



**FIRST
ELITE
CAPITAL
MODARABA**

*Annual Report
Two Thousand Eleven*

Managed by
**CRESCENT MODARABA MANAGEMENT
COMPANY LIMITED**



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FIRST ELITE CAPITAL MODARABA

VISION STATEMENT

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

MISSION STATEMENT

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



FIRST ELITE CAPITAL MODARABA

CORPORATE INFORMATION

BOARD OF DIRECTORS OF MODARABA MANAGEMENT COMPANY

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

AUDIT COMMITTEE

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

COMPANY SECRETARY

Mr. Muhammad Arif Hilal

LEGAL ADVISOR

Mr. Haq Nawaz Chattha,
International Legal Services



FIRST ELITE CAPITAL MODARABA

AUDITORS OF THE MODARABA

Rahman Sarfaraz Rahim Iqbal Rafiq

Chartered Accountants

BANKERS OF THE MODARABA

Allied Bank Limited

Habib Bank Limited

KASB Bank Limited

Samba Bank Limited

PRINCIPAL & REGISTERED OFFICE

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

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

E-mail: 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 20th annual audited accounts of the Modaraba for the year ended June 30, 2011.

Financial Results

Financial results for the year ended June 30, 2011 are summarized as under:

	June 30, 2011 Rupees	June 30, 2010 Rupees
Total Income of Modaraba	53,702,877	48,178,317
Amortization of Assets Leased Out	27,712,094	26,090,039
Administrative & General Expenses	15,047,768	12,864,480
Impairment loss on available for sale financial assets	1,142,435	1,077,053
Financial Charges	9,722	13,155
Modaraba Company's Management Fee	979,086	813,359
Taxation	-	-
Profit after Taxation	8,811,772	7,320,231

Profit Distribution

The Board in its meeting held on September 23, 2011 has approved the distribution of profit of Rs. 0.55 (5.50%) per certificate of Rs. 10 each, subject to deduction of Zakat and tax at source where applicable, for the year ended June 30, 2011.

Review of Operations

During the period under review, the Modaraba has earned a net profit of Rs.8,811,772/= as compared to Rs. 7,320,231/= earned in the corresponding period of last year, an increase of Rs.1,491,541/= in the profit, in spite of all the factors that affected the overall economic structure of the country. The major revenues during the year is generated from Ijarah & Murabahah. The Modaraba earned a gross revenue of Rs. 53,702,877/= during the period as against Rs. 48,178,317/= to same period of last year. An impairment in marketable securities amounting to Rs. 1,142,435/= charged to profit and loss account.

With a view to strengthen the financial base, the Modaraba continues to build statutory reserves out of the profit of each year, which has accumulated to Rs.22,230,558/=.

Future Outlook

The management of the Modaraba intends to continue its efforts to consolidate the position of the Modaraba and tap opportunities for sustained growth. Further to ensure efficient profitable utilization of the available resources, the Modaraba will continue maintaining portfolio of quality clients.

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 accounts 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 standards, as applicable in Pakistan, have been



FIRST ELITE CAPITAL MODARABA

followed in preparation of financial statements.

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

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

Pattern of Certificate Holding

A statement reflecting the pattern of holding of the certificates as on June 30, 2011 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 2011-2012 subject to the approval of the Registrar of Modaraba Companies & Modarabas.

Acknowledgement

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

On behalf of the Board

AAMIR IFTIKHAR KHAN
CHIEF EXECUTIVE
Crescent Modaraba Management Company Limited

Date: September 23, 2011



FIRST ELITE CAPITAL MODARABA

Auditors' Report to the Certificate Holders

We have audited the annexed balance sheet of **FIRST ELITE CAPITAL MODARABA** ("the Modaraba") as at June 30, 2011 and the related profit and loss account, statement of other comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

These financial statements are the Modaraba Company's (**Crescent Modaraba Management Company Limited**) responsibility who is also responsible to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards as applicable in Pakistan and the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by the Modaraba Company, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that-

- a) in our opinion, proper books of account have been kept by the Modaraba Company in respect of First Elite Capital Modaraba as required by the Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981;
- b) in our opinion--
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the Modaraba's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Modaraba;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of other comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at June 30, 2011 and of the profit, other comprehensive income, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980.), was deducted by the Modaraba and deposited in the Central Zakat Fund established under section 7 of that ordinance.

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ

Chartered Accountants

Engagement Partner: IRFAN RAHMAN MALIK

Date: SEPTEMBER 23, 2011

Place: LAHORE



FIRST ELITE CAPITAL MODARABA

BALANCE SHEET AS AT JUNE 30, 2011

Note	June 30, 2011 Rupees	June 30, 2010 Rupees
ASSETS		
Current assets		
Cash and bank balances	5 16,824,601	6,480,085
Short term investments	6 13,734,323	11,858,691
Short term finances under murabahah arrangements - Secured	7 23,318,191	25,422,253
Ijarah rentals receivable - Secured	8 1,029,434	1,113,243
Profit receivable on musharakah finances - Secured	9 -	75,833
Profit receivable on murabahah finances - Secured	10 869,224	969,294
Advances, deposits, prepayments and other receivables	11 2,711,834	2,735,072
Advance income tax	1,301,329	1,259,828
	59,788,936	49,914,299
Non-current assets		
Long term finances under musharakah arrangements - Secured	12 2,270,000	9,065,500
Long term finances under murabahah arrangements - Secured	13 10,004,206	11,612,638
Assets leased out under ijarah contracts	14 93,107,451	82,673,259
Property and equipment	15 2,969,446	1,757,616
	108,351,103	105,109,013
Total assets	168,140,039	155,023,312
LIABILITIES		
Current liabilities		
Accrued and other liabilities	16 938,261	4,056,728
Security deposits	17 2,491,663	5,974,736
Management fee payable	979,086	813,359
Unclaimed profit distribution	4,948,809	4,304,693
	9,357,819	15,149,516
Non-current liabilities		
Security deposits	17 31,759,854	19,811,816
Employees retirement benefits	18 2,980,414	2,382,202
	34,740,268	22,194,018
Contingencies and commitments	19 -	-
Total liabilities	44,098,087	37,343,534
NET ASSETS REPRESENTED BY	124,041,952	117,679,778
Authorized certificate capital		
20,000,000 modaraba certificates of Rs. 10 each	200,000,000	200,000,000
Issued, subscribed and paid-up capital	20 113,400,000	113,400,000
Reserves	10,641,952	4,279,778
	124,041,952	117,679,778

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

Muneeb Ahmed Dar
Chairman
CRESCENT MODARABA
MANAGEMENT CO. LTD.

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

Muhammad Javed Amin
Director
CRESCENT MODARABA
MANAGEMENT CO. LTD.



