
Javed Omer Vohra & Company 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, 2013	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
		Rupees		Rupees	
8,500	3,300	1,638,962	678,462	1,798,430	621,357
-	20,000	-	240,121	-	168,600
-	4,000	-	503,709	-	491,480
12,000	3,000	2,387,665	834,698	3,844,560	707,520
16,000	13,000	755,323	638,767	600,640	530,660
12,000	12,000	152,239	152,239	91,440	84,360
51,450	51,450	2,789,754	2,437,161	5,527,274	5,713,523
-	4,400	-	348,369	-	102,036
-	5,000	-	173,294	-	196,900
-	22,000	-	158,986	-	123,860
-	26,100	-	376,989	-	112,752
-	2,000	-	39,708	-	7,500
-	10,710	-	301,557	-	1,081,710
-	4,102	-	85,786	-	69,078
153,900	153,900	2,023,076	2,023,076	-	-
-	32,277	-	454,662	-	287,265
-	10,000	-	421,373	-	173,900
82,000	82,000	815,655	815,655	61,500	61,500
-	400	-	5,923	-	8,608
-	2,750	-	95,850	-	79,585
5,100	5,100	530,323	530,323	-	-
70,000	52,000	3,875,108	3,555,002	1,553,300	711,880
5,000	-	226,626	-	308,250	-
-	10,000	-	164,475	-	147,000
-	10,000	-	287,557	-	165,000
40,000	11,550	1,016,695	409,772	802,400	195,080
25,797	14,797	711,715	483,072	503,557	288,542
-	51,685	-	853,783	-	701,365
-	40,371	-	588,172	-	92,853
-	11,150	-	252,583	-	22,189
-	15,500	-	303,183	-	79,050
-	15,240	-	351,885	-	126,187
-	3,520	-	649,341	-	585,165
-	22,000	-	1,115,089	-	957,880
3,330	-	86,613	-	96,570	-
-	76,837	-	1,138,965	-	537,859
-	36,523	-	108,169	-	29,584
1,000	1,000	9,000	9,000	-	-
2,000	2,000	26,100	26,100	-	-
-	7,000	-	36,358	-	14,700
-	1,000	-	41,658	-	12,410
8,800	8,800	1,164,611	1,164,611	16,720	16,720
52,000	52,000	313,739	313,739	208,000	77,480
-	13,700	-	200,020	-	416,617
548,877	924,162	18,523,204	23,369,242	15,412,641	15,799,755



FIRST ELITE CAPITAL MODARABA

8 SHORT TERM FINANCES UNDER MUSHARAKAH ARRANGEMENTS - SECURED

These represent investments made under musharakah arrangements on profit and loss sharing basis and are secured by specific charge over operating fixed assets and demand promissory notes. The share of profit of Modaraba is 40% per annum. The details are as follows:

	Note	June 30, 2013 Rupees	June 30, 2012 Rupees
Considered good		-	-
Considered doubtful		2,077,500	-
		2,077,500	-
Accumulated impairment	8.1	(637,500)	-
		1,440,000	-
8.1 Movement in accumulated impairment is as follows:			
As at beginning of the year		-	-
Recognized during the year	26	637,500	-
As at end of the year		637,500	-

9 SHORT TERM FINANCES UNDER MURABAHAH ARRANGEMENTS - SECURED

Considered good		22,222,907	20,409,676
Considered doubtful		48,327,615	46,561,694
		70,550,522	66,971,370
Accumulated impairment	9.1	(46,568,204)	(46,561,694)
		23,982,318	20,409,676

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 16% to 20% (2012: 16% to 20%) per annum receivable on monthly basis.

	Note	June 30, 2013 Rupees	June 30, 2012 Rupees
9.1 Movement in accumulated impairment is as follows:			
As at beginning of the year		46,561,694	46,603,492
Recognized during the year	26	80,000	-
Reversed during the year	24.1	(73,490)	(41,798)
As at end of the year		46,568,204	46,561,694

10 IJARAH RENTALS RECEIVABLE - SECURED

These represent rentals receivable against assets leased out under Ijarah contracts. The details are as follows:

Considered good		2,228,963	648,421
Considered doubtful		4,821,444	5,308,097
		7,050,407	5,956,518
Accumulated impairment	10.1	(4,821,444)	(5,308,097)
		2,228,963	648,421
10.1 Movement in accumulated impairment is as follows:			
As at beginning of the year		5,308,097	4,702,605
Recognized during the year		1,438,417	2,285,807
Reversed during the year		(1,925,070)	(1,680,315)
As at end of the year		4,821,444	5,308,097



