



**FIRST  
ELITE  
CAPITAL  
MODARABA**

*Annual Report  
Two Thousand Nine*

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
CASH FLOW STATEMENT	11
STATEMENT OF CHANGES IN EQUITY	12
NOTES TO THE FINANCIAL STATEMENTS	13-34
STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE	35
PATTERN OF CERTIFICATE HOLDING	36
CATEGORIES OF CERTIFICATE HOLDING	37
KEY OPERATING AND FINANCIAL DATA	38
REVIEW REPORT OF AUDITORS ON COMPLIANCE OF CODE OF CORPORATE GOVERNANCE	39
NOTICE OF ANNUAL REVIEW MEETING	40



**FIRST ELITE CAPITAL MODARAB**

---



## **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 MODARAB**

### **CORPORATE INFORMATION**

---

#### **BOARD OF DIRECTORS OF MODARABA MANAGEMENT COMPAI**

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 / CFO**

Mr. Muhammad Arif Hilal

---

#### **MANAGER CORPORATE AFFAIRS**

Mr. Riaz Ali

---

#### **LEGAL ADVISOR**

Mr. Haq Nawaz Chattha,

International Legal Services

---



## **FIRST ELITE CAPITAL MODARABA**

---

### **AUDITORS OF THE MODARABA**

Rahman Sarfaraz Rahim Iqbal Rafiq

Chartered Accountants

---

### **BANKERS OF THE MODARABA**

Allied Bank Limited

Askari Bank Limited

Habib Bank Limited

KASB Bank Limited

Samba Bank Limited

Silk Bank Limited

---

### **PRINCIPAL & REGISTERED OFFICE**

19, Abu Baker Block, New Garden Town, Lahore - Pakistan

Tel: 042-35862544-35836621 Fax: 042-35885090

E-mail: fecm@nexlinx.net.pk

---

### **REGISTRAR**

Hassan Farooq Associates (Pvt.) Limited

7-G, Mushtaq Ahmad Gormani Road,

Gulberg - II, Lahore.

Tel: 042-35761661-35761662

Fax: 042-35760521

---



## FIRST ELITE CAPITAL MODARABA

### DIRECTORS' REPORT TO THE CERTIFICATE HOLDERS

#### Valued Certificate Holders

The Board of Directors of **Crescent Modaraba Management Company Limited** managers of **First Elite Capital Modaraba** presents the Eighteenth annual audit accounts of the Modaraba for the year ended June 30, 2009.

#### Financial Results

Financial results for the year ended June 30, 2009 are summarized as under:

	<b>June 30, 2009 Rupees</b>	June 30, 2008 Rupees
Total Income of Modaraba	<b>41,064,058</b>	35,809,44
Amortization of Assets Leased Out	<b>19,692,146</b>	14,784,55
Administrative & General Expenses	<b>11,122,954</b>	10,065,07
Impairment loss on available for sale financial assets	<b>2,577,409</b>	-
Financial Charges	<b>13,175</b>	11,21
Modaraba Company's Management Fee	<b>765,837</b>	1,094,85
Taxation	-	-
Profit after Taxation	<b>6,892,537</b>	9,853,73

#### Profit Distribution

The Board in its meeting held on September 30, 2009 has approved the distribution of profit of Rs. 0.45 (4.50%) per certificate of Rs.10 each, subject to deduction of Zakat and tax source where applicable, for the year ended June 30, 2009.

#### Review of Operations

During the year like other countries the economy of the Pakistan has also shown down ward trend. Besides international economic crises Pakistan has also faced challenges like energy shortfall, political instability and war against terrorism these factors badly affected the industrial sector. The profit of financial sector has also shown the down ward trend.

However despite bad economic conditions, your Modaraba has earned a net profit of Rs. 6,892,537/= during the Year as compared to Rs. 9,853,735/= earned in the corresponding period of last year which is less by Rs. 2,961,198/= is mainly due to decrease in investment income and charge of Rs. 2,577,409/= impairment loss on available for sale investments.

#### Future Outlook

In the period to come it is hoped that economy will improve and will affect our operations positively. The Modaraba will continue its core activities i.e. Murabahah, Musharaka Ijarah, investments in listed companies and inshallah we will try our best to increase profitability and business activities.

#### Corporate Governance

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

- 1). The financial statements, prepared by the management of the Modaraba present fairly its true state of affairs, the results of its operations, cash flows and changes in equity.
- 2). Proper books of account of the Modaraba have been maintained.
- 3). Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- 4). International accounting standard, as applicable in Pakistan, have been followed in preparation of financial statements.
- 5). The system of internal control is sound and has been effectively implemented and monitored.



## FIRST ELITE CAPITAL MODARABA

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

### Board of Directors

Recently Mr. Saleem Ahmad Khan resigned from the Board of the Management Company vide his letter/fax dated September 20, 2009 which was received by the Company on September 24, 2009. The Board wishes to place on record its appreciation of the services rendered by Mr. Saleem Ahmad Khan during his tenure. The board co-opted Mr. Ghazanfar Farrokh as Director in place of the outgoing director, which however would be subject to the approval of the registrar of modaraba companies and modarabas.

During the year under review five meetings of the Board of Directors were held.

Attendance by each Director is as follows:-

	<b>Name of Director</b>	<b>Number of Meetings Attended</b>
i.	Mr. Aamir Iftikhar Khan	5
ii.	Dr. Sardar Ahmad Khan	-
iii.	Mr. Muhammad Javed Amin	5
iv.	Mr. Muneeb Ahmad Dar	5
v.	Mrs. Rukhsana Javed Amin	1
vi.	Mr. Saleem Ahmad Khan	5
vii.	Mrs. Shahana Javed Amin	2

### Pattern of Certificate Holding

A statement reflecting the pattern of holding of the certificates as on June 30, 2009 is annexed to this Report.

### Key Operating & Financial Data

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

### Auditors

The board has approved the appointment of M/s Rahman Sarfaraz Rahim Iqbal Rafiq Chartered Accountants for the year 2009-2010 subject to the approval of the Registrar of Modaraba Companies & Modarabas.

### Acknowledgment

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

On behalf of the Board

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

**Date: September 30, 2009**





## FIRST ELITE CAPITAL MODARABA

### AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of **FIRST ELITE CAPITAL MODARABA** ("Modaraba") as at **June 30, 2009** and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the 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. The financial statements of the Modaraba for the year ended June 30, 2008 were audited by another auditor whose report dated September 26, 2008 expressed an unqualified opinion on those financial statements.

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 the accounting policies consistently applied;
  - ii the expenditure incurred during the year was for the purpose of the Modaraba 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, 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, 2009 and of the profit, 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 (XVI of 1980.), was deducted by the Modaraba and deposited in the Central Zakat Fund established under section 7 of that ordinance.

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

**Date: September 30, 2009**  
**Place: LAHORE**



# FIRST ELITE CAPITAL MODARABA

## BALANCE SHEET AS AT JUNE 30, 2009

	Note	June 30, 2009 Rupees	June 30, 2008 Rupees
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and bank balances	6	10,438,727	13,960,731
Short term investments	7	10,967,729	16,324,730
Short term finances under murabahah arrangements - secured	8	21,199,281	32,569,324
Ijarah rentals receivable - secured	9	470,267	688,034
Profit receivable on musharakah finances	10	77,291	138,074
Profit receivable on murabahah finances	11	870,394	944,324
Advances, deposits, prepayments and other receivables	12	1,840,508	1,549,616
Advance income tax		1,235,017	1,162,493
		<b>47,099,214</b>	<b>67,337,326</b>
<b>Non-current assets</b>			
Long term finances under musharakah arrangements - secured	13	9,985,000	17,525,000
Long term finances under murabahah arrangements - secured	14	11,072,137	7,845,524
Assets leased out under ijarah contracts	15	75,342,450	49,236,405
Property and equipment	16	1,619,702	1,791,220
		<b>98,019,289</b>	<b>76,398,149</b>
<b>Total assets</b>		<b>145,118,503</b>	<b>143,735,475</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accrued and other liabilities	17	6,805,517	4,318,013
Security deposits	18	2,997,409	4,126,967
Management fee payable		765,837	1,094,859
Unclaimed profit distribution		3,720,938	3,177,970
		<b>14,289,701</b>	<b>12,717,809</b>
<b>Non-current liabilities</b>			
Security deposits	18	16,289,408	11,247,595
Employees retirement benefits	19	1,988,992	1,588,132
		<b>18,278,400</b>	<b>12,835,727</b>
Contingencies and commitments	20	-	-
<b>Total liabilities</b>		<b>32,568,101</b>	<b>25,553,536</b>
<b>NET ASSETS</b>		<b>112,550,402</b>	<b>118,181,939</b>
<b>REPRESENTED BY</b>			
Issued, subscribed and paid-up capital	21	113,400,000	113,400,000
Reserves		(849,598)	4,781,939
		<b>112,550,402</b>	<b>118,181,939</b>