FIRST ELITE CAPITAL MODARABA

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2011

	Note	June 30, 2011 Rupees	June 30, 2010 Rupees
INCOME			
Income from ijarah financing		39,833,979	35,663,846
Profit on musharakah financing		463,798	914,372
Profit on murabahah financing		9,902,642	9,276,870
Return on investments	22	2,341,831	1,588,574
Other income	23	1,160,627	734,655
		53,702,877	48,178,317
EXPENSES			
Amortization of assets leased out under ijarah contracts	14	27,712,094	26,090,039
Administrative and general expenses	24	15,047,768	12,864,480
Impairment loss on available for sale financial assets		1,142,435	1,077,053
Financial charges		9,722	13,155
		43,912,019	40,044,727
Operating profit		9,790,858	8,133,590
Management fee	25	979,086	813,359
Profit before taxation		8,811,772	7,320,231
Taxation	26	-	-
Profit after taxation		8,811,772	7,320,231
Earnings per certificate - basic and diluted	27	0.78	0.65

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

Muneeb Ahmed Dar
Chairman
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MANAGEMENT CO. LTD.

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

Muhammad Javed Amin
Director
CRESCENT MODARABA
MANAGEMENT CO. LTD.



FIRST ELITE CAPITAL MODARABA

STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2011

	Note	June 30, 2011 Rupees	June 30, 2010 Rupees
Changes in fair value of available for sale investments	6	3,220,402	2,912,145
Other comprehensive income before taxation		3,220,402	2,912,145
Taxation		-	-
Other comprehensive income after taxation		3,220,402	2,912,145
Profit for the year		8,811,772	7,320,231
Total comprehensive income		12,032,174	10,232,376

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

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FIRST ELITE CAPITAL MODARABA

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2011

	Note	June 30, 2011 Rupees	June 30, 2010 Rupees
CASH GENERATED FROM OPERATIONS	28	52,038,422	31,678,255
(Payments)/receipts for:			
Income taxes		(41,501)	(24,811)
Employees retirement benefits		-	(40,500)
Purchase of Ijarah assets		(48,735,900)	(38,425,000)
Proceeds from transfer of Ijarah assets		10,951,511	5,252,465
Profit distribution		(5,025,884)	(4,519,245)
Net cash generated from/(used in) operating activities		9,186,648	(6,078,836)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(1,951,298)	(412,510)
Proceeds from disposal of property and equipment		565,000	-
Purchase of investments		(16,543,274)	(11,764,059)
Proceeds from sale of investments		17,697,539	13,273,007
Dividend received		1,389,901	1,023,756
Net cash flow from investing activities		1,157,868	2,120,194
CASH FLOW FROM FINANCING ACTIVITIES		-	-
Net increase/(decrease) in cash and cash equivalents		10,344,516	(3,958,642)
Cash and cash equivalents at the beginning of the year		6,480,085	10,438,727
Cash and cash equivalents at the end of the year	29	16,824,601	6,480,085

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

Muneeb Ahmed Dar
Chairman
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MANAGEMENT CO. LTD.

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Chief Executive
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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, 2011

	Note	Reserves						Total equity Rupees
		Issued Subscribed And paid-up Capital Rupees	Statutory reserve Rupees	Available for sale financial assets Rupees	Accumulated losses Rupees	Total Rupees	Total equity Rupees	
As at July 01, 2009		113,400,000	18,739,804	(8,809,377)	(10,780,025)	(849,598)	112,550,402	
Profit for the year ended June 30, 2010		-	-	-	7,320,231	7,320,231	7,320,231	
Transferred to statutory reserve	21	-	1,464,046	-	(1,464,046)	-	-	
Profit distribution for the year ended June 30, 2009		-	-	-	(5,103,000)	(5,103,000)	(5,103,000)	
Other comprehensive income for the year ended June 30, 2010		-	-	2,912,145	-	2,912,145	2,912,145	
As at June 30, 2010		113,400,000	20,203,850	(5,897,232)	(10,026,840)	4,279,778	117,679,778	
Profit for the year ended June 30, 2011		-	-	-	8,811,772	8,811,772	8,811,772	
Transferred to statutory reserve	21	-	2,026,708	-	(2,026,708)	-	-	
Profit distribution for the year ended June 30, 2010		-	-	-	(5,670,000)	(5,670,000)	(5,670,000)	
Other comprehensive income for the year ended June 30, 2011		-	-	3,220,402	-	3,220,402	3,220,402	
As at June 30, 2011		113,400,000	22,230,558	(2,676,830)	(8,911,776)	10,641,952	124,041,952	

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

Muneeb Ahmed Dar
Chairman
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MANAGEMENT CO. LTD.

Aamir Iftikhar Khan
Chief Executive
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Muhammad Javed Amin
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CRESCENT MODARABA
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FIRST ELITE CAPITAL MODARABA

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

1 REPORTING ENTITY

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

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

2.2 Basis of measurement

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

2.3 Judgments, estimates and assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions and judgements are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Subsequently, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. Judgments made by management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a risk of material adjustment in subsequent years are as follows:

2.3.1 Recoverable amount and impairment

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

2.3.2 Depreciation method, rates and useful lives of property and equipment

The Modaraba reassesses useful lives, depreciation method and rates for each item of property and equipment annually by considering expected pattern of economic



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benefits that the Modaraba expects to derive from that item.

2.3.3 Obligation under defined benefit plan

The Modaraba's obligation under the defined benefit plan is based on assumptions of future outcomes, the principal ones being in respect of increases in remuneration, remaining working lives of employees and discount rates to be used to determine present value of defined benefit obligation.

2.3.4 Provisions

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

2.4 Functional currency

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

3 SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Property and equipment

These comprise operating fixed assets of the Modaraba.

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

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

The Modaraba recognizes depreciation in profit or loss by applying reducing balance method over the useful life of each operating fixed asset using rates specified in note 15 to the financial statements. Depreciation on additions to operating fixed assets is charged from the month in which the item becomes available for use. Depreciation is discontinued from the month in which it is disposed or classified as held for disposal.

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

3.2 Assets leased out under ijarah contracts

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

3.3 Certificate capital

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

3.4 Employees retirement benefits

3.4.1 Short term employee benefits

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

3.4.2 Post employment benefits

The Modaraba operates an unfunded gratuity scheme (defined benefit plan) for all its employees who have completed the minimum qualifying service period. Liability is adjusted on each reporting date to cover the obligation and the adjustment is charged to profit or loss. The amount recognized on balance sheet represents the present value of defined benefit obligation as adjusted for unrecognized actuarial gains or losses. Actuarial gains or loss are recognized using '10% corridor



FIRST ELITE CAPITAL MODARABA

approach' as set out by International Accounting Standard 19 - Employee Benefits. The details of the scheme are referred to in note 18 to the financial statements.