FIRST ELITE CAPITAL MODARABA

	Note	June 30, 2013 Rupees	June 30, 2012 Rupees
11 PROFIT RECEIVABLE - SECURED			
This represents profit receivable on murabahah and musharakah finances:			
Considered good		673,950	757,416
Considered doubtful		34,704,143	34,704,143
		35,378,093	35,461,559
Accumulated impairment	11.1	(34,704,143)	(34,704,143)
		673,950	757,416
11.1 Movement in accumulated impairment is as follows:			
As at beginning of the year		34,704,143	35,013,340
Recognized during the year		396,657	-
Reversed during the year		(396,657)	(309,197)
As at end of the year		34,704,143	34,704,143
12 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Advances to employees			
against salary		698,887	540,923
against retirement benefits	12.1	1,571,783	1,588,985
Advances to suppliers	12.2	968,000	-
Security deposits		60,450	60,450
Prepayments		62,133	93,885
Other receivables - unsecured	12.3	1,275,871	912,446
		4,637,124	3,196,689
12.1 These include advances to officers of the Modaraba amounting to Rs. 1,571,783 (2012: 1,588,985).			
12.2 This represents advances for purchase of assets for onward sale under ijarah contract.			
12.3 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:			
	Note	June 30, 2013 Rupees	June 30, 2012 Rupees
Considered good		1,275,871	912,446
Considered doubtful		7,411,076	6,560,417
		8,686,947	7,472,863
Accumulated impairment	12.3.1	(7,411,076)	(6,560,417)
		1,275,871	912,446
12.3.1 Movement in accumulated impairment is as follows:			
As at beginning of the year		6,560,417	6,573,517
Recognized during the year	26	856,417	-
Reversed during the year	24.1	(5,758)	(13,100)
As at end of the year		7,411,076	6,560,417
13 LONG TERM FINANCES UNDER MUSHARAKAH ARRANGEMENTS - SECURED			
These represent investments made under musharakah arrangements on profit and loss sharing basis and are secured by specific charge over operating fixed assets and demand promissory notes. The share of profit of Modaraba is 40% per annum.			
14 LONG TERM FINANCES UNDER MURABAHAH ARRANGEMENTS - SECURED			
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 19% per annum (2012: 14% to 19% per annum) receivable on monthly basis.			



15 ASSETS LEASED OUT UNDER IJARAH CONTRACTS

Year ended June 30, 2013

PARTICULARS	COST			AMORTIZATION			Carrying Value As at June 30, 2013		
	As at July 01, 2012	Additions	Disposals	As at June 30, 2013	For the year	Adjustment			
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees		
Vehicles	139,844,176	33,134,500	(26,649,300)	146,329,376	36,359,063	26,992,880	(11,880,347)	51,471,596	94,857,780
Office equipment	7,925,500	-	(7,795,000)	130,500	5,227,212	681,622	(5,853,933)	54,901	75,599
Machinery	20,173,400	16,575,000	(9,519,000)	27,229,400	8,232,278	4,768,735	(7,686,164)	5,314,849	21,914,551
	167,943,076	49,709,500	(43,963,300)	173,689,276	49,818,553	32,443,237	(25,420,444)	56,841,346	116,847,930

Year ended June 30, 2012

PARTICULARS	COST			AMORTIZATION			Carrying Value As at June 30, 2012		
	As at July 01, 2011	Additions	Disposals	As at June 30, 2012	For the year	Adjustment			
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees		
Vehicles	99,140,176	58,291,900	(17,587,900)	139,844,176	26,292,687	22,369,802	(12,303,426)	36,359,063	103,485,113
Office equipment	10,210,239	130,500	(2,415,239)	7,925,500	5,064,218	2,221,220	(2,058,226)	5,227,212	2,698,288
Machinery	28,128,000	6,123,400	(14,078,000)	20,173,400	13,014,059	6,551,036	(11,332,817)	8,232,278	11,941,122
	137,478,415	64,545,800	(34,081,139)	167,943,076	44,370,964	31,142,058	(25,694,469)	49,818,553	118,124,523

15.1 Disposals represent assets transferred after expiry/termination of ijarah contracts. However, in view of large number of disposals, detail of each disposal have not been given.