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

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

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

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



## FIRST ELITE CAPITAL MODARABA

### PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2009

	Note	June 30, 2009 Rupees	June 30, 2008 Rupees
<b>INCOME</b>			
Income from ijarah financing		27,654,609	19,661,22
Profit on musharakah financing		1,510,834	1,421,91
Profit on murabahah financing		9,954,260	10,846,40
Return on investments	23	1,138,892	3,220,59
Other income	24	805,463	659,30
		<b>41,064,058</b>	<b>35,809,44</b>
<b>EXPENSES</b>			
Amortization of assets leased out under ijarah contracts	15	19,692,146	14,784,55
Administrative and general expenses	25	11,122,954	10,065,07
Impairment loss on available for sale financial assets	7	2,577,409	-
Financial charges		13,175	11,212
		<b>33,405,684</b>	<b>24,860,84</b>
<b>Operating profit</b>		<b>7,658,374</b>	<b>10,948,59</b>
Management fee	26	765,837	1,094,85
<b>Profit before taxation</b>		<b>6,892,537</b>	<b>9,853,73</b>
Taxation	27	-	-
<b>Profit after taxation</b>		<b>6,892,537</b>	<b>9,853,73</b>
<b>Earnings per certificate - basic and diluted</b>	28	<b>0.61</b>	<b>0.87</b>

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

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

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

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





# FIRST ELITE CAPITAL MODARABA

## CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2009

	Note	June 30, 2009 Rupees	June 30, 2008 Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Operating profit before changes in working capital	29	27,967,700	21,498,204
Decrease / (increase) in finances under murabahah arrangements		8,183,810	(800,121)
Decrease in finances under musharakah arrangements		7,540,000	875,000
Decrease / (increase) in ijarah rental receivables		217,767	(293,219)
Decrease in profit receivable on musharakah and murabahah finances		134,713	200,991
(Increase) / decrease in advances, deposits, prepayments, and other receivables		(290,892)	727,143
Assets leased out under ijarah contracts		(45,798,191)	(26,509,363)
Increase in security deposits		3,912,255	3,147,668
Increase in accrued and other liabilities		2,487,504	2,743,821
(Decrease) / Increase in management fee payable		(329,022)	25,624
		<b>(23,942,056)</b>	<b>(19,882,456)</b>
<b>Cash generated from operations</b>		<b>4,025,644</b>	<b>1,615,748</b>
Employees benefits paid		-	(36,000)
Taxes paid		(72,524)	(57,276)
Purchase of short term investments		(8,653,924)	(17,206,643)
Proceeds from sale of short term investments		6,045,990	21,450,884
Financial charges paid		(13,175)	(11,212)
<b>Net cash flow from operating activities</b>		<b>1,332,011</b>	<b>5,755,501</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of property and equipment		(125,000)	(635,000)
Proceeds from disposal of property and equipment		-	320,000
Return on bank deposits		725,673	412,296
Dividend received		806,344	680,114
<b>Net cash flow from Investing activities</b>		<b>1,407,017</b>	<b>777,410</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Profit distribution		(6,261,032)	(6,236,869)
<b>Net cash used in financing activities</b>		<b>(6,261,032)</b>	<b>(6,236,869)</b>
<b>Net (decrease) / Increase in cash and cash equivalents</b>		<b>(3,522,004)</b>	<b>296,042</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>13,960,731</b>	<b>13,664,689</b>
<b>Cash and cash equivalents at the end of the year</b>	30	<b>10,438,727</b>	<b>13,960,731</b>

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

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

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

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



# FIRST ELITE CAPITAL MODARABA

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2009

Note	Issued Subscribed And paid-up Capital	Reserves					Total equity
		Statutory reserve	Unrealised gain/ (loss) on investments Available for sale	Accumulated losses	Total	Total equity	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
As at July 01, 2007	113,400,000	14,897,864	5,729,990	(10,076,357)	10,551,497	123,951,497	
Net profit for the year	-	-	-	9,853,735	9,853,735	9,853,735	
Transferred to statutory reserve	-	2,463,433	-	(2,463,433)	-	-	
Profit distribution @ 60 paisas per certificate for the year ended June 30, 2007	-	-	-	(6,804,000)	(6,804,000)	(6,804,000)	
Unrealized loss on investments available for sale	-	-	(8,819,293)	-	(8,819,293)	(8,819,293)	
As at June 30, 2008	113,400,000	17,361,297	(3,089,303)	(9,490,055)	4,781,939	118,181,939	
Net profit for the year	-	-	-	6,892,537	6,892,537	6,892,537	
Transferred to statutory reserve	-	1,378,507	-	(1,378,507)	-	-	
Profit distribution @ 60 paisas per certificate for the year ended June 30, 2008	-	-	-	(6,804,000)	(6,804,000)	(6,804,000)	
Unrealised loss on investments available for sale	-	-	(5,720,074)	-	(5,720,074)	(5,720,074)	
As at June 30, 2009	<b>113,400,000</b>	<b>18,739,804</b>	<b>(8,809,377)</b>	<b>(10,780,025)</b>	<b>(849,598)</b>	<b>112,550,402</b>	

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

**Muneeb Ahmed Dar**  
Chairman  
CRESCENT MODARABA

**Aamir Iftikhar Khan**  
Chief Executive  
CRESCENT MODARABA

**Muhammad Javed Amin**  
Director  
CRESCENT MODARABA



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

### 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 19 Abu Bakar Block, New Garden Town, Lahore. The Modaraba was floated on September 26, 1991 and is listed on Karachi, Lahore and Islamabad Stock Exchanges. The Modaraba is primarily engaged in the business of ijarah, musharakah and murabahah financing, investment in marketable securities and other related businesses.

### 2 BASIS OF PREPARATION

#### 2.1 Statement of compliance

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

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

#### 2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for certain financial assets at fair value, certain financial liabilities at Amortised 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.

Permissible Islamic financial products including Murabahah and Musharakah have been used by Modaraba, in line with the similar industry practices. The accounting and presentation of the same are in accordance with the substance of the transaction and are limited to the extentant of actual amount of facility utilised and mutually agreed mark up/ profit thereon. Accordingly, purchases, sales and musharakah profits/ reserves are not reflected in these financial statements except for the Modaraba facility (as an asset) which has been accounted for in line with Islamic Financial Accounting Standard-1.

#### 2.3 Judgments, estimates and assumptions

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

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

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

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





## **2.3.2 Recoverable amount of assets / cash generating units**

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

## **2.3.3 Employees retirement benefits**

The present value of defined benefit obligations is based on assumptions of future outcomes, the principal one being in respect of increase in remuneration. Discount rates used to derive the present value of defined benefit obligations are expected average remaining working life of employees.

## **2.3.4 Taxation**

The Modaraba takes into account the current income tax law and decisions taken by appellate authorities. Instances where the Modaraba's view differs from the view taken by the income tax department at the assessment stage and where the Modaraba considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

## **2.3.5 Provisions**

The Modaraba reviews its overdue ijarah rentals at each reporting date to assess whether provision should be recorded in the profit and account, in addition to mandatory provisions required in accordance with the Prudential Regulations issued by the Security and Exchange Commission of Pakistan. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining level of provision required. Such estimates are based on assumptions about a number of factors and actual results may differ resulting in future changes to the provisions.

## **2.4 Functional currency**

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

## **3 SIGNIFICANT ACCOUNTING POLICIES**

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

### **3.1 Property and equipment**

#### **Recognition and measurement**

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

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

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

#### **Depreciation**

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

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

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

#### **De-recognition**

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

### **3.2 Assets leased out under ijarah contracts**

Assets leased out are stated at cost less accumulated amortization. Amortization is recognized in profit or loss over the period of lease by applying the 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 unless it is included in the cost of inventories or property, plant and equipment as permitted or required by the approved accounting standards. 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 permanent employees who have completed minimum qualifying period of service as defined under the respective scheme. Liability is adjusted annually to cover the obligation and the adjustment is charged to profit or loss. The determination of the Modaraba's obligation under the scheme requires assumptions to be made of future outcomes, the principal ones being in respect of increases in remuneration and discount rate used to derive present value of defined benefit obligation. The assumptions are determined by independent actuaries.