3.5 Financial instruments

3.5.1 Recognition

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

3.5.2 Classification

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

3.5.2(a) Loans and receivables

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

3.5.2(b) Available for sale financial assets

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

3.5.2(c) Financial liabilities at amortized cost

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

3.5.3 Measurement

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

3.5.4 De-recognition

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

3.5.5 Off-setting

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

3.5.6 "Regular way" purchases and sales of financial assets

All regular way purchases and sales of financial assets are recognized on trade date. Regular way purchases or sales of financial assets are those contracts which require delivery of assets within the time frame generally established by the regulation or convention in the market.

3.6 Investments in equity securities

Investments in equity securities, which are intended to be held for an indefinite period of time and may be sold in response to need for liquidity or significant changes in equity prices are classified as 'available for sale financial assets'. On initial recognition these are measured at cost, being their fair value on date of acquisition, plus attributable transaction costs.



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Subsequent to initial recognition, these are measured at fair value. Changes in fair value are recognized in other comprehensive income until the investment is derecognized or impaired. Gains and losses on de-recognition and impairment losses are recognized in profit or loss.

3.7 Accrued and other liabilities

3.7.1 Financial liabilities

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

3.7.2 Non-financial liabilities

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

3.8 Advances and other receivables

3.8.1 Financial assets

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

3.8.2 Non-financial assets

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

3.9 Cash and cash equivalents

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

3.10 Revenue

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

Revenue from different sources is recognized as follows:

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

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

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

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

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

3.11 Comprehensive income

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

3.12 Income tax

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

3.12.1 Current taxation

Current tax is the amount of tax payable on taxable income for the year and any adjustment to the tax payable in respect of previous years. Provision for current tax is based on current rates of taxation in Pakistan after taking into account tax credits, rebates and exemptions available, if any. The amount of unpaid income tax



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in respect of the current or prior periods is recognized as a liability. Any excess paid over what is due in respect of the current or prior periods is recognized as an asset.

3.12.2 Deferred taxation

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

3.13 Earnings per certificate (EPC)

Basic EPC is calculated by dividing the profit or loss attributable to certificate holders of the Modaraba by the weighted average number of certificates outstanding during the period.

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

3.14 Impairment

3.14.1 Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment loss in respect of a financial asset measured at fair value is determined by reference to that fair value. All impairment losses are recognized in profit or loss. Impairment losses in respect of Musharakah, Murabahah and Ijarah finances are determined by reference to the borrowers' payment/ credit history, adequacy of security and requirements of the Prudential Regulations for Modarabas. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss is reversed only to the extent that the financial asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

3.14.2 Non-financial assets

The carrying amount of the Modaraba's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

An impairment loss is recognized if the carrying amount of the asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash generating units are allocated to reduce the carrying amounts of the assets in a unit on a pro rata basis. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer



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exists. An impairment loss is reversed if there has been a change in the estimates used in determine the recoverable amount. An impairment loss is reversed only to that extent that the asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

3.15 Provisions and contingencies

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

3.16 Profit distribution to certificate holders

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

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

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

The following new and revised approved accounting standards, interpretations and amendments thereto that are effective in the current year. However, these do not effect financial statements of the Company for current period or any period. The effect, if any, on future periods, is impracticable to determine.

Standards, interpretations and amendments	Description
IFRS 1 - First-time Adoption of International Financial Reporting Standards (Amendments)	The amendments provide certain exemptions to first-time adoptors of International Financial Reporting Standards.
IFRS 2 - Share-based Payments (Amendments)	The standard was amended to provide additional guidance on the accounting for share-based payment transactions among group entities.
IFRS 3 - Business Combinations (Amendments)	The amendments provide guidance on measurement of non-controlling interests and on measurement of un-replaced and voluntary replaced share-based payment awards and transitional requirements for contingent consideration from a business combination.
IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations (Amendments)	The amendments provide clarification regarding scope of the standard.
IFRS 8 - Operating Segments (Amendments)	The amendments clarify requirements regarding disclosure of segment assets.
IAS 1 - Presentation of Financial Statements (Amendments)	The amendments provide guidance on current/non-current classification of convertible instruments.
IAS 7 - Statement of Cash Flows (Amendments)	The standard was amended to provide guidance on recognition of certain expenditures as investing activities.
IAS 17 - Leases (Amendments)	The amendments have removed guidance regarding classification of leases of land so as to eliminate inconsistency with the general guidance on lease classification.
IAS 32 - Financial Instruments: Presentation (Amendments)	The amendments provide guidance on classification of right issues.
IAS 36 - Impairment of Assets (Amendments)	The amendments provide guidance on identification of unit of accounting for goodwill impairment test.
IAS 38 - Intangible Assets (Amendments)	The amendments clarify requirements regarding accounting for intangible



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IAS 39 - Financial Instruments: Recognition and Measurement (Amendments)

assets acquired in a business combination.

The amendments provide clarification regarding treatment of loan prepayment penalties and recognition of gains or losses on certain hedging instruments.

IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments

The interpretation provides guidance on accounting for debt for equity swaps.

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

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

Standards, interpretations and amendments

IFRS 7 - Financial Instruments: Disclosures (Amendments)

Description

The amendments emphasize the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The amendment is effective for annual periods beginning on or after January 01, 2011.

IFRS 7 - Financial Instruments: Disclosures (Amendments)

The amendments provide enhanced disclosure requirements pertaining to derecognition of financial assets. The amendment is effective for annual periods beginning on or after July 01, 2011.

IFRS 9 - Financial Instruments: Classification and Measurement

The standard introduces new requirements for the classification and measurement of financial instruments and replaces relevant requirements in IAS 39 - Financial Instruments: Recognition and Measurement. The standard is effective for annual periods beginning on or after January 01, 2013.

IFRS 10 - Consolidated Financial Statements

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

IFRS 11 - Joint Arrangements

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

IFRS 12 - Disclosure of Interests in Other Entities

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

IFRS 13 - Fair Value Measurement

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

IAS 1 - Presentation of Financial Statements (Amendments)

The amendments clarify that an entity may present the analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The amendment is effective for annual periods beginning on or after January 01, 2011.



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Standards, interpretations and amendments

IAS 12 - Income Taxes

Description

The amendments provide exception to the general principal of IAS 12 for investment property measured using the fair value model and introduces a rebuttable presumption that the carrying amount of such an asset will recovered entirely through sale. The amendment is effective for annual periods beginning on or after January 01, 2012.

IAS 24 - Related Party Disclosures (Revised 2009)

The revised standard amends the definition of related party and modifies certain related party disclosure requirements for government-related entities. The standard is effective for annual periods beginning on or after January 01, 2011.