16 PROPERTY AND EQUIPMENT

Year ended June 30, 2013

PARTICULARS	COST			DEPRECIATION			Net book value as at June 30, 2013		
	As at July 01, 2012	Additions	Disposals	As at June 30, 2013	Rate %age	For the year		Adjustment	As at June 30, 2013
	Rupees	Rupees	Rupees	Rupees		Rupees	Rupees	Rupees	
Furniture and fixtures	215,780	29,000	-	244,780	10	109,932	11,862	-	121,794
Office equipment	1,900,078	262,260	-	2,162,338	10	984,488	97,631	-	1,082,119
Vehicles	2,745,000	-	-	2,745,000	20	1,271,644	294,670	-	1,566,314
	4,860,858	291,260	-	5,152,118		2,366,064	404,163	-	2,770,227

Year ended June 30, 2012

PARTICULARS	COST			DEPRECIATION			Net book value as at June 30, 2012		
	As at July 01, 2011	Additions	Disposals	As at June 30, 2012	Rate %age	For the year		Adjustment	As at June 30, 2012
	Rupees	Rupees	Rupees	Rupees		Rupees	Rupees	Rupees	
Furniture and fixtures	208,780	7,000	-	215,780	10	98,352	11,580	-	109,932
Office equipment	1,900,078	-	-	1,900,078	10	882,756	101,732	-	984,488
Vehicles	2,745,000	-	-	2,745,000	20	903,304	368,340	-	1,271,644
	4,853,858	7,000	-	4,860,858		1,884,412	481,652	-	2,366,064



FIRST ELITE CAPITAL MODARABA

	Note	June 30, 2013 Rupees	June 30, 2012 Rupees
17 ACCRUED AND OTHER LIABILITIES			
Accrued expenses		678,168	869,880
Advance ijarah rentals and security deposits		307,106	-
Withholding tax payable		22,542	66,034
Service charges payable		577,182	390,804
Charity payable		16,638	-
Other payables - unsecured		74,283	77,230
		1,675,919	1,403,948
18 SECURITY DEPOSITS			
Security deposits under ijarah contracts		46,695,905	47,448,293
Current maturity presented under current liabilities		(10,476,524)	(7,576,163)
		36,219,381	39,872,130
19 EMPLOYEES RETIREMENT BENEFITS			
The amounts recognized on balance sheet are as follows:			
Present value of defined benefit obligation	19.1	5,251,541	3,894,958
Unrecognized actuarial losses	19.2	(933,308)	(521,443)
		4,318,233	3,373,515
19.1 Movement in present value of defined benefit obligation			
As at beginning of the year		3,894,958	3,350,445
Charged to profit or loss for the year	19.3	932,723	655,121
Benefits paid during the year		-	(262,020)
Actuarial loss arising during the year	19.2	423,860	151,412
As at end of the year		5,251,541	3,894,958
The present value of defined benefit obligation has been determined by the management of the Modaraba using the following assumptions:			
		2013	2012
Discount rate		11%	14%
Expected rates of increase in salary		11%	11%
Expected average remaining working lives of employees		11 years	11 years
19.2 Movement in unrecognized actuarial losses			
As at beginning of the year		521,443	370,031
Loss arising during the year		423,860	151,412
Recognized during the year	19.3	(11,995)	-
As at end of the year		933,308	521,443
19.3 Charge to profit or loss			
Current service cost		388,919	277,856
Interest cost		543,804	377,265
	19.1	932,723	655,121
Actuarial gain recognized during the year	19.2	11,995	-
		944,718	655,121



FIRST ELITE CAPITAL MODARABA

19.4 Historical information

		June 30, 2013	June 30, 2012	June 30, 2011	June 30, 2010	June 30, 2009
Present value of defined						
Benefit obligation	Rupees	5,251,541	3,894,958	3,350,445	2,622,821	2,211,558
Actuarial adjustment arising during the year	%	8.07	3.89	3.86	0.69	4.59

The experience adjustment component of actuarial adjustment is impracticable to determine and thus has not been disclosed.

20 CONTINGENCIES AND COMMITMENTS

20.1 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 (2012: Rs. 87 million), which are pending. Additionally, claims for Rs. 23.7 million (2012: 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 balances, as required by the Regulations.