The amount recognized in the balance sheet represents the present value of defined benefit obligation as adjusted for unrecognized actuarial gains and losses.

Cumulative net unrecognized actuarial gains and losses at the end of the previous year which exceed ten percent of the present value of the Modaraba's defined benefit obligations are amortized over the average expected remaining working lives of employees.

Details of scheme are referred to in note 19 to the financial statements.

The Modaraba provides for compensated absences of its employees on unavailed balance of leaves in the period in which the leaves are earned.

## 3.5 Financial instruments

### 3.5.1 Classification

The Modaraba classifies its financial assets into the following categories, namely, "Loans and Receivables" and "Available for Sale Financial Assets". Financial liabilities are classified as "Financial Liabilities at Amortized Cost". The classifications depend on the purpose for which the financial assets and liabilities are acquired or incurred. Management of the Modaraba determines the classification of its financial assets and liabilities at initial recognition.

#### 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.

#### 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.

#### 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 non-current liabilities except for maturities greater than twelve months from the reporting date where these are presented as non-current liabilities.

### 3.5.2 Recognition

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





### **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**

A financial liability is de-recognized when the Modaraba's obligations specified in the contract expire or are discharged or cancelled. Gains or losses arising on de-recognition are recognized in profit or loss.

### **3.5.5 Off-setting**

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

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

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

## **3.6 Investments in equity securities**

Investments are classified as available for sale when these are intended to be held for an indefinite period of time and may be sold in response to need for liquidity or changes in equity prices.

These are recognized initially at cost which includes transaction costs associated with the investment. Subsequent to initial recognition, quoted investments are measured at fair value. Unrealized gains and losses arising from changes in fair value are recognized in equity until the investments are disposed or impaired. Gain or loss on sale of these investments is recognized in profit or loss. Fair value of quoted investments is measured by reference to published price quotations in an active market. Unquoted investments, where an active market does not exist, are carried at cost and checked for impairment at each year end. Impairment loss, if any, is charged to profit or loss.

## **3.7 Accrued and other liabilities**

Accrued and other liabilities that meet the definition of financial liabilities are initially recognized at cost, being fair value at the date the liability is incurred. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method with interest recognized in profit or loss. Payables created as a result of statutory requirements such as income taxes, constructive obligations and other non-financial liabilities are carried at cost.

## **3.8 Advances and other receivables**

Advances and other receivables that meet the definition of financial assets are initially recognized at cost, being fair value at the date the asset is acquired. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method, less accumulated impairment losses, with interest recognized in profit or loss. Receivables created as a result of statutory requirements such as income taxes and other non-financial assets are carried 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 amortized 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 rental becomes 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 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 equity, in which case it is recognized in equity.

Current tax is the amount of tax payable on taxable income for the year, using tax rates enacted or substantively enacted by the reporting date, and any adjustment to the tax payable in respect of previous years. In making provision for current tax consideration is given to the taxable income, current rates of taxation, minimum tax and final tax regime if applicable, 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.

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. 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 net taxable temporary differences. A deferred tax asset is recognized for net deductible temporary differences to the extent that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is not recognized for timing differences that are not expected to reverse and for the differences arising from the initial recognition of goodwill and initial recognition of assets and liabilities in a transaction that is not a business combination and that at the time of transaction affects neither the accounting nor the taxable profit.

### 3.12 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.

### 3.13 Foreign currency transactions and balances

Transactions in foreign currency are translated to the functional currency of the Modaraba using exchange rate at the date of transaction. Monetary assets and liabilities denominated in foreign currency at the reporting date are translated to the functional currency at exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are translated to the functional currency at exchange rate at the date that fair value was determined. Non-monetary assets and liabilities denominated in foreign currency that are measured at historical cost are translated to functional currency at exchange rate at the date of transaction. Any gain or loss arising on translation is recognized in profit or loss.

### 3.14 Impairment

#### 3.14.1 Financial assets

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

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

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

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

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss is





reversed only to the extent that the financial asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined net of amortization, if no impairment loss had been recognized.

### 3.14.2 Non-financial assets

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

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

An impairment loss is recognized if the carrying amount of the assets or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash generating units are allocated to reduce the carrying amounts of the assets in the 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 determining 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 Transactions and balances with related parties

Related party transactions are carried out on an arm's length basis, with the exception of management fee payable to the Management Company. The fee payable to the Management Company is determined in accordance with the criteria laid down by the Ordinance and the Rules. Pricing for these transactions are determined on the basis of comparable uncontrolled price method, which sets the price by reference to comparable goods and services sold in an economically comparable market to a buyer unrelated to the seller. The accounting methods adopted for various types of transactions and balances with related parties are as follows:

#### 3.16.1 Compensation of key management personnel

The cost of short term and post employment benefits to key management personnel and resulting balances outstanding at reporting date are accounted for in accordance with the accounting policy of the modaraba for employee benefits.

#### 3.16.2 Profit distribution to certificate holders

Profit distribution to certificate holders is recognized in the year in which it is declared.

## 4 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The International Accounting Standards Board has published following standards, interpretation and amendments that are not yet effective and have not been applied in preparing these financial statements.

### IFRS 8 - Operating Segments

This standard introduces the "management approach" to segment reporting. IFRS 8 is effective for periods beginning on or after January 01, 2009, however, it is not expected to have any impact on the Modaraba's financial statements.

### IAS 23 - Borrowing Costs (Revised 2007)

The revised standard removes the option to expense borrowing costs and requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised IAS 23 is effective for periods beginning on or after January 01, 2009, however, it is not expected to have any impact on the



Modaraba's financial statements.

## IAS 1 - Presentation of Financial Statements (Revised 2007)

The revised standard introduces the term "Total Comprehensive Income", which represents changes in equity during a period other than those resulting from transactions with owners in their capacity as owners. The revised standard is effective for periods beginning on or after January 01, 2009. Subject to removal of inconsistencies between provisions of Companies Ordinance, 1984 (including rules and regulations made thereunder) and IAS 1, the standard will have impact on the presentation of Modaraba's financial statements for the year ending June 30, 2010.

## Amendments to IAS 32 - Financial Instruments: Presentation and IAS 1 - Presentation of Financial Statements, regarding Puttable Financial Instruments and Obligations Arising on Liquidation

These amendments require puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. These amendments are effective for periods beginning on or after January 01, 2009 with retrospective application required. However these are not expected to have any impact on the Modaraba's financial statements.

## Amendments to IFRS 2 - Share Based Payments, regarding vesting conditions and cancellations.

These amendments clarify the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. These amendments are effective for periods beginning on or after January 01, 2009 with retrospective application. No impact is expected on the financial statements of the Modaraba.

## IFRIC 13 Customer Loyalty Programmes

This interpretation addresses accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customers. It relates to customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13 is effective for the periods beginning on or after January 01, 2009. However, it is not expected to have any impact on the Modaraba's financial statements.

## 5 ADOPTION OF NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

The Modaraba has adopted IFRS 7 - Financial Instruments, Disclosures for the first time as at the reporting date. The adoption of this standard has had impact on the financial statements of the Company to the extent of disclosures only. The disclosures under the standard have been presented with complete comparative information.

IAS 17 - Leases is though currently effective, but its applicability has been deferred indefinitely by the Securities and Exchange Commission of Pakistan vide Circular No. 10 of 2004.

IAS 29 - Financial Reporting in Hyperinflationary Economies has been notified by the Securities and Exchange Commission of Pakistan under Section 234(3) of the Companies Ordinance, 1984, but the standard would not have any impact on the Modaraba's financial statements in view of the fact that the primary economic environment in which the Modaraba operates is not hyperinflationary.

	Note	June 30, 2009 Rupees	June 30, 2008 Rupees
<b>6 CASH AND BANK BALANCES</b>			
Cash in hand		170,209	146,890
Cash at banks in:			
local currency			
- current accounts		47,414	31,955
- saving accounts	6.1	10,221,104	13,781,886
		10,268,518	13,813,841
		10,438,727	13,960,731
6.1		Rate of return on saving accounts ranges from 4.5% to 9.5% (2008: 3% to 5%).	
<b>7 SHORT TERM INVESTMENTS</b>			
<b>Available for sale investments</b>			
Cost	7.1	22,354,515	19,414,033
Accumulated impairment losses		(2,577,409)	-
Fair value adjustment		(8,809,377)	(3,089,303)
		10,967,729	16,324,730

These represent 801,034 (2008: 702,347) fully paid ordinary shares/certificates of Rs. 10 each except for 64,815 (2008: 58,923) fully paid ordinary shares of Premier Insurance Limited with a face value of Rs. 5 each.