IAS 34 - Interim Financial Reporting (Amendments)

The amendments provide clarification around significant events and transactions to be disclosed in interim financial reports. The amendment is effective for annual periods beginning on or after January 01, 2011.

IFRIC 13 - Customer Loyalty Programmes (Amendments)

The amendments clarify the meaning of 'fair value' in the context of measuring award credits under customer loyalty programmes. The amendment is effective for annual periods beginning on or after January 01, 2011.

IFRIC 14 - IAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement and result in prepayments of contributions being recognized as an asset rather than an expense. The amendment is effective for annual periods beginning on or after January 01, 2011.

	Note	June 30, 2011 Rupees	June 30, 2010 Rupees
5 CASH AND BANK BALANCES			
Cash in hand		315,747	172,954
Cash at bank in			
current accounts		700,897	50,799
saving/deposit accounts	5.1	15,807,957	6,256,332
		16,508,854	6,307,131
		16,824,601	6,480,085
5.1	Effective rate of return on deposit/saving accounts, for the year, ranges from 4.5% to 9.5% (2010: 4.5% to 9.5%).		
6 SHORT TERM INVESTMENTS			
These represent investments in listed equity securities and have been classified as available for sale financial assets.			
Cost	6.1	21,208,050	21,410,385
Accumulated impairment	6.1	(4,796,897)	(3,654,462)
Accumulated changes in fair value	6.1	(2,676,830)	(5,897,232)
		13,734,323	11,858,691



6.1 Particulars of investments

Oil and Gas Producers

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

Chemicals

Fauji Fertilizer Bin Qasim Limited
Fauji Fertilizer Company Limited

Industrial Metals and Mining

Crescent Steel and Allied Products Limited

Construction and Materials

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

Beverages

Shakarganj Foods Limited

Food Producers

Hussain Sugar Mills Limited
JDW Sugar Mills Limited
Crescent Sugar Mills & Distillery Limited

Personal Goods

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

Pharma and Bio Tech

Ferozsons Laboratories Limited

Fixed Line Telecommunication

Callmate Telips Telecom Limited
Pakistan Telecommunication Company Limited

Electricity

Hub Power Company Limited
Kot Addu Power Company Limited
Nishat Power Limited
Sitara Energy Limited

Gas Water and Multiutilities

Sui Northern Gas Pipelines Limited
Sui Southern Gas Pipelines Limited

Banks

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

Non Life Insurance

Premier Insurance Limited

Financial Services

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

Equity Investment Instruments

First Equity Modaraba

Mutual Funds

National Investment Trust Limited

TOTAL



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No. Of Shares/ Certificates		Average Cost		Fair Value	
June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
		Rupees		Rupees	
-	1,000	-	299,071	-	289,750
20,000	-	240,121	-	181,400	-
1,500	-	453,251	-	396,870	-
-	4,200	-	1,200,238	-	906,780
3,000	-	678,462	-	621,210	-
5,000	61,000	163,364	1,992,324	210,750	1,588,440
30,000	20,000	1,519,412	906,966	4,510,500	2,061,400
4,400	4,400	348,369	348,369	114,928	110,484
6,000	5,000	198,041	178,041	137,940	118,100
10,000	10,000	85,280	85,280	41,200	45,500
26,100	26,100	376,989	376,989	70,470	71,514
2,000	2,000	39,708	39,708	6,000	2,240
2,920	1,700	73,966	61,978	30,455	8,568
13,910	12,000	303,745	178,272	1,119,894	762,120
3,500	-	27,352	-	38,255	-
122	122	579	579	73	124
30,877	30,877	443,209	443,209	480,755	666,017
82,000	82,000	815,655	815,655	49,200	82,000
10,000	10,000	421,373	421,373	222,900	157,800
153,900	153,900	2,023,076	2,023,076	-	-
-	7,500	-	276,970	-	236,325
-	51	-	5,132	-	5,292
5,100	5,100	530,323	530,323	9,690	9,690
52,000	52,000	3,555,002	3,555,002	739,440	925,600
16,000	16,000	561,413	561,413	600,000	511,360
5,000	-	228,265	-	213,050	-
10,000	-	164,475	-	154,400	-
10,000	10,000	287,557	287,557	197,500	205,000
11,000	11,000	409,772	409,772	219,120	305,690
14,093	11,275	483,072	483,072	305,395	179,385
1,795	1,295	29,531	24,652	17,178	12,251
44,945	40,860	853,783	853,783	489,002	621,889
15,240	15,240	351,885	351,885	72,085	57,607
15,500	15,500	303,183	303,183	37,510	43,555
2,200	2,000	469,702	436,792	438,460	388,380
12,500	-	785,623	-	630,250	-
11,150	11,150	252,583	252,583	16,837	33,338
40,371	40,371	588,172	588,172	69,034	91,642
1,500	1,500	103,137	82,562	92,865	81,315
76,837	76,837	1,138,965	1,138,965	640,821	722,268
1,000	1,000	9,000	9,000	1,400	1,400
7,000	7,000	36,358	36,358	11,550	14,980
36,523	36,523	108,169	108,169	11,687	31,045
8,800	8,800	1,164,611	1,164,611	22,176	12,640
1,000	1,000	41,658	41,658	6,480	46,992
2,000	2,000	26,100	26,100	-	-
52,000	50,000	313,739	311,523	65,000	62,500
13,700	13,700	200,020	200,020	440,593	387,710
872,483	862,001	21,208,050	21,410,385	13,734,323	11,858,691



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	Note	June 30, 2011 Rupees	June 30, 2010 Rupees
7 SHORT TERM FINANCES UNDER MURABAHAH ARRANGEMENTS - SECURED			
Considered good		23,318,191	25,422,253
Considered doubtful	7.1	46,603,492	46,628,308
		69,921,683	72,050,561
Accumulated impairment		(46,603,492)	(46,628,308)
		23,318,191	25,422,253
<p>These represent receivable against murbahaha transactions on deferred payment basis at a specified margin. These are secured against pledge of marketable securities, mortgage of property, hypothecation of stocks, demand promissory notes and personal guarantees. Profit margin on murabahah transactions ranges from 16% to 20% (2010: 14% to 20%) per annum receivable on monthly basis. Financing is done initially for a period of one year and is further extended, on expiry, by mutual consent.</p>			
7.1 Movement in accumulated impairment is as follows:			
As at beginning of the year		46,628,308	46,650,643
Recognized during the year		-	-
Reversed during the year		(24,816)	(22,335)
As at end of the year		46,603,492	46,628,308
8 IJARAH RENTALS RECEIVABLE - SECURED			
Considered good		1,029,434	1,113,243
Considered doubtful	8.1	4,702,605	3,872,172
		5,732,039	4,985,415
Accumulated impairment		(4,702,605)	(3,872,172)
		1,029,434	1,113,243
<p>These represent rentals receivable against assets leased out under Ijarah contracts.</p>			
8.1 Movement in accumulated impairment is as follows:			
As at beginning of the year		3,872,172	2,440,587
Recognized during the year		-	1,705,422
Reversed during the year		-	(273,837)
As at end of the year		3,872,172	3,872,172
9 PROFIT RECEIVABLE ON MUSHARAKAH FINANCES - SECURED			
Considered good		-	75,833
Considered doubtful	9.1	945,110	954,610
		945,110	1,030,443
Accumulated impairment		(945,110)	(954,610)
		-	75,833
9.1 Movement in accumulated impairment is as follows:			
As at beginning of the year		954,610	876,373
Recognized during the year		-	78,237
Reversed during the year		(9,500)	-
As at end of the year		945,110	954,610
10 PROFIT RECEIVABLE ON MURABAHAH FINANCES - SECURED			
Considered good		869,224	969,294
Considered doubtful	10.1	34,068,230	34,037,518
		34,937,454	35,006,812
Accumulated impairment		(34,068,230)	(34,037,518)
		869,224	969,294