20.2 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, 2013 Rupees	June 30, 2012 Rupees
Future Ijarah rentals receivable			
Not later than one year		45,141,590	43,485,674
Later than one year but not later than five years		55,178,119	61,451,786
Later than five years		-	-
		100,319,709	104,937,460

21 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Modaraba certificates of Rs. 10 each 10,000,000 (2012: 10,000,000) certificates issued for cash		100,000,000	100,000,000
1,340,000 (2012: 1,340,000) certificates issued as full paid bonus certificates		13,400,000	13,400,000
		113,400,000	113,400,000

22 STATUTORY RESERVE

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

23 RETURN ON INVESTMENTS

Dividend income		1,357,492	1,536,625
(Loss)/gain on sale of investments	23.1	(219,704)	579,336
		1,137,788	2,115,961

23.1 This includes loss of Rs. 2,506,432 (2012: gain of Rs. 188,883) reclassified from other comprehensive income on disposal of related investments.



FIRST ELITE CAPITAL MODARABA

	Note	June 30, 2013 Rupees	June 30, 2012 Rupees
24 OTHER INCOME			
Gain on financial instruments			
Return on bank deposits		748,336	733,199
Reversal of impairment on financial assets	24.1	1,717,961	54,898
		<u>2,466,297</u>	<u>788,097</u>
24.1 Reversal of impairment on financial assets			
Available for sale investments		1,638,713	-
Short term finances under murabahah arrangements		73,490	41,798
Other receivables		5,758	13,100
		<u>1,717,961</u>	<u>54,898</u>
25 ADMINISTRATIVE AND GENERAL EXPENSES			
Salaries and benefits	25.1	6,289,797	5,819,831
Rent, rates and taxes		37,900	9,510
Service charges		2,582,178	2,928,059
Utilities		352,242	292,680
Repair and maintenance		493,067	543,873
Printing and stationery		443,044	412,538
Communication		306,828	259,172
Postage		342,916	244,230
Travelling and conveyance		683,004	816,259
Insurance		3,971,327	3,570,023
Advertisement		33,800	28,400
Fee and subscription		527,984	470,997
Newspapers, books and periodicals		8,739	7,486
Entertainment		105,435	84,984
Auditors' remuneration	25.2	360,000	360,000
Legal and professional charges		526,710	271,543
Depreciation	16	404,163	481,652
Zakat		4,637	1,300
Others		237,735	226,890
		<u>17,711,506</u>	<u>16,829,427</u>
25.1 These include charge in respect of employees retirement benefits amounting to Rs. 944,718 (2012: Rs. 655,121).			
25.2 Auditors' remuneration			
Annual statutory Audit		250,000	250,000
Half yearly review		50,000	50,000
Review report under Code of Corporate Governance		45,000	45,000
Out of pocket expenses		15,000	15,000
		<u>360,000</u>	<u>360,000</u>
26 IMPAIRMENT LOSS ON FINANCIAL ASSETS			
Available for sale investments	7	-	1,332,361
Short term finances under musharakah arrangements	8.1	637,500	-
Short term finances under murabahah arrangements	9.1	80,000	-
Other receivables	12.3.1	856,417	-
		<u>1,573,917</u>	<u>1,332,361</u>



FIRST ELITE CAPITAL MODARABA

27 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.

28 TAXATION

28.1 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.

28.2 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.

	Unit	June 30, 2013 Rupees	June 30, 2012 Rupees
29 EARNINGS PER CERTIFICATE			
Profit attributable to certificate holders	Rupees	9,037,277	9,023,230
Weighted average number of certificates outstanding during the year	No. of shares	11,340,000	11,340,000
Earnings per certificate	Rupees	0.80	0.80

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

	June 30, 2013 Rupees	June 30, 2012 Rupees
30 CASH GENERATED FROM OPERATIONS		
Profit before taxation	9,037,277	9,023,230
Adjustments for non-cash and other items		
Depreciation	404,163	481,652
Amortization of assets leased out under ijarah contracts	32,443,237	31,142,058
Loss/(gain) on sale of investments	219,704	(579,336)
Impairment loss	1,573,917	1,332,361
Reversal of impairment loss	(1,638,713)	(54,898)
Dividend income	(1,357,492)	(1,536,625)
Gain on transfer of assets leased out	(893,930)	(655,910)
Provision for management fee	1,004,142	1,002,581
Provision for employees retirement benefits	944,718	655,121
	32,699,746	31,787,004
Operating profit before changes in working capital	41,737,023	40,810,234
Changes in working capital		
Finances under murabahah arrangements	4,603,835	4,711,142
Finances under musharakah arrangements	85,000	107,500
Ijarah rentals receivable	(1,580,542)	381,013
Profit receivable	83,466	111,808
Advances, deposits, prepayments and other receivables	(2,296,852)	(484,855)
Security deposits	(752,388)	13,196,776
Accrued and other liabilities	271,971	465,687
	414,490	18,489,071
Cash generated from operations	42,151,513	59,299,305



