



**FIRST
ELITE
CAPITAL
MODARABA**

*Annual Report
Two Thousand Twelve*

Managed by
**CRESCENT MODARABA MANAGEMENT
COMPANY LIMITED**



C O N T E N T S

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



FIRST ELITE CAPITAL MODARABA

VISION STATEMENT

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

MISSION STATEMENT

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



FIRST ELITE CAPITAL MODARABA

CORPORATE INFORMATION

BOARD OF DIRECTORS OF MODARABA MANAGEMENT COMPANY

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

AUDIT COMMITTEE

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

COMPANY SECRETARY

Mr. Muhammad Arif Hilal

LEGAL ADVISOR

Mr. Haq Nawaz Chattha,
International Legal Services



FIRST ELITE CAPITAL MODARABA

AUDITORS OF THE MODARABA

Rahman Sarfaraz Rahim Iqbal Rafiq

Chartered Accountants

HUMAN RESOURCE COMMITTEE

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

BANKERS OF THE MODARABA

Allied Bank Limited
Bank Alfalah Limited
KASB Bank Limited
Samba Bank Limited

PRINCIPAL & REGISTERED OFFICE

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

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

E-mail: fecm@nexlinx.net.pk

Web: www.fecm.com.pk

REGISTRAR

Hassan Farooq Associates (Pvt.) Limited

7-G, Mushtaq Ahmad Gormani Road,

Gulberg - II, Lahore.

Tel: 042-35761661-35761662

Fax: 042-35760521



FIRST ELITE CAPITAL MODARABA

DIRECTORS' REPORT TO THE CERTIFICATE HOLDERS

Valued Certificate Holders

The Board of Directors of **Crescent Modaraba Management Company Limited**, managers of **First Elite Capital Modaraba** presents the 21st annual audited accounts of the Modaraba for the year ended June 30, 2012.

Financial Results

Financial results for the year ended June 30, 2012 are summarized as under:

	June 30, 2012 Rupees	June 30, 2011 Rupees
Total Income of Modaraba	59,345,638	53,702,877
Amortization of Assets Leased Out	31,142,058	27,712,094
Administrative & General Expenses	16,829,427	15,047,768
Impairment loss on available for sale financial assets	1,332,361	1,142,435
Financial Charges	15,981	9,722
Modaraba Company's Management Fee	1,002,581	979,086
Taxation	-	-
Profit after Taxation	9,023,230	8,811,772

Profit Distribution

The Board in its meeting held on September 27, 2012 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, 2012.

Review of Operations

The Modaraba earned a net profit of Rs.9,023,230/= in the year ended June 30, 2012 as compared to Rs.8,811,772/= in corresponding period of the preceding year. The performance of the Modaraba during the year is satisfactory, since it was achieved at a time when the country is still passing through an economic crisis. Industry is facing its worse energy short fall resulting in colossal productivity and efficiency losses. Despite the challenging circumstances, it is the pleasure of the management to announce profit distribution of 5.50 %. An amount of Rs.2,255,808/= has been transferred to statutory reserve. Total assets of the Modaraba were Rs.186,811,686/= as on June 30, 2012.

Future Outlook

Owing to the overall economic and political situation prevailing in the country Modaraba will focus in offering Murabahah, Ijarah, products to the parties of repute. This approach has proved in achieving the respectable results. The management is keen to remain on its policy of quality business approach to achieve the better results for its certificate holders.

Corporate and Financial Reporting Framework

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



FIRST ELITE CAPITAL MODARABA

implemented and monitored.

- There are no significant doubts upon the Modaraba's ability to continue as a going concern.
- The Directors, CEO, CFO, Company Secretary and their spouses and minor children do not hold any interest in the certificates of Modaraba, other than that disclosed in the pattern of certificate holding.
- During the year under review five 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	5
II.	Dr. Sardar Ahmad Khan	-
III.	Mr. Ghazanfar Farrokh	2
IV.	Mr. Muhammad Javed Amin	5
V.	Mr. Muneeb Ahmed Dar	5
VI.	Mrs. Rukhsana Javed Amin	1
VII.	Mrs. Shahana Javed Amin	4

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

Pattern of Certificate Holding

A statement reflecting the pattern of holding of the certificates as on June 30, 2012 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 2012-2013 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 27, 2012



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, 2012 and the related profit and loss account, statement of 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 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, 2012 and of the profit, other comprehensive income, its cash flows and changes in equity for the year then ended; and
- d). in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980.), was deducted by the Modaraba and deposited in the Central Zakat Fund established under section 7 of that ordinance.