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	Note	June 30, 2011 Rupees	June 30, 2010 Rupees
10.1 Movement in accumulated impairment is as follows:			
As at beginning of the year		34,037,518	33,780,533
Recognized during the year		159,288	256,985
Reversed during the year		(128,576)	-
As at end of the year		34,068,230	34,037,518
11 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Advances to employees			
against salary		650,603	586,074
against retirement benefits	11.1	851,630	926,356
Security deposits		60,450	60,450
Prepayments		126,043	147,575
Other receivables - unsecured	11.2	1,023,108	1,014,617
		2,711,834	2,735,072
11.1 These include advances to officers of the Modaraba amounting to Rs. 851,630 (2010: 926,356).			
11.2 These mainly include amounts recoverable from customers in respect of expenses incurred by the Modaraba on their behalf. Particulars of other receivables are as follows:			
Considered good		1,023,108	1,014,617
Considered doubtful	11.2.1	6,573,517	6,573,517
		7,596,625	7,588,134
Accumulated impairment		(6,573,517)	(6,573,517)
		1,023,108	1,014,617
11.2.1 Movement in accumulated impairment is as follows:			
As at beginning of the year		6,573,517	6,573,517
Recognized during the year		-	-
Reversed during the year		-	-
As at end of the year		6,573,517	6,573,517

12 LONG TERM FINANCES UNDER MUSHARAKAH ARRANGEMENTS - SECURED

These represent investments made under musharakah arrangements on profit and loss sharing basis and are secured by specific and ranking charges over operating fixed assets, demand promissory notes and personal guarantees. The share of profit of Modaraba ranges from 14% to 40% per annum (2010: 12% to 40% per annum) receivable on monthly basis.

13 LONG TERM FINANCES UNDER MURABAHAH ARRANGEMENTS - SECURED

These represent receivables against murabahah transactions on deferred payment basis at a specified margin and are secured by way of equitable mortgage and registered token mortgage of property. Profit margin ranges from 14% to 19% per annum (2010: 14% to 20% per annum) receivable on monthly basis.



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14 ASSETS LEASED OUT UNDER IJARAH CONTRACTS

Year ended June 30, 2011

PARTICULARS	COST			AMORTISATION			Carrying Value As at June 30, 2011		
	As at July 01, 2010	Additions	Disposals	As at June 30, 2011	For the year	Adjustment		As at June 30, 2011	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees		
Vehicles	80,013,276	43,095,900	(23,969,000)	99,140,176	24,178,161	17,335,056	(15,220,530)	26,292,687	72,847,489
Office equipment	14,833,428	-	(4,623,189)	10,210,239	5,363,027	3,569,612	(3,868,421)	5,064,218	5,146,021
Machinery	27,923,000	5,640,000	(5,435,000)	28,128,000	10,555,257	6,807,426	(4,348,624)	13,014,059	15,113,941
	122,769,704	48,735,900	(34,027,189)	137,478,415	40,096,445	27,712,094	(23,437,575)	44,370,964	93,107,451

Year ended June 30, 2010

PARTICULARS	COST			AMORTISATION			Carrying Value As at June 30, 2010		
	As at July 01, 2009	Additions	Disposals	As at June 30, 2010	For the year	Adjustment		As at June 30, 2010	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees		
Vehicles	67,309,776	23,980,000	(11,276,500)	80,013,276	17,062,712	14,910,231	(7,794,782)	24,178,161	55,835,115
Office equipment	10,651,428	7,795,000	(3,613,000)	14,833,428	4,547,337	3,907,256	(3,091,566)	5,363,027	9,470,401
Machinery	28,707,500	6,650,000	(7,434,500)	27,923,000	9,716,205	7,272,552	(6,433,500)	10,555,257	17,367,743
	106,668,704	38,425,000	(22,324,000)	122,769,704	31,326,254	26,090,039	(17,319,848)	40,096,445	82,673,259

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



15 PROPERTY AND EQUIPMENT

Year ended June 30, 2011

PARTICULARS	COST			DEPRECIATION			Net book value as at June 30, 2011		
	As at July 01, 2010	Additions	Disposals	As at June 30, 2011	Rate	As at July 01, 2010		For the year	Disposal
	Rupees	Rupees	Rupees	Rupees		Rupees	Rupees	Rupees	Rupees
Furniture and fixtures	189,130	19,650	-	208,780	10%	87,578	10,774	-	98,352
Office equipment	1,668,930	231,148	-	1,900,078	10%	783,801	98,955	-	882,756
Vehicles	1,679,500	1,700,500	(635,000)	2,745,000	20%	908,565	303,985	(309,246)	903,304
	3,537,560	1,951,298	(635,000)	4,853,858		1,779,944	413,714	(309,246)	1,884,412
									2,969,446

Year ended June 30, 2010

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

15.1 Disposal of property and equipment

2011

Cost	Accumulated Depreciation	Net Book Value	Disposal Proceeds	Gain on Disposal	Mode of Disposal	Particulars of Buyer
635,000	309,246	325,754	565,000	239,246	Negotiation	Rana Shiraz Hafeez, Gujranwala
635,000	309,246	325,754	565,000	239,246		

Vehicles
Honda City LZ1 - 934

There were no disposals during the previous year.