## 7.1 Particulars of investments

### **Modaraba**

First Equity Modaraba

### **Mutual Funds**

National Investment Trust Limited

### **Leasing**

Al-Zamin Leasing Corporation Limited

Dadabhoy Leasing Company Limited

### **Investment Banks / Companies**

Bankers Equity Limited

IGI Investment Bank Limited

Javed Omer Vohra and Company Limited

### **Commercial Banks**

Askari Bank Limited

The Bank of Punjab

Samba Bank Limited

Bank Al-Falah Limited

NIB Bank Limited

JS Bank Limited

The Bank of Khyber

MCB Bank Limited

### **Insurance**

Premier Insurance Limited

PICIC Insurance Company Limited

Adamjee Insurance Company Limited

### **Textile**

Libaas Textiles Limited

The Crescent Textile Mills Limited

Nishat Chunian Limited

Sunrise Textiles Limited

### **Sugar and Allied**

JDW Sugar Mills Limited

Hussain Sugar Mills Limited

### **Power Generation**

Hub Power Company Limited

Sitara Energy Limited

### **Oil and Gas**

Oil and Gas Development Company Limited

Pakistan Petroleum Limited

Pakistan State Oil Company Limited

Pakistan Oilfield Limited

Sui Northern Gas Pipelines Limited

Pakistan Refinery Limited

Sui Southern Gas Pipelines Limited

### **Jute**

Crescent Jute Products Limited

### **Technology and communication**

Pakistan Telecommunication Company Limited

Callmate Telips Telecom Limited

### **Engineering**

Crescent Steel and Allies Products Limited

### **Cement**

Lafarge Pakistan Cement Limited

### **Fertilizer**

Fauji Fertilizer Company Limited

Fauji Fertilizer Bin Qasim Limited

### **Food and personal care**

Shakarganj Foods Limited

**TOTAL**





# FIRST ELITE CAPITAL MODARABA

No. Of Shares/ Certificates		Average Cost		Fair Value	
June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
		Rupees		Rupees	
50,000	24,000	311,523	289,119	49,500	70,800
13,700	13,700	200,020	200,020	369,215	716,510
15,218	15,218	108,169	108,169	28,458	56,307
1,000	1,000	9,000	9,000	1,400	1,400
2,000	2,000	26,100	26,100	-	-
7,000	-	36,358	-	29,260	-
8,800	8,000	1,164,611	1,164,611	118,536	427,040
64,490	55,592	1,617,218	1,742,618	985,407	2,234,242
2,000	-	25,565	-	21,960	-
40,371	40,371	588,172	588,172	120,306	425,914
295	263	11,804	11,804	3,112	10,799
11,150	11,150	252,583	252,583	52,963	126,776
15,500	15,500	303,183	303,183	93,465	212,970
15,240	12,192	351,885	351,885	42,824	173,126
3,200	-	589,817	-	496,096	-
64,815	58,923	1,113,226	1,113,226	528,242	1,679,306
57	57	570	570	341	989
1,000	-	96,764	-	83,990	-
82,000	82,000	815,655	815,655	123,000	154,980
31,902	31,902	457,918	457,918	781,599	1,866,905
8,800	4,000	396,420	343,395	75,768	96,040
153,900	153,900	2,023,076	2,023,076	-	-
11,623	9,181	158,647	158,647	511,412	677,099
1,700	1,700	61,978	61,978	28,373	49,130
16,000	16,000	561,413	561,413	433,440	457,600
10,000	10,000	287,557	287,557	195,500	267,200
10,500	6,000	1,200,315	868,868	825,720	746,160
2,700	500	513,069	135,794	511,758	122,995
1,500	-	421,682	-	320,475	-
4,200	2,000	1,200,238	810,492	612,780	729,680
11,000	-	409,772	-	351,450	-
500	-	52,561	-	44,900	-
11,275	10,275	483,072	460,217	157,850	288,317
122	122	579	579	183	342
52,000	50,000	3,555,002	3,524,766	896,480	1,932,000
5,100	5,100	530,323	530,323	9,690	20,094
4,400	4,000	348,369	348,369	79,068	246,920
26,100	26,100	376,989	376,989	70,470	177,480
17,876	13,101	871,542	719,337	1,554,318	1,733,524
20,000	16,500	782,062	727,892	353,800	593,505
2,000	2,000	39,708	39,708	4,620	28,580
<b>801,034</b>	<b>702,347</b>	<b>22,354,515</b>	<b>19,414,033</b>	<b>10,967,729</b>	<b>16,324,730</b>



# FIRST ELITE CAPITAL MODARABA

	Note	June 30, 2009 Rupees	June 30, 2008 Rupees
<b>8 SHORT TERM FINANCES UNDER MURABAHAH ARRANGEMENTS - SECURED</b>			
Considered good		21,199,281	32,569,324
Considered doubtful		46,650,643	46,691,023
		<u>67,849,924</u>	<u>79,260,347</u>
Less: provision for doubtful finances	8.1	(46,650,643)	(46,691,023)
		<u>21,199,281</u>	<u>32,569,324</u>

These represent receivables against murabahah transactions on deferred payment basis at a specified margin. These are secured against pledge of marketable securities, mortgage over property, hypothecation of stocks, demand promissory notes and personal guarantee. Profit margin on murabahah transactions ranges from 15% to 20% (2008: 14% to 20%) per annum receivable on monthly basis. Financing is done initially for a period of one year and further extended, on expiry by mutual consent.

### 8.1 Particulars of provision for doubtful finances

As at beginning of the year	46,691,023	46,783,081
Provided during the year	-	-
Reversals	(40,380)	(92,058)
As at the end of the year	<u>46,650,643</u>	<u>46,691,023</u>

The Modaraba has filed different suits before Modaraba Tribunal for recovery of murabahah finances and profit thereon, which have been decreed in favor of the Modaraba. Execution petitions have been filed before the Tribunal. The relevant balances have been provided for as doubtful finances under the provisions of the Regulations. No provision has been made during the year as the existing provision considered adequate in light of the requirements of the Regulations.

<b>9 IJARAH RENTALS RECEIVABLE - SECURED</b>			
Considered good		470,267	688,034
Considered doubtful		2,440,587	2,363,236
		<u>2,910,854</u>	<u>3,051,270</u>
Less: provision for doubtful rentals	9.1	(2,440,587)	(2,363,236)
		<u>470,267</u>	<u>688,034</u>

These represent rentals receivable in respect of assets leased out under ijarah contracts.

### 9.1 Particulars of provision for doubtful rentals

As at beginning of the year	2,363,236	2,873,748
Provided during the year	507,305	287,631
Reversals	(429,954)	(798,143)
As at the end of the year	<u>2,440,587</u>	<u>2,363,236</u>

The Modaraba has filed a suit for recovery of rentals amounting to Rs. 374,067 (2008: Rs. 374,067) before the Modaraba Tribunal. The Tribunal has passed decree in favor of the Modaraba. Provision for the year has been made in accordance with the requirements of the Prudential Regulations issued by Securities and Exchange Commission of Pakistan for Modarabas.

<b>10 PROFIT RECEIVABLE ON MUSHARAKAH FINANCES</b>			
Profit receivable on musharakah finances			
considered good		77,291	138,074
considered doubtful		876,373	622,592
		<u>953,664</u>	<u>760,666</u>
Less: provision for doubtful receivables	10.1	(876,373)	(622,592)
		<u>77,291</u>	<u>138,074</u>