FIRST ELITE CAPITAL MODARABA

	NOTE	June 30, 2013 Rupees	June 30, 2012 Rupees
31 CASH AND CASH EQUIVALENTS			
Cash and bank balances	6	24,481,081	13,630,184
		24,481,081	13,630,184

32 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:

32.1 Transactions with related parties

Management fee	1,004,142	1,002,581
Profit distribution	623,700	623,700

32.2 Balances with related parties

Management fee payable	1,045,810	1,141,667
------------------------	-----------	-----------

	2013		2012	
Note	Loans and receivables Rupees	Available for sale financial assets Rupees	Loans and receivables Rupees	Available for sale financial assets Rupees

33 FINANCIAL INSTRUMENTS

33.1 Financial instruments by class and category

Financial assets

Cash and bank balances	6	24,481,081	-	13,630,184	-
Short term investments	7	-	15,412,641	-	15,799,755
Finances under murabahah arrangements	9 & 14	23,982,318	-	28,666,153	-
Finances under musharakah arrangements	13	-	-	2,162,500	-
Ijarah rentals receivable	10	2,228,963	-	648,421	-
Profit receivable	11	673,950	-	757,416	-
Advances to employees	12	2,270,670	-	2,129,908	-
Security deposits	12	60,450	-	60,450	-
Other receivables	12	1,275,871	-	912,446	-
		54,973,303	15,412,641	48,967,478	15,799,755

Note	Financial liabilities at amortized cost Rupees	Financial liabilities at amortized cost Rupees
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Financial liabilities

Accrued expenses	17	678,168	869,880
Service charges payable	17	577,182	390,804
Other payables	17	74,283	77,230
Management fee payable	27	1,045,810	1,141,667
		2,375,443	2,479,581

33.2 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.

33.2.1 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



FIRST ELITE CAPITAL MODARABA

determined in accordance with generally accepted pricing models based on discounted cash flow analysis based on inputs from other than observable market.

33.2.2 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.

34 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:

34.1 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.

34.1.1 Maximum exposure to credit risk

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

	Note	June 30, 2013 Rupees	June 30, 2012 Rupees
Loans and receivables			
Cash at bank	6	24,104,630	13,424,909
Finances under murabahah arrangements	9 & 14	70,550,522	75,227,847
Finances under musharakah arrangements	8	2,077,500	2,162,500
Ijarah rentals receivable	10	7,050,407	5,956,518
Profit receivable	11	35,378,093	35,461,559
Other receivables	12	8,686,947	7,472,863
		147,848,099	139,706,196

34.1.2 Concentration of credit risk

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

	June 30, 2013 Rupees	June 30, 2012 Rupees
Customers	123,743,469	126,281,287
Banking companies and financial institutions	24,104,630	13,424,909
	147,848,099	139,706,196

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



FIRST ELITE CAPITAL MODARABA

2013						
	Ijarah rentals Receivable	Finances under Murabahah arrangements	Finances under Musharakah arrangements	Profit receivables	Others receivables	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Services	144,312	65,500	-	492,208	1,425,732	2,127,752
Fuel and energy	-	-	-	-	-	-
Textile	133,162	44,352,661	-	30,018,813	5,110,571	79,615,207
Transport	-	-	2,077,500	923,610	509,804	3,510,914
Electrical and engineering	313,469	-	-	255,647	-	569,116
Packaging	-	3,180,619	-	3,013,864	132,928	6,327,411
Individuals	6,459,464	22,951,742	-	673,951	1,507,912	31,593,069
	<u>7,050,407</u>	<u>70,550,522</u>	<u>2,077,500</u>	<u>35,378,093</u>	<u>8,686,947</u>	<u>123,743,469</u>

2012						
	Ijarah rentals receivable	Finances under Murabahah arrangements	Finances under Musharakah arrangements	Profit receivables	Others receivables	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Services	14,807	65,500	-	492,208	170,203	742,718
Fuel and energy	552,382	287,770	-	4,494	-	844,646
Textile	133,162	45,215,576	-	30,033,018	5,110,571	80,492,327
Transport	-	-	2,162,500	923,610	512,304	3,598,414
Electrical and engineering	313,469	-	-	255,647	-	569,116
Packaging	-	3,180,619	-	3,013,864	132,928	6,327,411
Individuals	4,942,698	26,478,382	-	738,718	1,546,857	33,706,655
	<u>5,956,518</u>	<u>75,227,847</u>	<u>2,162,500</u>	<u>35,461,559</u>	<u>7,472,863</u>	<u>126,281,287</u>

34.1.3 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.