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	Note	June 30, 2011 Rupees	June 30, 2010 Rupees		
16 ACCRUED AND OTHER LIABILITIES					
Accrued expenses		576,183	548,349		
Withholding tax		23,004	28,457		
Other payables - unsecured		339,074	3,479,922		
		<u>938,261</u>	<u>4,056,728</u>		
17 SECURITY DEPOSITS					
Security deposits under ijarah contracts		34,251,517	25,786,552		
Current maturity presented under current liabilities		(2,491,663)	(5,974,736)		
		<u>31,759,854</u>	<u>19,811,816</u>		
18 EMPLOYEES RETIREMENT BENEFITS					
The amounts recognized on balance sheet are as follows:					
Present value of defined benefit obligation	18.1	3,350,445	2,622,821		
Unrecognized actuarial losses	18.2	(370,031)	(240,619)		
		<u>2,980,414</u>	<u>2,382,202</u>		
18.1 Movement in present value of defined benefit obligation					
As at beginning of the year		2,622,821	2,211,558		
Charged to profit or loss for the year	18.3	598,212	433,710		
Benefits paid during the year		-	(40,500)		
Actuarial loss arising during the year	18.2	129,412	18,053		
As at end of the year		<u>3,350,445</u>	<u>2,622,821</u>		
The present value of defined benefit obligation has been determined by the management of the Modaraba using the following assumptions:					
		2011	2010		
Discount rate		14.00%	12.75%		
Expected rates of increase in salary		12.00%	10.50%		
Expected average remaining working lives of employees		11 years	11 years		
18.2 Movement in unrecognized actuarial losses					
As at beginning of the year		240,619	222,566		
Loss arising during the year		129,412	18,053		
Recognized during the year	18.3	-	-		
As at end of the year		<u>370,031</u>	<u>240,619</u>		
18.3 Charge to profit or loss					
Current service cost		263,804	234,668		
Interest cost		334,408	199,042		
	18.1	598,212	433,710		
Actuarial gain recognized during the year	18.2	-	-		
		<u>598,212</u>	<u>433,710</u>		
18.4 Historical information					
	June 30, 2011	June 30, 2010	June 30, 2009	June 30, 2008	June 30, 2007
Present value of defined benefit obligation (Rupees)	3,350,445	2,622,821	2,211,558	1,709,168	1,431,267
Actuarial adjustment arising during the year (%)	3.86	0.69	4.59%	1.41%	0.24%
The experience adjustment component of the actuarial adjustment is impracticable to determine and thus has not been disclosed.					



FIRST ELITE CAPITAL MODARABA

19 CONTINGENCIES AND COMMITMENTS

19.1 Contingencies

The Modaraba has filed execution petitions and recovery suits with the Modaraba Tribunal Punjab, Lahore against various parties for recovery of amounts of Rs. 87 million (2010: Rs. 87 million), which are pending. Additionally claims for Rs. 23.7 million (2010: Rs. 23.7 million) have been filed against two companies, which are currently under liquidation, with official liquidators appointed by the Lahore High Court. The Modaraba has made adequate provisions in respect of these balance, as required by the Regulations.

19.2 Commitments

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

Note	June 30, 2011 Rupees	June 30, 2010 Rupees
Future Ijara rentals receivable		
Not later than one year	37,219,453	33,727,189
Later than one year but not later than five years	49,690,130	43,337,986
Later than five years	-	-
	<u>86,909,583</u>	<u>77,065,175</u>

20 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Modaraba certificates of Rs. 10 each 10,000,000 (2010: 10,000,000) certificates issued for cash	100,000,000	100,000,000
1,340,000 (2010: 1,340,000) certificates issued as bonus certificates	13,400,000	13,400,000
	<u>113,400,000</u>	<u>113,400,000</u>

21 STATUTORY RESERVE

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

22 RETURN ON INVESTMENTS

Dividend income	1,389,901	1,023,756
Gain on sale of investments	951,930	564,818
	<u>2,341,831</u>	<u>1,588,574</u>

23 OTHER INCOME

Gain on financial instruments

Return on bank deposits	871,785	633,100
Reversal of impairment	24,816	22,335
	<u>896,601</u>	<u>655,435</u>

Other income

Documentation and processing charges	24,780	79,220
Gain on disposal of assets in own use	239,246	-
	<u>1,160,627</u>	<u>734,655</u>

24 ADMINISTRATIVE AND GENERAL EXPENSES

Salaries and benefits	24.1	5,061,583	4,463,661
Rent, rates and taxes		94,648	9,780
Service charges		2,929,560	2,774,236
Utilities		237,112	197,233
Repair and maintenance		403,617	429,462
Printing and stationery		458,184	417,468
Communication		220,538	225,866
Postage		236,176	191,265



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	Note	June 30, 2011 Rupees	June 30, 2010 Rupees
Travelling and conveyance		639,436	635,584
Insurance		3,015,778	2,161,960
Advertisement		28,400	55,575
Fee and subscription		510,585	232,285
Newspapers, books and periodicals		8,083	10,672
Entertainment		45,835	41,340
Auditors' remuneration	24.2	315,000	315,000
Legal and professional charges		213,700	276,000
Depreciation	15	413,714	274,596
Zakat		850	-
Others		214,969	152,497
		15,047,768	12,864,480

24.1 These include charge in respect of employees retirement benefits amounting to Rs. 598,212 (2010:Rs. 433,710).

24.2 Auditors' remuneration

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

25 MANAGEMENT FEE

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

26 TAXATION

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

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

27 EARNINGS PER CERTIFICATE

Profit attributable to certificate holders	Rupees	8,811,772	7,320,231
Weighted average number of certificates outstanding during the year	No. of shares	11,340,000	11,340,000
Earnings per certificate	Rupees	0.78	0.65

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

28 CASH GENERATED FROM OPERATIONS

Profit before taxation	8,811,772	7,320,231
Adjustments for non-cash and other items		
Depreciation	413,714	274,596
Amortization of assets leased out under ijarah contracts	27,712,094	26,090,039
Gain on sale of investments	(951,930)	(564,818)
Gain on disposal of property and equipment	(239,246)	-
Impairment loss	1,142,435	1,077,053
Reversal of impairment loss	(24,816)	(22,335)
Dividend income	(1,389,901)	(1,023,756)
Gain on transfer of assets leased out	(361,897)	(248,313)
Provision for employees retirement benefits	598,212	433,710
	26,898,665	26,016,176
Operating profit before changes in working capital	35,710,437	33,336,407



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Note	June 30, 2011 Rupees	June 30, 2010 Rupees
Changes in working capital		
Finances under murabahah arrangements	3,737,310	(4,741,138)
Finances under musharakah arrangements	6,795,500	919,500
Ijarah rentals receivable	83,809	(642,976)
Profit receivable on murabahah finances	75,833	1,458
Profit receivable on musharakah finances	100,070	(98,900)
Advances, deposits, prepayments and other receivables	23,238	(894,564)
Security deposits	8,464,965	6,499,735
Accrued and other liabilities	(3,118,467)	(2,748,789)
Management fee payable	165,727	47,522
	16,327,985	(1,658,152)
Cash generated from operations	52,038,422	31,678,255
29 CASH AND CASH EQUIVALENTS		
Cash and bank balances	5 16,824,601	6,480,085
	16,824,601	6,480,085