# FIRST ELITE CAPITAL MODARABA

	Note	June 30, 2009 Rupees	June 30, 2008 Rupees
<b>10.1 Particulars of provision for doubtful receivables</b>			
As at beginning of the year		622,592	-
Provided during the year		253,781	622,592
Reversals		-	-
As at the end of the year		<u>876,373</u>	<u>622,592</u>
<b>11 PROFIT RECEIVABLE ON MURABAHAH FINANCES</b>			
Profit receivable on murabahah finances:			
considered good		870,394	944,324
considered doubtful		33,780,533	33,860,533
		<u>34,650,927</u>	<u>34,804,857</u>
Less: provision for doubtful receivables	11.1	(33,780,533)	(33,860,533)
		<u>870,394</u>	<u>944,324</u>
<b>11.1 Particulars of provision for doubtful receivables</b>			
As at beginning of the year		33,860,533	33,901,348
Provided during the year		-	-
Reversed during the year		(80,000)	(40,815)
As at the end of the year		<u>33,780,533</u>	<u>33,860,533</u>
<b>12 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>			
Advances to employees - secured		525,484	438,704
Security deposits		60,450	60,450
Prepayments		70,596	77,723
Other receivables - unsecured, considered good	12.1	1,183,978	972,739
		<u>1,840,508</u>	<u>1,549,616</u>
<b>12.1 Particulars of other receivables</b>			
Considered good		1,183,978	972,739
Considered doubtful		6,573,517	6,573,517
		<u>7,757,495</u>	<u>7,546,256</u>
Provision for doubtful receivables:			
As at beginning of the year		6,573,517	5,573,673
Provided during the year		-	999,844
Reversals		-	-
As at the end of the year		<u>6,573,517</u>	<u>6,573,517</u>
		<u>1,183,978</u>	<u>972,739</u>
<b>13 LONG TERM FINANCES UNDER MUSHARAKAH ARRANGEMENTS - SECURED</b>			
These represent investments made under musharakah arrangements on profit and loss sharing basis and are secured by registration of vehicle in the name of Modaraba, first charge on land, building, plant and machinery, demand promissory notes and personal guarantees. The share of profit of the Modaraba is 12% to 40% (2008: 12% to 40%) per annum receivable on monthly basis.			
<b>14 LONG TERM FINANCES UNDER MURABAHAH ARRANGEMENTS - SECURED</b>			
These represent receivables against murabahah transactions on deferred payment basis at a specified margin and are secured by way of equitable mortgage and registered token mortgage of property. Profit margin on the transactions is 14% to 20% (2008: 14% to 20%) receivable on monthly basis.			



**15 ASSETS LEASED OUT UNDER IJARAH CONTRACTS**

Year ended June 30, 2009

PARTICULARS	COST			AMORTISATION			Carrying Value As at June 30, 2009		
	As at July 01, 2008	Additions	Disposals	As at June 30, 2009	As at July 01, 2008	Adjustment		For the year	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees		Rupees	
Vehicles	50,679,876	36,158,900	(19,529,000)	67,309,776	18,614,019	(12,792,145)	11,240,838	17,062,712	50,247,064
Office equipment	8,799,189	2,415,239	(563,000)	10,651,428	2,003,780	(503,200)	3,046,757	4,547,337	6,104,091
Machinery	15,619,100	14,388,000	(1,299,600)	28,707,500	5,243,961	(932,307)	5,404,551	9,716,205	18,991,295
	<b>75,098,165</b>	<b>52,962,139</b>	<b>(21,391,600)</b>	<b>106,668,704</b>	<b>25,861,760</b>	<b>(14,227,652)</b>	<b>19,692,146</b>	<b>31,326,254</b>	<b>75,342,450</b>

Year ended June 30, 2008

PARTICULARS	COST			AMORTISATION			Carrying Value As at June 30, 2008		
	As at July 01, 2007	Additions	Disposals	As at June 30, 2008	As at July 01, 2007	Adjustment		For the year	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees		Rupees	
Vehicles	41,155,776	19,065,000	(9,540,900)	50,679,876	14,205,636	(5,147,074)	9,555,457	18,614,019	32,065,857
Office equipment	5,429,000	5,536,189	(2,166,000)	8,799,189	1,830,838	(1,669,400)	1,842,342	2,003,780	6,795,409
Machinery	9,454,100	6,885,000	(720,000)	15,619,100	2,490,801	(633,600)	3,386,760	5,243,961	10,375,139
	<b>56,038,876</b>	<b>31,486,189</b>	<b>(12,426,900)</b>	<b>75,098,165</b>	<b>18,527,275</b>	<b>7,450,074</b>	<b>14,784,559</b>	<b>25,861,760</b>	<b>49,236,405</b>

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



16 PROPERTY AND EQUIPMENT

Year ended June 30, 2009

PARTICULARS	COST				DESCRIPTION				Net book value as at June 30, 2009	
	As at July 01, 2008	Additions	Disposals	As at June 30, 2009	Rate	As at July 01, 2008	Adjustment	For the year		As at June 30, 2009
	Rupees	Rupees	Rupees	Rupees		Rupees	Rupees	Rupees		Rupees
Furniture and fittings	131,915	-	-	131,915	10%	75,336	-	5,658	80,994	50,921
Office equipment	1,254,635	125,000	-	1,379,635	10%	636,938	-	67,471	64,409	675,226
Vehicles	1,613,500	-	-	1,613,500	20%	496,556	-	223,389	719,945	893,555
	<b>3,000,050</b>	<b>125,000</b>	-	<b>3,125,050</b>		<b>1,208,830</b>	-	<b>296,518</b>	<b>1,505,348</b>	<b>1,619,702</b>

16.1 There were no disposal during the year ending June 30, 2009.

Year ended June 30, 2008

PARTICULARS	COST				DESCRIPTION				Net book value as at June 30, 2008	
	As at July 01, 2007	Additions	Disposals	As at June 30, 2008	Rate	As at July 01, 2007	Adjustment	For the year		As at June 30, 2008
	Rupees	Rupees	Rupees	Rupees		Rupees	Rupees	Rupees		Rupees
Furniture and fittings	131,915	-	-	131,915	10%	69,049	-	6,287	75,336	56,579
Office equipment	1,254,635	-	-	1,254,635	10%	568,305	-	68,633	636,938	617,697
Vehicles	1,498,500	635,000	(520,000)	1,613,500	20%	535,873	(280,749)	241,432	496,556	1,116,944
	<b>2,885,050</b>	<b>635,000</b>	<b>(520,000)</b>	<b>3,000,050</b>		<b>1,173,227</b>	<b>(280,749)</b>	<b>316,352</b>	<b>1,208,830</b>	<b>1,791,220</b>

Disposal represents Suzuki Cultus sold to Mr. Shahid Ali Khan of Sheikhpura through negotiation for an amount of Rs. 320,000.



## FIRST ELITE CAPITAL MODARABA

	Note	June 30, 2009 Rupees	June 30, 2008 Rupees		
<b>17 ACCRUED AND OTHER LIABILITIES</b>					
Accrued expenses		651,859	738,95		
Withholding tax		6,158	4,34		
Insurance payable		160,759	270,93		
Other payables		5,986,741	3,303,78		
		<b>6,805,517</b>	<b>4,318,01</b>		
<b>18 SECURITY DEPOSITS</b>					
Security deposits under ijarah contracts		19,286,817	15,374,56		
Less: current portion shown under current liabilities		(2,997,409)	(4,126,96		
		<b>16,289,408</b>	<b>11,247,59</b>		
<b>19 EMPLOYEES RETIREMENT BENEFITS</b>					
The amounts recognized in the balance sheet are as follows:					
Present value of defined benefit obligation	19.1	2,211,558	1,709,16		
Unrecognized actuarial losses	19.2	(222,566)	(121,03		
		<b>1,988,992</b>	<b>1,588,13</b>		
<b>19.1 Movement in present value of defined benefit obligation</b>					
As at beginning of the year		1,709,168	1,431,26		
Charged to profit or loss for the year	19.3	400,860	338,04		
Benefits paid during the year		-	(36,00		
Actuarial loss / (gain) arising during the year	19.2	101,530	(24,14		
As at end of the year		<b>2,211,558</b>	<b>1,709,16</b>		
The present value of defined benefit obligation as at the reporting date has been computed based on the following assumptions.					
Discount rate		9%	9%		
Expected rates of salary increase		10%	9%		
Expected average remaining working lives of employees		11 years	11 year		
The obligation as at June 30, 2009 has been determined internally by the management Company of the Modaraba.					
<b>19.2 Movement in unrecognized actuarial losses</b>					
As at beginning of the year		121,036	145,17		
Loss / (gain) arising the year		101,530	(24,14		
Charged to profit or loss for the year	19.3	-	-		
As at reporting date		<b>222,566</b>	<b>121,03</b>		
<b>19.3 Salaries and other benefits include the following in respect of retirement and other benefits:</b>					
Current service cost		247,035	210,28		
Interest cost for the year		153,825	127,75		
		<b>400,860</b>	<b>338,04</b>		
Actuarial loss recognized during the year	19.2	-	-		
		<b>400,860</b>	<b>338,04</b>		
<b>19.4 Historical information</b>					
	June 30, 2009	June 30, 2008	June 30, 2007	June 30, 2006	June 30, 2005
Present value of defined benefit obligation (Rupees)	2,211,558	1,709,168	1,431,267	1,119,229	920,34
Actuarial adjustment arising during the year (%)	4.59%	1.41%	0.24%	2.10%	5.17%
The experience adjustment component of the actuarial adjustment is impracticable to determine and thus has not been disclosed.					