34.1.3(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.

34.1.3(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:



FIRST ELITE CAPITAL MODARABA

	2013		2012	
	Gross Carrying Amount	Accumulated Impairment	Gross carrying amount	Accumulated Impairment
	Rupees	Rupees	Rupees	Rupees
Neither past due nor impaired	23,587,317	-	27,766,152	-
Past due by upto 90 days	4,098,785	-	1,395,384	-
Past due by 90 to 180 days	1,053,267	1,053,267	1,322,547	1,310,109
Past due by 180 days to 1 year	549,219	549,219	975,698	975,698
Past due by 1 to 2 years	1,966,647	1,966,647	3,285,652	1,123,152
Past due by 2 to 3 years	2,567,100	1,127,100	790,618	790,618
Past due by 3 years or more	89,921,134	89,446,134	90,745,236	88,934,774
	123,743,469	94,142,367	126,281,287	93,134,351

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

34.1.4 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.

34.1.5 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.

34.2 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.

34.3 Market risk

34.3.1 Currency risk

The Modaraba is not exposed to currency risk.

34.3.2 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.

34.3.3 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 7 to the financial statements. A ten percent increase in market prices would have increased equity by Rs. 1.5 million (2012: Rs. 1 million). A ten percent decrease in market prices would have had an equal but opposite impact on equity.



FIRST ELITE CAPITAL MODARABA

35 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.

36 EVENTS AFTER THE REPORTING PERIOD

The Board of Directors of the Management Company in their meeting held on September 25, 2013 has approved profit distribution to certificate holders at Re. 0.55 per certificate of Rs. 10 each.

37 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:

	2013		
	Officers	Other Employees	Total
	Rupees	Rupees	Rupees
Managerial remuneration	1,368,528	1,620,837	2,989,365
Allowances and perquisites	1,166,254	1,189,460	2,355,714
Post employment benefits	487,344	457,374	944,718
	3,022,126	3,267,671	6,289,797
Number of persons	3	12	15
	2012		
	Officers	Other Employees	Total
	Rupees	Rupees	Rupees
Managerial remuneration	1,443,600	1,454,374	2,897,974
Allowances and perquisites	1,277,821	988,915	2,266,736
Post employment benefits	356,978	298,143	655,121
	3,078,399	2,741,432	5,819,831
Number of persons	3	12	15

38 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on September 25, 2013 by the Board of Directors of the Management Company.

39 RECOVERABLE AMOUNTS AND IMPAIRMENT

Impairment on ijarah, murabahah and musharakah finances, and profit receivable thereon is recognized in accordance with the requirements of Prudential Regulations for Modarabas pertaining to classification and provisioning. In the opinion of the management, no further impairment, in addition to that already recognized in accordance with Prudential Regulations, is necessary. Further, the recoverable amounts of all other assets/cash generating units are equal to or exceed their carrying amounts, unless stated otherwise in these financial statements.

40 GENERAL

Figures have been rounded off to the nearest rupee.

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

Chairman
CRESCENT MODARABA
MANAGEMENT CO. LTD.

Chief Executive
CRESCENT MODARABA
MANAGEMENT CO. LTD.

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.

This statement is being presented to comply with the Code of Corporate Governance ("CCG") as contained in the listing regulations of the Stock Exchanges of Pakistan for the purpose of establishing a frame work of good governance, whereby a listed entity is managed in compliance with the best practices of corporate governance.

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

1. At present the board comprises of seven directors of which six are non-executives and only the Chief Executive Officer (CEO) is an executive director. The provisions of clause i (b) of CCG would be applicable to the management company in next election of directors.
2. The directors have confirmed that none of them is serving as a director on more than ten listed companies, including this management company.
3. All the resident directors of the management company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No causal vacancy occurred in the board during the financial year.
5. The Management Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company and Modaraba along with its supporting policies and procedures.
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 along with 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, other executive and non-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, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. Two directors of the board have acquired, certification under Director's Training Program up to June 30, 2013, as per requirement of the clause xi of Code of Corporate Governance.
10. The board approves appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment. However, there was no new appointment during the year.
11. The directors' report for this year has been prepared in compliance with the requirements of the CCG 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 the 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 CCG.
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 CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed an HR and Remuneration Committee. It comprises three members, of whom two are non-executive directors including the chairman of the committee.
18. The board has set up an effective internal audit function.
19. The statutory auditors of the Modaraba have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold certificates of the Modaraba and that the firm, and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
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. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of modarabas securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all other material principles enshrined in the CCG have been complied with.