30 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

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

30.1 Transactions with related parties

Management fee	979,086	813,359
Profit distribution	567,000	510,300

30.2 Balances with related parties

Management fee payable	979,086	813,359
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Note	2011		2010	
	Loans and receivables Rupees	Available for sale financial assets Rupees	Loans and receivables Rupees	Available for sale financial assets Rupees

31 FINANCIAL INSTRUMENTS

31.1 Financial instruments by class and category

Financial assets

Cash and bank balances	5	16,824,601	-	6,480,085	-
Short term investments	6	-	13,734,323	-	11,858,691
Finances under murabahah arrangements	7 & 13	33,322,397	-	37,034,891	-
Finances under musharakah arrangements	12	2,270,000	-	9,065,500	-
Ijarah rentals receivable	8	1,029,434	-	1,113,243	-
Profit receivable on musharakah finances	9	-	-	75,833	-
Profit receivable on murabahah finances	10	869,224	-	969,294	-
Advances to employees	11	1,502,233	-	1,512,430	-
Security deposits	11	60,450	-	60,450	-
Other receivables	11	1,023,108	-	1,014,617	-
		56,901,447	13,734,323	57,326,343	11,858,691



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	Note	Financial liabilities at amortized cost Rupees	Financial liabilities at amortized cost Rupees
Financial liabilities			
Accrued expenses	16	576,183	548,349
Other payables	16	339,074	3,479,922
Management fee payable		979,086	813,359
		1,894,343	4,841,630

31.2 Fair values of financial instruments

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

31.2.1 Methods of determining fair values

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

31.2.2 Discount/interest rates used for determining fair values

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

32 FINANCIAL RISK EXPOSURE AND MANAGEMENT

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

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

32.1 Credit risk

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

	Note	June 30, 2011 Rupees	June 30, 2010 Rupees
32.1.1 Maximum exposure to credit risk			
The maximum exposure to credit risk as at the reporting date is as follows:			
Loans and receivables			
Cash at bank	5	16,508,854	6,307,131
Finances under murabahah arrangements	7 & 13	79,925,889	83,663,199
Finances under musharakah arrangements	12	2,270,000	9,065,500
Ijarah rentals receivable	8	5,732,039	4,985,415
Profit receivable on musharakah finances	9	945,110	1,030,443
Profit receivable on murabahah finances	10	34,937,454	35,006,812
Other receivables	11	7,596,625	7,588,134
		147,915,971	147,646,634



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32.1.2 Concentration of credit risk

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

	June 30, 2011 Rupees	June 30, 2010 Rupees
Customers	131,407,117	141,339,503
Banking companies and financial institutions	16,508,854	6,307,131
	147,915,971	147,646,634

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

2011						
	Ijarah rentals receivable	Finances under Murabahah arrangement	Finances under Musharikhah arrangements	Profit receivables	Others receivables	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Services	195,220	65,500	-	492,208	260,310	1,013,238
Fuel and energy	613,168	287,770	-	13,632	-	914,570
Textile	133,162	45,957,374	-	30,042,780	5,110,571	81,243,887
Transport	-	-	2,270,000	945,110	512,304	3,727,414
Electrical and engineering	313,469	-	-	255,647	-	569,116
Packaging	-	3,180,619	-	3,013,864	132,928	6,327,411
Individuals	4,477,020	30,434,626	-	1,119,323	1,580,512	37,611,481
	5,732,039	79,925,889	2,270,000	35,882,564	7,596,625	131,407,117

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

32.1.3 Credit quality and impairment

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

32.1.3(a) Counterparties with external credit ratings

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



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32.1.3(b) Counterparties without external credit ratings

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

	2011		2010	
	Gross Carrying Amount Rupees	Accumulated Impairment Rupees	Gross carrying amount Rupees	Accumulated Impairment Rupees
Neither past due nor impaired	32,422,396	-	42,584,890	-
Past due by upto 90 days	2,606,040	628,390	2,749,350	590,979
Past due by 90 to 180 days	1,128,637	1,128,637	661,424	661,424
Past due by 180 days to 1 year	3,002,121	732,121	3,325,973	760,473
Past due by 1 to 2 years	601,389	601,389	1,227,677	715,373
Past due by 2 to 3 years	1,261,849	749,545	381,384	381,384
Past due by 3 years or more	90,384,685	89,052,872	90,408,805	88,956,492
	<u>131,407,117</u>	<u>92,892,954</u>	<u>141,339,503</u>	<u>92,066,125</u>

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

32.1.4 Collateral held

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

32.1.5 Credit risk management

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

32.2 Liquidity risk

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

32.3 Market risk

32.3.1 Currency risk

The Modaraba is not exposed to currency risk.

32.3.2 Profit rate risk

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



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32.3.3 Price risk

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

The Modaraba is exposed to unfavorable changes in the fair value of the investments in listed equity securities as a result of the changes in the equity prices. The particulars of investments exposed to price risk as at the reporting date are referred to note 6 to the financial statements. A ten percent increase in market prices would have increased equity by Rs. 1.00 million (2010: Rs. 1.2 million). A ten percent decrease in market prices would have had an equal but opposite impact on equity.

33 CAPITAL MANAGEMENT

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

34 EVENTS AFTER THE REPORTING PERIOD

The Board of Directors of the Management Company in their meeting held on September 23, 2011 has approved profit distribution to certificate holders at Rs. 0.55 per certificate of Rs. 10 each.

35 REMUNERATION OF OFFICERS AND OTHER EMPLOYEES

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

	2011		
	Officers	Other Employees	Total
	Rupees	Rupees	Rupees
Managerial remuneration	1,317,000	1,283,997	2,600,997
Allowances and perquisites	979,406	882,968	1,862,374
Post employment benefits	375,129	223,083	598,212
	<u>2,671,535</u>	<u>2,390,048</u>	<u>5,061,583</u>
Number of persons	<u>3</u>	<u>11</u>	<u>14</u>
	2010		
	Officers	Other Employees	Total
	Rupees	Rupees	Rupees
Managerial remuneration	1,177,200	1,250,888	2,428,088
Allowances and perquisites	863,932	737,931	1,601,863
Post employment benefits	263,810	169,900	433,710
	<u>2,304,942</u>	<u>2,158,719</u>	<u>4,463,661</u>
Number of persons	<u>3</u>	<u>11</u>	<u>14</u>



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36 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on September 23, 2011 by the Board of Directors of the Management Company.

37 GENERAL

Figures have been rounded off to the nearest rupee.