# FIRST ELITE CAPITAL MODARABA

## 20 CONTINGENCIES AND COMMITMENTS

### Contingencies

The Modaraba has filed execution petitions and recovery suits with Modaraba Tribunal Punjab, Lahore against various parties for recovery of amounts of Rs. 87 million (2008: Rs. 87 million). The decision is pending. The management expects a favorable decision based on the advice of the legal consultant. Additionally, claims for Rs. 23.7 million have been filed against two companies, which are currently under liquidation, with the official liquidators appointed by the Honorable Lahore High Court.

### Commitments

There are no significant commitments at the reporting date except for those under ijarah contracts regarding use by lessees of assets leased out to them under ijarah contracts against future rentals referred to note 35 to the financial statements.

	Note	June 30, 2009 Rupees	June 30, 2008 Rupees
<b>21 CERTIFICATE CAPITAL</b>			
<b>Authorized certificate capital</b>			
20,000,000 (2008: 20,000,000) modaraba certificates of Rs. 10 each		<b>200,000,000</b>	200,000,000
<b>Issued, subscribed and paid-up certificate capital</b>			
Modaraba certificates of Rs. 10 each.			
10,000,000 (2008: 10,000,000) certificates fully paid in cash		<b>100,000,000</b>	100,000,000
1,340,000 (2008: 1,340,000) certificates issued as bonus		<b>13,400,000</b>	13,400,000
		<b>113,400,000</b>	113,400,000
<b>22 STATUTORY RESERVE</b>			
This represents special reserve created in compliance with the Prudential Regulations for Modaraba's issued by the Securities and Exchange Commission of Pakistan.			
<b>23 RETURN ON INVESTMENTS</b>			
Dividend income		<b>806,344</b>	680,114
Gain on sale of investments		<b>332,548</b>	2,540,481
		<b>1,138,892</b>	3,220,595
<b>24 OTHER INCOME</b>			
Return on bank deposits		<b>725,673</b>	412,296
Reversal of provision for doubtful finances		<b>40,380</b>	92,058
Gain on sale of property and equipment		-	80,749
Documentation and processing charges		<b>39,410</b>	74,197
		<b>805,463</b>	659,300
<b>25 ADMINISTRATIVE AND GENERAL EXPENSES</b>			
Salaries and benefits	25.1	<b>3,708,759</b>	3,141,513
Rent, rates and taxes		<b>21,725</b>	38,620
Services charges		<b>2,960,479</b>	3,172,211
Electricity, water and gas		<b>143,352</b>	121,978
Repair and maintenance		<b>332,520</b>	134,658
Printing and stationery		<b>441,527</b>	397,372
Communication		<b>294,632</b>	282,768
Postage		<b>170,764</b>	158,777
Traveling and conveyance		<b>401,098</b>	339,306
Insurance		<b>1,459,011</b>	85,713
Advertisement		<b>57,000</b>	59,650
Fee and subscription		<b>187,335</b>	264,442
Newspapers, books and periodicals		<b>10,135</b>	8,877
Entertainment		<b>59,448</b>	77,723



# FIRST ELITE CAPITAL MODARABA

	Note	June 30, 2009 Rupees	June 30, 2008 Rupees
Auditors' remuneration	25.2	315,000	258,200
Legal and professional charges		180,500	112,750
Depreciation	16	296,517	316,350
Zakat		375	26,710
Provision for doubtful receivables		-	999,840
Others		82,777	67,590
		<b>11,122,954</b>	<b>10,065,070</b>

**25.1** These include charge in respect of employees retirement benefits amounting to 400,860 (2008: Rs. 338,044).

## 25.2 Auditors' remuneration

Annual statutory audit	250,000	175,000
Half yearly review	35,000	35,000
Review report on Code of Corporate Governance	25,000	25,000
Out of pocket expenses	5,000	23,200
	<b>315,000</b>	<b>258,200</b>

## 26 MANAGEMENT FEE

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

## 27 TAXATION

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

**27.2** 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.

## 28 EARNINGS PER CERTIFICATE - BASIC AND DILUTED

Profit attributable to certificate holders	Rupees	<b>6,892,537</b>	9,853,730
Weighted average number of ordinary certificates outstanding during the year.	No	<b>11,340,000</b>	11,340,000
Earnings per certificate	Rupees	<b>0.61</b>	0.86

There was no dilutive effect on basic earnings per certificate of the Modaraba.

## 29 CASH GENERATED FROM OPERATIONS

<b>Profit before tax</b>		<b>6,892,537</b>	9,853,730
<b>Adjustments for non-cash items</b>			
Depreciation		296,518	316,350
Amortization of assets leased out		19,692,146	14,784,550
Gain on sale of investments		(332,548)	(2,540,480)
Impairment loss on available for sale financial assets		2,577,409	-
Dividend income		(806,344)	(680,110)
Reversal of provision for doubtful finances		(40,380)	(92,050)
Return on bank deposits		(725,673)	(412,290)
Gain on disposal of property and equipment		-	(80,740)
Financial charges		13,175	11,210
Provision for employees retirement benefits		400,860	338,040
		<b>21,075,163</b>	<b>11,644,460</b>
<b>Operating profit before changes in working capital</b>		<b>27,967,700</b>	<b>21,498,200</b>





# FIRST ELITE CAPITAL MODARABA

	Note	June 30, 2009 Rupees	June 30, 2008 Rupees
<b>30 CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	6	10,438,727	13,960,731
		<u>10,438,727</u>	<u>13,960,731</u>

## 31 EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors of the Management Company in its meeting held on September 30, 2009 has approved to distribute profit @ 4.50% i.e. Rs. 0.45 per certificate of Rs. 10 each.

## 32 RELATED PARTY TRANSACTIONS

Related parties from the Modaraba's Management Company, perspective comprises associated undertakings and other related group companies, key management personnel including chief executive, directors and executives and post employment benefit plans.

The Modaraba in the normal course of business carries out various types of transactions with related parties. Related party transactions are carried out on an arm's length basis.

Details of related party transactions and balances are as follows:

### 32.1 Transactions with related parties

#### 32.1.1 Associates

Management fee	765,837	1,094,859
Profit distribution	680,400	680,400

#### 32.1.2 Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director. The Modaraba does not have any key management personnel since it is managed by the Management Company whose Chief Executive and Directors do not earn any compensation from the Modaraba.

### 32.2 Balances with related parties

#### 32.2.1 Associates

Management fee payable	765,837	1,094,859
------------------------	---------	-----------

## 33 CERTIFICATES IN THE MODARABA HELD BY ASSOCIATED UNDERTAKINGS

	June 30, 2009 No. of shares	June 30, 2008 No. of shares
Crescent Modaraba Management Company	1,134,000	1,134,000

## 34 REMUNERATION OF OFFICERS AND OTHER EMPLOYEES

### Year ended June 30, 2009

	Officers Rupees	Other Employees Rupees	Total Rupees
Short-term employee benefits			
Remuneration	1,089,600	947,947	2,037,547
Housing	479,100	424,611	903,711
Utilities	66,300	55,480	121,780
Others	173,250	71,611	244,861
	1,808,250	1,499,649	3,307,899
Post employment benefits			
Retirement benefits	252,313	148,547	400,860
	<u>2,060,563</u>	<u>1,648,196</u>	<u>3,708,759</u>
No. of persons	3	11	14



# FIRST ELITE CAPITAL MODARABA

Year ended June 30, 2008

	Officers Rupees	Other Employees Rupees	Total Rupees
Short-term employee benefits			
Remuneration	903,000	743,732	1,646,73
Housing	407,880	340,103	747,98
Utilities	46,320	39,235	85,55
Others	219,088	104,111	323,19
	1,576,288	1,227,181	2,803,46
Post employment benefits			
Retirement benefits	197,583	140,461	338,04
	<u>1,773,871</u>	<u>1,367,642</u>	<u>3,141,51</u>
No. of persons	<u>3</u>	<u>9</u>	<u>1</u>

	June 30, 2009 Rupees	June 30, 2008 Rupees
<b>35 FUTURE IJARAH RENTALS RECEIVABLE</b>		
Not later than one year	<b>32,576,733</b>	21,146,51
Later than one year but not later than five years	<b>50,645,570</b>	26,555,06
	<u><b>83,222,303</b></u>	<u>47,701,57</u>

## 36 FINANCIAL RISK EXPOSURE AND MANAGEMENT

The Modaraba's objective in managing risks is creation and protection of certificate holder 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 the risks affect revenues, expenses, assets, liabilities and forecast transactions of the Modaraba and the manner in which these risks are managed is as follows:

### 36.1 Credit risk

Credit risk is the risk of financial loss to the Modaraba, if a counterparty to a financial instrument will cause financial loss to Modaraba by failing to discharge an obligation.