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

Date: SEPTEMBER 27, 2012
Place: LAHORE



FIRST ELITE CAPITAL MODARABA

BALANCE SHEET AS AT JUNE 30, 2012

	Note	June 30, 2012 Rupees	June 30, 2011 Rupees
ASSETS			
Current assets			
Cash and bank balances	5	13,630,184	16,824,601
Short term investments	6	15,799,755	13,734,323
Short term finances under murabahah arrangements - Secured	7	20,409,676	23,318,191
Ijarah rentals receivable - Secured	8	648,421	1,029,434
Profit receivable - Secured	9	757,416	869,224
Advances, deposits, prepayments and other receivables	10	3,196,689	2,711,834
Advance income tax		1,331,251	1,301,329
		55,773,392	59,788,936
Non-current assets			
Long term finances under musharakah arrangements - Secured	11	2,162,500	2,270,000
Long term finances under murabahah arrangements - Secured	12	8,256,477	10,004,206
Assets leased out under ijarah contracts	13	118,124,523	93,107,451
Property and equipment	14	2,494,794	2,969,446
		131,038,294	108,351,103
Total assets		186,811,686	168,140,039
LIABILITIES			
Current liabilities			
Accrued and other liabilities	15	1,403,948	938,261
Security deposits	16	7,576,163	2,491,663
Management fee payable		1,141,667	979,086
Unclaimed profit distribution		5,379,480	4,948,809
		15,501,258	9,357,819
Non-current liabilities			
Security deposits	16	39,872,130	31,759,854
Employees retirement benefits	17	3,373,515	2,980,414
		43,245,645	34,740,268
Contingencies and commitments	18	-	-
Total liabilities		58,746,903	44,098,087
NET ASSETS		128,064,783	124,041,952
REPRESENTED BY			
Authorized certificate capital 20,000,000 modaraba certificates of Rs. 10 each		200,000,000	200,000,000
Issued, subscribed and paid-up capital	19	113,400,000	113,400,000
Reserves		14,664,783	10,641,952
		128,064,783	124,041,952

The annexed notes 1 to 36 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, 2012

	Note	June 30, 2012 Rupees	June 30, 2011 Rupees
INCOME			
Income from ijarah financing		46,415,492	39,833,979
Profit on murabahah and musharakah financing		9,999,678	10,366,440
Return on investments	21	2,115,961	2,341,831
Other income	22	814,507	1,160,627
		59,345,638	53,702,877
EXPENSES			
Amortization of assets leased out under ijarah contracts	13	31,142,058	27,712,094
Administrative and general expenses	23	16,829,427	15,047,768
Impairment loss on available for sale financial assets		1,332,361	1,142,435
Financial charges		15,981	9,722
		49,319,827	43,912,019
Operating profit		10,025,811	9,790,858
Management fee	24	1,002,581	979,086
Profit before taxation		9,023,230	8,811,772
Taxation	25	-	-
Profit after taxation		9,023,230	8,811,772
Earnings per certificate - basic and diluted	26	0.80	0.78

The annexed notes 1 to 36 form an integral part of these financial statements.

Muneeb Ahmed Dar
Chairman
CRESCENT MODARABA
MANAGEMENT CO. LTD.

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

Muhammad Javed Amin
Director
CRESCENT MODARABA
MANAGEMENT CO. LTD.



FIRST ELITE CAPITAL MODARABA

STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2012

	Note	June 30, 2012 Rupees	June 30, 2011 Rupees
Changes in fair value of available for sale investments	6	1,236,601	3,220,402
Other comprehensive income before taxation		1,236,601	3,220,402
Taxation		-	-
Other comprehensive income after taxation		1,236,601	3,220,402
Profit for the year		9,023,230	8,811,772
Total comprehensive income		10,259,831	12,032,174

The annexed notes 1 to 36 form an integral part of these financial statements.

Muneeb Ahmed Dar
Chairman
CRESCENT MODARABA
MANAGEMENT CO. LTD.

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

Muhammad Javed Amin
Director
CRESCENT MODARABA
MANAGEMENT CO. LTD.