On behalf of the Board

Aamir Iftikhar Khan
Chief Executive
Crescent Modaraba Management Company Limited

Date: September 25, 2013



FIRST ELITE CAPITAL MODARABA

PATTERN OF CERTIFICATE HOLDERS AS AT JUNE 30, 2013

NUMBER OF CERTIFICATE HOLDERS	CERTIFICATE HOLDINGS FROM	TO	TOTAL CERTIFICATE HELD
2,329	1	100	113,711
452	101	500	149,742
1,229	501	1,000	725,899
322	1,001	5,000	728,694
75	5,001	10,000	543,299
40	10,001	15,000	492,806
9	15,001	20,000	155,774
7	20,001	25,000	164,521
18	25,001	30,000	509,388
1	30,001	35,000	35,000
7	35,001	40,000	266,437
1	40,001	45,000	45,000
1	45,001	50,000	46,500
2	50,001	55,000	108,529
4	55,001	60,000	225,914
1	60,001	65,000	65,000
3	65,001	70,000	203,712
2	75,001	80,000	150,849
2	80,001	85,000	165,827
1	85,001	90,000	85,803
1	95,001	100,000	100,000
1	100,001	105,000	102,000
1	105,001	110,000	107,000
1	110,001	115,000	110,016
1	155,001	160,000	156,943
1	225,001	230,000	229,000
1	285,001	290,000	289,000
1	295,001	300,000	300,000
1	530,001	535,000	531,972
1	710,001	715,000	714,120
1	1,130,001	1,135,000	1,134,000
1	1,255,001	1,260,000	1,259,608
1	1,320,001	1,325,000	1,323,936
4,519			11,340,000



FIRST ELITE CAPITAL MODARABA

CATEGORIES OF CERTIFICATE HOLDING AS AT JUNE 30, 2013

CATEGORIES OF CERTIFICATE HOLDERS	NUMBERS	CERTIFICATE HELD	PERCENTAGE
ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES			
Crescent Modaraba Management Co. Ltd.	1	1,134,000	10.00
NIT & ICP			
National Bank of Pakistan, Trustee Deptt.	1	714,120	6.30
Investment Corporation of Pakistan	1	15,000	0.13
DIRECTORS, CEO AND THEIR SPOUSES AND MINOR CHILDREN			
	5	222,043	1.96
Mr. Muhammad Javed Amin		156,943	
Mrs. Rukhsana Javed Amin		8,700	
Miss Tajwer Amin		2,000	
Mr. Muhammad Ahmad Amin		9,400	
Mrs. Shahana Javed Amin		45,000	
EXECUTIVE			
	-	-	-
PUBLIC SECTOR COMPANIES AND CORPORATIONS			
State Life Insurance Corporation of Pakistan	1	531,972	4.69
BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON BANKING FINANCE COMPANIES, INSURANCE COMPANIES, TAKAFUL, MODARABAS AND PENSION FUNDS			
	7	117,946	1.04
MUTUAL FUNDS			
Golden Arrow Selected Stocks Fund Ltd.	1	5,000	0.04
Prudential Stock Fund Ltd.	1	37,920	0.33
JOINT STOCK COMPANIES			
	29	311,326	2.75
INDIVIDUALS			
	4,472	8,250,673	72.76
TOTAL:			
	4,519	11,340,000	100.00

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

Firozuddin A. Cassim	1,323,936	11.67
Dinaz F. Cassim	1,259,608	11.11
Crescent Modaraba Management Company Limited	1,134,000	10.00
National Bank of Pakistan Trustee Deptt.	714,120	6.30