#### 36.1.1 Maximum credit exposure

The carrying amount of loans and receivables, excluding cash in hand, represents maximum credit exposure. The maximum exposure to credit risk as at the reporting date is:

Loans and receivables

Cash at banks	6	<b>10,438,727</b>	13,960,73
Ijarah rentals receivable		<b>2,910,854</b>	3,051,27
Profit receivable on musharakah finances		<b>953,664</b>	760,66
Profit receivable on murabahah finances		<b>34,650,927</b>	34,804,85
Finances under murabahah arrangements		<b>78,922,061</b>	87,105,87
Finances under musharakah arrangements		<b>9,985,000</b>	17,525,00
Security deposits	12	<b>60,450</b>	60,45
Other receivables	12	<b>7,757,495</b>	7,546,25
		<u><b>145,679,178</b></u>	<u>164,815,10</u>



## 36.1.2 Concentration of credit risk

Concentration is relative sensitivity of the Modaraba's performance to developments affecting a particular industry or geographical location. Concentration of risk arises when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Modaraba's operations are limited to Pakistan only and as such are not distributed geographically.

Exposure to credit risk, in respect of loans and receivables, by type of counter party is as follows:

	June 30, 2009 Rupees	June 30, 2008 Rupees
Customers	135,180,001	150,793,920
Banking companies and financial institutions	10,438,727	13,960,731
Utility companies and local authorities	60,450	60,450
	<b>145,679,178</b>	<b>164,815,101</b>

Details of Modaraba's concentration of credit risk by industrial distribution are referred to in note 37 to the financial statements.

## 36.1.3 Credit quality

Credit quality of counter parties is assessed based on historical default rates and where available, individual credit ratings. Credit quality of each type of counterparty is as follows:

### Customers

The Modaraba is exposed to credit risk in respect of ijarah rentals receivable, finances under murabahah and musharakah arrangements, and profit receivable thereon. An analysis of age of these receivables is presented below:

Not past due	44,858,348	60,683,019
Past due less than one year	761,086	1,910,067
Past due more than one year	89,560,567	88,200,834
	<b>135,180,001</b>	<b>150,793,920</b>

The movement in allowance for impairment in respect of these receivables during the year is as follows:

As at beginning of the year	90,110,901	89,131,850
Impairment loss recognized	761,086	1,910,067
Impairment loss reversed/written off	(550,334)	(931,016)
As at end of the year	<b>90,321,653</b>	<b>90,110,901</b>

Credit quality of customers is assessed based on historical default rates. All receivables not past due are considered good. The management provides allowance for impairment of receivables in accordance with the requirements of Prudential Regulations for Modarabas issued by the Securities and Exchange Commission of Pakistan.

### Banking companies and financial institutions

The Modaraba's bankers have commendable credit ratings and accordingly the Modaraba is not exposed to any significant credit risk in respect of financial instruments or contracts entered into with them.

### Utility companies and local authorities

These comprise refundable security deposits and do not carry any significant credit risk.



**36.1.4 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 collateral held against financing under musharakah and murabah arrangements and profit receivable thereon is referred to in relevant notes to the financial statements.

**36.1.5 Credit risk management**

The Modaraba's portfolio of loans and receivables is broadly diversified and transactions are entered into with diverse credit worth counterparties thereby mitigating any significant concentration of credit risk.

The Modaraba does not have significant concentration of credit risk with 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 trade 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.

**36.2 Liquidity risk**

Liquidity risk is the risk that the Modaraba will not be able to meet its financial obligations as they fall due.

**36.2.1 Exposure to liquidity risk**

The table below summarizes the maturity profile of the Modaraba's assets and liabilities as at the reporting date.

	As at June 30, 2009			
	Carrying Amount Rupees	One Year or less Rupees	One to five years Rupees	More than five years Rupees
<b>Assets</b>				
Cash and bank balances	10,438,727	10,438,727	-	-
Short term investments	10,967,729	10,967,729	-	-
Ijarah rentals receivable	470,267	470,267	-	-
Profit receivable on musharakah finances	77,291	77,291	-	-
Profit receivable on murabahah finances	870,394	870,394	-	-
Advances, deposits, prepayments and other receivables	1,840,508	1,840,508	-	-
Advance income tax	1,235,017	1,235,017	-	-
Finances under murabahah arrangements	32,271,418	21,199,281	11,072,137	-
Finances under Musharakah arrangements	9,985,000	-	9,985,000	-
Assets leased out under Ijarah contracts	75,342,450	12,054,792	63,287,658	-
Property and equipment	1,619,702	-	-	1,619,702
	<b>145,118,503</b>	<b>59,154,006</b>	<b>84,344,795</b>	<b>1,619,702</b>
<b>Liabilities</b>				
Accrued and other liabilities	6,805,517	6,805,517	-	-
Management fee payable	765,837	765,837	-	-
Unclaimed profit distribution	3,720,938	3,720,938	-	-
Security deposits	19,286,817	2,997,409	16,289,408	-
Employees retirement benefits	1,988,992	-	-	1,988,992
	<b>32,568,101</b>	<b>14,289,701</b>	<b>16,289,408</b>	<b>1,988,992</b>
<b>Represented by:</b>				
Certificate capital and reserves	<b>112,550,402</b>	<b>44,864,305</b>	<b>68,055,387</b>	<b>(369,292)</b>



# FIRST ELITE CAPITAL MODARABA

As at June 30, 2008

	Carrying Amount Rupees	One Year or less Rupees	One to five years Rupees	More than five years Rupees
<b>Assets</b>				
Cash and bank balances	13,960,731	13,960,731	-	-
Short term investments	16,324,730	16,324,730	-	-
Ijarah rentals receivable	688,034	688,034	-	-
Profit receivable on musharakah finances	138,074	138,074	-	-
Profit receivable on murabahah finances	944,324	944,324	-	-
Advances, deposits, prepayments and other receivables	1,549,616	1,549,616	-	-
Advance income tax	1,162,493	1,162,493	-	-
Finances under murabahah arrangements	40,414,848	32,569,324	7,845,524	-
Finances under musharakah arrangements	17,525,000	-	17,525,000	-
Assets leased out under ijarah contracts	49,236,405	4,244,032	44,992,373	-
Property and equipment	1,791,220	-	-	1,791,220
	143,735,475	71,581,358	70,362,897	1,791,220
<b>Liabilities</b>				
Accrued and other liabilities	4,318,013	4,318,013	-	-
Management fee payable	1,094,859	1,094,859	-	-
Unclaimed profit distribution	3,177,970	3,177,970	-	-
Security deposits	15,374,562	4,126,967	11,247,595	-
Employees retirement benefits	1,588,132	-	-	1,588,132
	25,553,536	12,717,809	11,247,595	1,588,132
<b>Represented by:</b>				
Certificate capital and reserves	118,181,939	58,863,549	59,115,302	203,088

### 36.2.2 Liquidity risk management

The Modaraba's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Modaraba's reputation.

The Modaraba monitors cash flow requirements and produces cash flow projections for the short and long term. Typically, the Modaraba ensures that it has sufficient cash on demand to meet expected operational cash flows.

### 36.3 Market risk

Market risk is the risk that changes in market prices such as interest rates and equity prices will affect the Modaraba's net profit or the fair value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing return.

#### 36.3.1 Interest rate risk

The interest rate profile the Modaraba's interest bearing financial instruments as at the reporting date is as follows:

	June 30, 2009 Rupees	June 30, 2008 Rupees
<b>Fixed rate instruments</b>		
Financial assets	42,256,418	57,939,848
Financial liabilities	-	-
<b>Variable rate instruments</b>		
Financial assets	10,221,104	13,781,886
Financial liabilities	-	-

The Modaraba is not exposed to interest rate risk in respect of its fixed rate instruments. A 100 basis points increase in variable interest rates would have increased profit or loss by Rs. 102,211 (2008: Rs.137,819). A 100 basis points decrease in variable interest rate would have had an equal but opposite impact on profit or loss.

The effective interest / mark-up rates in respect of financial instruments are mentioned in respective notes to the financial statements.