FIRST ELITE CAPITAL MODARABA

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2012

	Note	June 30, 2012 Rupees	June 30, 2011 Rupees
CASH GENERATED FROM OPERATIONS	27	58,459,305	52,038,422
(Payments)/receipts for:			
Income taxes		(29,922)	(41,501)
Employees retirement benefits		(262,020)	-
Purchase of Ijarah assets		(64,545,800)	(48,735,900)
Proceeds from transfer of Ijarah assets		9,042,580	10,951,511
Profit distribution		(5,806,329)	(5,025,884)
Net cash generated from/(used in) operating activities		(3,142,186)	9,186,648
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(7,000)	(1,951,298)
Proceeds from disposal of property and equipment		-	565,000
Purchase of investments		(8,654,287)	(16,543,274)
Proceeds from sale of investments		7,072,431	17,697,539
Dividend received		1,536,625	1,389,901
Net cash flow from investing activities		(52,231)	1,157,868
CASH FLOW FROM FINANCING ACTIVITIES		-	-
Net increase/(decrease) in cash and cash equivalents		(3,194,417)	10,344,516
Cash and cash equivalents at the beginning of the year		16,824,601	6,480,085
Cash and cash equivalents at the end of the year	28	13,630,184	16,824,601

The annexed notes 1 to 36 form an integral part of these financial statements.

Muneeb Ahmed Dar
Chairman
CRESCENT MODARABA
MANAGEMENT CO. LTD.

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

Muhammad Javed Amin
Director
CRESCENT MODARABA
MANAGEMENT CO. LTD.



FIRST ELITE CAPITAL MODARABA

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2012

	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	
As at July 01, 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	20	-	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
Profit for the year ended June 30, 2012		-	-	-	9,023,230	9,023,230	9,023,230
Transferred to statutory reserve	20	-	2,255,808	-	(2,255,808)	-	-
Profit distribution for the year ended June 30, 2011		-	-	-	(6,237,000)	(6,237,000)	(6,237,000)
Other comprehensive income for the year ended June 30, 2012		-	-	1,236,601	-	1,236,601	1,236,601
As at June 30, 2012		113,400,000	24,486,366	(1,440,229)	(8,381,354)	14,664,783	128,064,783

The annexed notes 1 to 36 form an integral part of these financial statements.

Muneeb Ahmed Dar
Chairman
CRESCENT MODARABA
MANAGEMENT CO. LTD.

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

Muhammad Javed Amin
Director
CRESCENT MODARABA
MANAGEMENT CO. LTD.



FIRST ELITE CAPITAL MODARABA

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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



FIRST ELITE CAPITAL MODARABA

diminution in market values. Musharakah, Murabahah and Ijarah finances, and related other receivables are tested for impairment taking into account the borrowers' payment/credit history, adequacy of security and requirements of Prudential Regulations for Modarabas.

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

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

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 14 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



FIRST ELITE CAPITAL MODARABA

liability after deducting amount already paid and as an expense in profit or loss. If the amount paid exceeds the undiscounted amount of benefits, the excess is recognized as an asset to the extent that the prepayment would lead to a reduction in future payments or cash refund.

3.4.2 Post employment benefits

The Modaraba operates an unfunded gratuity scheme (defined benefit plan) for all its employees who have completed the minimum qualifying service period. Liability is adjusted on each reporting date to cover the obligation and the adjustment is charged to profit or loss. The amount recognized on balance sheet represents the present value of defined benefit obligation as adjusted for unrecognized actuarial gains or losses. Actuarial gains or loss are recognized using '10% corridor approach' as set out by International Accounting Standard 19 - Employee Benefits. The details of the scheme are referred to in note 17 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. 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.



FIRST ELITE CAPITAL MODARABA

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 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.



FIRST ELITE CAPITAL MODARABA

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

3.14.2 Non-financial assets

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

An impairment loss is recognized if the carrying amount of the asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash generating units are allocated to reduce the carrying amounts of the assets in a unit on a pro rata basis. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used in determine the recoverable amount. An impairment loss is reversed only to that extent that the asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

3.15 Provisions and contingencies

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

3.16 Profit distribution to certificate holders

Profit distribution to certificate holders is recognized as a deduction from accumulated profit in statement of changes in equity and as a liability, to the extent it is unclaimed/unpaid, in the 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 Approved accounting standards, interpretations and amendments thereto issued but not effective as at the reporting date

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

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



FIRST ELITE CAPITAL MODARABA

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 12 - Income Taxes (amendments)

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 be recovered entirely through sale. The amendments are effective for annual periods beginning on or after January 01, 2012.

IAS 19 - Employee Benefits (amendments)

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

IAS 1 - Presentation of Financial Statements (amendments)

The amendments require presentation of items of other comprehensive income that would be reclassified to profit or loss in future if certain conditions are met separately from those items which will never be so reclassified. The amendments are effective for annual periods beginning on or after July 01, 2012.

IAS 27 - Separate Financial Statements (revised 2011)

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

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

The revised standard supercedes IAS 28 - Investments in Associates (revised 2008). The revised standard makes amendments to apply IFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations to investment, or a portion thereof, in an associate or joint venture, that meets the criteria to be classified as held for sale. The revised standard is effective for annual periods beginning on or after January 01, 2013.