FIRST ELITE CAPITAL MODARABA

KEY OPERATING AND FINANCIAL DATA

YEAR	2013	2012	2011	2010	2009	2008
	Rupees in million					
Revenues	61.78	59.35	53.70	48.18	41.06	35.81
Profit after Management Fee & Taxation	9.04	9.02	8.81	7.32	6.89	9.85
Paid up Capital	113.40	113.40	113.40	113.40	113.40	113.40
Certificate Holder's Equity	133.69	128.06	124.04	117.68	112.55	118.18
Current Liabilities	19.25	15.50	9.36	15.15	14.29	12.72
Fixed Assets	119.23	120.62	96.07	84.43	76.96	51.03
Current Assets	74.24	55.77	59.78	49.91	47.10	67.34
Dividend (%)	5.50	5.50	5.50	5.00	4.50	6.00
Earning per Certificate	0.80	0.80	0.78	0.65	0.61	0.87
Break up Value	11.79	11.29	10.94	10.38	9.93	10.42



FIRST ELITE CAPITAL MODARABA

Review Report to the Certificate Holders 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 Karachi Stock Exchange Limited, Lahore Stock Exchange Limited and Islamabad Stock Exchange 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 (x) of the Listing Regulations 35 of Karachi Stock Exchange Limited, Lahore Stock Exchange Limited and Islamabad Stock Exchange Limited, where the Modaraba is listed.

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, 2013.

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ

Chartered Accountants

Engagement Partner: ZUBAIR IRFAN MALIK

Date: SEPTEMBER 25, 2013

Place: LAHORE



SHARIAH ADVISOR'S REPORT

I have conducted the Shariah review of **First Elite Capital Modaraba** managed by **Crescent Modaraba Management Company Limited** for the year ended June 30, 2013 in accordance with the requirements of the **Shariah Compliance and Shariah Audit Mechanism for Modarabas**. Based on my review I report that in my opinion:

- i. The Modaraba has introduced a mechanism which has strengthened the Shariah compliance, in letter and spirit and the systems, procedures and policies adopted by the Modaraba are in line with the Shariah principles;
- ii. Following were the major developments in respect of Shariah that took place during the year:
 - Disposed all tradeable non-shariah investments, restricted them to adhere to the instructions of SECP which are based on Shariah Principles about investments.
 - Improvement in Ijarah and Murabahah contracts to comply with Shariah Principles.
 - Modaraba has maintained the list of all transactions of all products. Present the list to Shariah Advisor on monthly basis for review. Thus, there is a proper review of all cases.

Training:

- Staff training to follow the steps of Shariah Principles about Ijarah and Micro Murabahah transactions.
 - Conduct training sessions for Agent in Micro Murabahah to follow the steps of Shariah Principles about Micro Murabahah transactions.
 - Conduct presentation for Micro Murabahah Agent on the significance of Sharia Compliance.
- iii. I confirm that the financing agreement(s) entered into by the Modaraba are Shariah compliant and the financing agreement(s) have been executed on the formats as approved by the Religious Board and all the related conditions have been met;
 - iv. To the best of my information and according to the explanations given to me, the business transactions undertaken by the Modaraba and all other matters incidental thereto are in conformity with the Shariah requirements as well as the requirements of the Prospectus, Islamic Financial Accounting Standards as applicable in Pakistan and the Shariah Compliance and Shariah Audit Regulations for Modarabas.
 - v. The Modaraba does not offer any deposit raising products and therefore no review has been done in respect to profit sharing ratio.
 - vi. The charity amounts have been credited to charity account and accounts are attached with this report.



FIRST ELITE CAPITAL MODARABA

Observation:

Improvements were made in the Murabahah and Ijarah process to fully comply with the Shariah principles.

Recommendation(s)

1. Remaining non-shariah, non-tradeable equity instruments will be disposed off when they would become tradeable equity instruments.
2. The management should maintain its efforts to comply with the rulings of Shariah in its business operations and future transactions.

Conclusion

Alhamdulillah, after introduction of Shariah Compliance and Shariah Audit Mechanism for Modarabas by Securities & Exchange Commission of Pakistan (SECP), the Management of First Elite Capital Modaraba has effectively shown its sincerity to comply with Shariah Rulings. According to my best Knowledge the business operations of First Elite Capital Modaraba are Shariah compliant.

Mufti Tayyab Amin
Shariah Advisor

Date: September 25, 2013



FIRST ELITE CAPITAL MODARABA

NOTICE OF ANNUAL REVIEW MEETING

Notice is hereby given that 14th Annual Review Meeting of the First Elite Capital Modaraba will be held on Thursday, October 31, 2013 at 1:30 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, 2013. The Certificate Holders whose names appear on the Register of the Modaraba as on October 24, 2013 are eligible to attend the Meeting.

Muhammad Arif Hilal

Company Secretary

Crescent Modaraba Management Company Limited

Date: October 04, 2013

Place : LAHORE

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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
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