## FIRST ELITE CAPITAL MODARABA

### 36.3.2 Price risk

The Modaraba is mainly exposed to unfavorable changes in the fair value of investments in listed securities as a result of the changes in the equity prices. The value of listed securities exposed to price risk as at the reporting date as follows:

	June 30, 2009 Rupees	June 30, 2008 Rupees
<b>Fixed rate instruments</b>		
Investment in listed securities	10,967,729	16,324,73

### 36.4 Fair values

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

### 37 CONCENTRATION OF CREDIT RISK BY CLASS OF BUSINESS

Maximum exposure to credit risk by geographical region consists of Domestic region only as at reporting date. Break down of the risk exposure by class of business as at reporting date as follows:

	As at June 30, 2009				Percentage
	Ijarah Rupees	Murabahah Rupees	Musharakah Rupees	Total Rupees	
Services	6,044,167	-	-	6,044,167	5.1
Sugar	12,124,253	-	-	12,124,253	10.3
Pharmaceutical	775,500	-	-	775,500	0.6
Fuel and energy	13,659,900	587,770	7,000,000	21,247,670	18.0
Textile	744,810	2,550,000	-	3,294,810	2.8
Transport	-	-	2,985,000	2,985,000	2.5
Electrical and engineering	978,750	-	-	978,750	0.8
Communication	-	-	-	-	-
Education	9,950,656	-	-	9,950,656	8.4
Individuals	31,064,415	29,133,648	-	60,198,063	51.1
	<b>75,342,450</b>	<b>32,271,418</b>	<b>9,985,000</b>	<b>117,598,868</b>	<b>100.0</b>

  

	As at June 30, 2008				Percentage
	Ijarah Rupees	Murabahah Rupees	Musharakah Rupees	Total Rupees	
Services	2,921,673	-	-	2,921,673	2.7
Sugar	-	-	-	-	-
Pharmaceutical	-	-	-	-	-
Fuel and energy	4,552,325	587,770	14,250,000	19,390,095	18.0
Textile	303,126	1,000,000	-	1,303,126	1.2
Transport	-	-	3,275,000	3,275,000	3.0
Electrical and engineering	1,951,561	-	-	1,951,561	1.8
Communication	-	1,470,000	-	1,470,000	1.3
Education	7,558,323	-	-	7,558,323	7.0
Individuals	31,949,397	37,357,078	-	69,306,475	64.6
	<b>49,236,405</b>	<b>40,414,848</b>	<b>17,525,000</b>	<b>107,176,253</b>	<b>100.0</b>

### 38 CAPITAL MANAGEMENT

The Modaraba's policy is to maintain a strong capital base so as to maintain investor confidence and 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. In the 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.

### 39 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on September 30, 2009 by the Board of Directors of the Management Company.

### 40 GENERAL

Figures have been rounded off to the nearest rupee

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

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

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





# FIRST ELITE CAPITAL MODARABA

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

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

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

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

### In Behalf of the Board

**Aamir Iftikhar Khan**

Chief Executive

**Crescent Modaraba Management Company Limited**

**Date: September 30, 2009**



## FIRST ELITE CAPITAL MODARAB

### PATTERN OF CERTIFICATE HOLDERS AS AT JUNE 30, 2009

NUMBER OF CERTIFICATE HOLDERS	CERTIFICATE HOLDINGS FROM	TO	TOTAL CERTIFICATE HEI
2353	1	100	121,786
493	101	500	156,861
1320	501	1000	776,608
373	1001	5000	847,736
86	5001	10000	642,192
40	10001	15000	496,398
14	15001	20000	231,844
7	20001	25000	165,659
19	25001	30000	525,364
1	30001	35000	32,500
5	35001	40000	186,920
2	40001	45000	83,550
1	45001	50000	46,500
2	50001	55000	104,477
3	55001	60000	169,307
2	60001	65000	127,500
1	70001	75000	72,997
2	75001	80000	155,000
2	85001	90000	179,500
1	90001	95000	91,210
1	95001	100000	100,000
2	105001	110000	214,500
2	110001	115000	225,533
1	115001	120000	119,000
1	120001	125000	124,500
2	135001	140000	279,000
1	145001	150000	147,000
1	200001	205000	205,000
1	530001	535000	531,972
1	1130001	1135000	1,134,000
1	1165001	1170000	1,166,500
1	1875001	1880000	1,879,086
<b>4742</b>			<b>11,340,000</b>

# FIRST ELITE CAPITAL MODARABA

## CATEGORIES OF CERTIFICATE HOLDING AS AT JUNE 30, 2009

CATEGORIES OF CERTIFICATE HOLDERS	NUMBERS	CERTIFICATE HELD	PERCENTAGE
<b>ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES</b>			
Crescent Modaraba Management Co. Ltd.	1	1134000	10.00%
<b>NIT &amp; ICP</b>			
Investment Corporation of Pakistan	1	15000	0.13%
<b>DIRECTORS, CEO AND THEIR SPOUSES AND MINOR CHILDREN</b>			
	<b>8</b>	<b>186100</b>	<b>1.64%</b>
Mr. Muhammad Javed Amin		76000	
Miss Mahnoor Amin		3000	
Mr. Muhammad Shams Amin		38500	
Miss Jehan Ara Amin		5500	
Mr. Muhammad Ahmad Amin		9400	
Miss Tajwer Amin		2000	
Mrs. Shahana Javed Amin		43000	
Mrs. Rukhsana Javed Amin		8700	
<b>EXECUTIVE</b>			
		-	-
<b>PUBLIC SECTOR COMPANIES AND CORPORATIONS</b>			
State Life Insurance Corporation of Pakistan	1	531972	4.69%
<b>BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON BANKING FINANCE INSTITUTIONS, INSURANCE COMPANIES, MODARABAS AND MUTUAL FUNDS</b>			
	10	1952339	17.22%
<b>JOINT STOCK COMPANIES</b>			
	29	1583552	13.96%
<b>INDIVIDUALS</b>			
	4691	5935037	52.34%
<b>OTHERS</b>			
	1	2000	0.02%
<hr/>			
<b>TOTAL:</b>	<b>4742</b>	<b>11340000</b>	<b>100.00%</b>

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

Crescent Modaraba Management Company Limited	1134000	10.00%
National Bank of Pakistan	1879086	16.57%



**KEY OPERATING AND FINANCIAL DATA**

<b>YEAR</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
	<b>Rupees in million</b>					
Paid up Capital	<b>113.40</b>	113.40	113.40	113.40	113.40	113.40
Certificate Holder's Equity	<b>112.55</b>	118.18	123.95	112.98	107.21	105.51
Current Liabilities	<b>14.29</b>	12.72	6.97	8.05	12.87	13.30
Fixed Assets	<b>76.96</b>	51.03	39.22	32.60	30.93	34.52
Current Assets	<b>47.10</b>	67.34	82.86	76.76	68.70	67.76
Profit before Tax	<b>6.89</b>	9.85	9.62	10.78	10.75	9.80
Taxation	-	-	-	-	-	-
Profit after Tax	<b>6.89</b>	9.85	9.62	10.78	10.75	9.80
Dividend	<b>4.50%</b>	6.00%	6.00%	6.00%	6.00%	5.50%
Earning per Certificate	<b>0.61</b>	0.87	0.85	0.95	0.95	0.86
Break-Up Value	<b>9.93</b>	10.42	10.93	9.96	9.45	9.30



### 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 the Karachi Stock Exchange, the chapter XI of the Listing Regulations of the Lahore Stock Exchange (Guarantee) Limited and chapter XI of Listing Regulations of Islamabad Stock Exchange (Guarantee) Limited, where the Modaraba is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Modaraba's corporate governance procedures and risks.

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Modaraba's compliance, in all material respects, with the best practices contained in the code of corporate governance, for the year ended June 30, 2009.

**RAHMAN SARFARAZ RAHIM IQBAL RAFIQ**  
Chartered Accountants

**Engagement Partner:** IRFAN RAHMAN MALIK

**Date:** September 30, 2009

**Place:** LAHORE



## **FIRST ELITE CAPITAL MODARABA**

---

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

Notice is hereby given that Tenth Annual Review Meeting of the First Elite Capital Modaraba will be held on Friday, October 30, 2009 at 1:00 p.m. At 19-Abu Bak Block, New Garden Town, Lahore to review the performance of the Modaraba for the year ended June 30, 2009. The Certificate Holders whose names appear in the Register of the Modaraba as on October 23, 2009 are eligible to attend the Meeting.

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

**Date: October 05, 2009**  
**Place : LAHORE**