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

Muneeb Ahmed Dar
Chairman
CRESCENT MODARABA
MANAGEMENT CO. LTD.

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

Muhammad Javed Amin
Director
CRESCENT MODARABA
MANAGEMENT CO. LTD.



FIRST ELITE CAPITAL MODARABA

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The Crescent Modaraba Management Company Limited ("the Management Company") is a Public Limited Company and is not listed on any Stock Exchange. However, the First Elite Capital Modaraba ("the Modaraba") is listed on the 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 principle contained in the Code in the following manner:

1. The Board presently comprises seven directors including six non- executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including the Management Company.
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBF1 or being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. 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 of the Management Company and employees of the Modaraba.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Modaraba. A complete record of particulars of significant policies 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 meeting 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 the appointment of the CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.
11. The Directors report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Modaraba were duly endorsed by the CEO and the CFO before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the certificates of Modaraba other than that disclosed in the pattern of holding of certificates.
14. The Modaraba has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an audit committee. It comprises four members, of whom three are non-executive directors including the chairman of the committee.
16. The meetings of the audit committee were held at least once every quarter prior to the 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 was no related party transactions falling within the ambit of the Sib- Regulation (xiii) of the Listing Regulation 35 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009, other than normal management fee.
19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold certificates of the Modaraba and that firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. We confirm that all other material principles contained in the Code have been complied with.

On behalf of the Board

Aamir Iftikhar Khan
Chief Executive

Crescent Modaraba Management Company Limited

Date: September 23, 2011



FIRST ELITE CAPITAL MODARABA

PATTERN OF CERTIFICATE HOLDERS AS AT JUNE 30, 2011

NUMBER OF CERTIFICATE HOLDERS	CERTIFICATE HOLDINGS FROM	TO	TOTAL CERTIFICATE HELD
2,341	1	100	115054
461	101	500	151040
1,275	501	1000	752227
349	1001	5000	793442
77	5001	10000	572694
38	10001	15000	469675
15	15001	20000	256520
8	20001	25000	190261
16	25001	30000	444141
3	30001	35000	95215
4	35001	40000	150920
2	40001	45000	81117
3	45001	50000	143499
3	50001	55000	157833
3	55001	60000	169225
1	60001	65000	64000
1	65001	70000	67107
1	70001	75000	72949
1	80001	85000	82517
1	85001	90000	85803
2	90001	95000	186046
2	105001	110000	214500
1	110001	115000	110016
2	115001	120000	235115
1	135001	140000	140000
1	270001	275000	275000
1	530001	535000	531972
1	1035001	1040000	1037570
1	1130001	1135000	1134000
1	1245001	1250000	1250000
1	1310001	1315000	1310542
4,617			11340000



FIRST ELITE CAPITAL MODARABA

CATEGORIES OF CERTIFICATE HOLDING AS AT JUNE 30, 2011

CATEGORIES OF CERTIFICATE HOLDERS	NUMBERS	CERTIFICATE HELD	PERCENTAGE
ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES			
Crescent Modaraba Management Co. Ltd.	1	1,134,000	10.00%
NIT & ICP			
National Bank of Pakistan, Trustee Deptt.	1	1,037,570	9.15%
Investment Corporation of Pakistan	1	15,000	0.13%
DIRECTORS, CEO AND THEIR SPOUSES AND MINOR CHILDREN			
	8	263,329	2.32%
Mr. Muhammad Javed Amin		146,343	
Miss Mahnoor Amin		3,000	
Mr. Muhammad Shams Amin		43,386	
Miss Jehan Ara Amin		5,500	
Mr. Muhammad Ahmad Amin		9,400	
Miss Tajwer Amin		2,000	
Mrs. Shahana Javed Amin		45,000	
Mrs. Rukhsana Javed Amin		8,700	
EXECUTIVE			
		-	-
PUBLIC SECTOR COMPANIES AND CORPORATIONS			
State Life Insurance Corporation of Pakistan	1	531,972	4.69%
BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON BANKING FINANCE INSTITUTIONS, INSURANCE COMPANIES, MODARABAS AND MUTUAL FUNDS			
	9	123,359	1.09%
JOINT STOCK COMPANIES			
	26	347,235	3.06%
INDIVIDUALS			
	4,570	7,887,535	69.56%
TOTAL:	4,617	11,340,000	100.00%

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

Firozuddin A. Cassim	1,310,542	11.56%
Crescent Modaraba Management Company Limited	1,134,000	10.00%
Dinaz F. Cassim	1,250,000	11.02%



FIRST ELITE CAPITAL MODARABA

KEY OPERATING AND FINANCIAL DATA

YEAR	2011	2010	2009	2008	2007	2006
	Rupees in million					
Revenues	53.70	48.18	41.06	35.81	30.26	31.72
Profit after management fee & taxation	8.81	7.32	6.89	9.85	9.62	10.78
Paid up Capital	113.40	113.40	113.40	113.40	113.40	113.40
Certificate Holder's Equity	124.04	117.68	112.55	118.18	123.95	112.98
Current Liabilities	9.36	15.15	14.29	12.72	6.97	8.05
Fixed assets	96.07	84.43	76.96	51.03	39.22	32.60
Current Assets	59.78	49.91	47.10	67.34	82.86	76.76
Dividend (%)	5.50	5.00	4.50	6.00	6.00	6.00
Earning per Certificate	0.78	0.65	0.61	0.87	0.85	0.95
Break up Value	10.94	10.38	9.93	10.42	10.93	9.96



FIRST ELITE CAPITAL MODARABA

Review Report to the Certificate Holders on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Crescent Modaraba Management Company Limited** ("the Management Company") in respect of **First Elite Capital Modaraba** ("the Modaraba") to comply with the Listing Regulation No. 35 of 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, 2011.

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ

Chartered Accountants

Engagement Partner: IRFAN RAHMAN MALIK

Date: SEPTEMBER 23, 2011

Place: LAHORE



FIRST ELITE CAPITAL MODARABA

NOTICE OF ANNUAL REVIEW MEETING

Notice is hereby given that 12th Annual Review Meeting of the First Elite Capital Modaraba will be held on Friday, October 28, 2011 at 12:15 p.m. at 31/10-A, Abu Baker Block, New Garden Town, Lahore to review the performance of the Modaraba for the year ended June 30, 2011. The Certificate Holders whose names appear on the Register of the Modaraba as on October 21, 2011 are eligible to attend the Meeting.

Muhammad Arif Hilal
Company Secretary
Crescent Modaraba Management Company Limited

Date: October 01, 2011

Place : LAHORE

BOOK POST
UNDER POSTAL CERTIFICATE



IF UNDELIVERED PLEASE RETURN TO

FIRST ELITE CAPITAL MODARABA

Managed By
Crescent Modaraba Management Company Limited

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