IAS 32 - Financial Instruments: Presentation (amendments)

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

IFRS 7 - Financial Instruments: Disclosure (amendments)

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



FIRST ELITE CAPITAL MODARABA

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

The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met.

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

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

IAS 1 - Presentation of Financial Statements (amendments)

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

IAS 16 - Property, Plant and Equipment (amendments)

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

IAS 32 - Financial Instruments: Presentation (amendments)

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

IAS 34 - Interim Financial Reporting (amendments)

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

	Note	June 30, 2012 Rupees	June 30, 2011 Rupees
5 CASH AND BANK BALANCES			
Cash in hand		205,275	315,747
Cash at bank in			
current accounts		795,417	700,897
saving/deposit accounts	5.1	12,629,492	15,807,957
		<u>13,424,909</u>	16,508,854
		<u>13,630,184</u>	<u>16,824,601</u>
5.1	Effective rate of return on deposit/saving accounts, for the year, ranges from 4.5% to 9.5% (2011: 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	23,369,242	21,208,050
Accumulated impairment	6.1	(6,129,258)	(4,796,897)
Accumulated changes in fair value	6.1	(1,440,229)	(2,676,830)
		<u>15,799,755</u>	<u>13,734,323</u>



6.1 Particulars of investments

Oil and Gas Producers

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

Chemicals

Fauji Fertilizer Bin Qasim Limited
Fauji Fertilizer Company Limited
Lottee Pakistan PTA 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
Crescent Cotton Mills 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



FIRST ELITE CAPITAL MODARABA

No. Of Shares/ Certificates		Average Cost		Fair Value	
June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
		Rupees		Rupees	
20,000	20,000	240,121	240,121	168,600	181,400
3,000	1,500	834,698	453,251	707,520	396,870
3,300	3,000	678,462	678,462	621,357	621,210
4,000	-	503,709	-	491,480	-
13,000	5,000	638,767	163,364	530,660	210,750
51,450	30,000	2,437,161	1,519,412	5,713,523	4,510,500
12,000	-	152,239	-	84,360	-
4,400	4,400	348,369	348,369	102,036	114,928
5,000	6,000	173,294	198,041	196,900	137,940
22,000	10,000	158,986	85,280	123,860	41,200
26,100	26,100	376,989	376,989	112,752	70,470
2,000	2,000	39,708	39,708	7,500	6,000
4,102	2,920	85,786	73,966	69,078	30,455
10,710	13,910	301,557	303,745	1,081,710	1,119,894
-	3,500	-	27,352	-	38,255
-	122	-	579	-	73
32,277	30,877	454,662	443,209	287,265	480,755
82,000	82,000	815,655	815,655	61,500	49,200
10,000	10,000	421,373	421,373	173,900	222,900
153,900	153,900	2,023,076	2,023,076	-	-
2,750	-	95,850	-	79,585	-
400	-	5,923	-	8,608	-
5,100	5,100	530,323	530,323	-	9,690
52,000	52,000	3,555,002	3,555,002	711,880	739,440
-	16,000	-	561,413	-	600,000
-	5,000	-	228,265	-	213,050
10,000	10,000	164,475	164,475	147,000	154,400
10,000	10,000	287,557	287,557	165,000	197,500
11,550	11,000	409,772	409,772	195,080	219,120
14,797	14,093	483,072	483,072	288,542	305,395
-	1,795	-	29,531	-	17,178
51,685	44,945	853,783	853,783	701,365	489,002
15,240	15,240	351,885	351,885	126,187	72,085
15,500	15,500	303,183	303,183	79,050	37,510
3,520	2,200	649,341	469,702	585,165	438,460
22,000	12,500	1,115,089	785,623	957,880	630,250
11,150	11,150	252,583	252,583	22,189	16,837
40,371	40,371	588,172	588,172	92,853	69,034
-	1,500	-	103,137	-	92,865
76,837	76,837	1,138,965	1,138,965	537,859	640,821
1,000	1,000	9,000	9,000	-	1,400
7,000	7,000	36,358	36,358	14,700	11,550
36,523	36,523	108,169	108,169	29,584	11,687
8,800	8,800	1,164,611	1,164,611	16,720	22,176
1,000	1,000	41,658	41,658	12,410	6,480
2,000	2,000	26,100	26,100	-	-
52,000	52,000	313,739	313,739	77,480	65,000
13,700	13,700	200,020	200,020	416,617	440,593
924,162	872,483	23,369,242	21,208,050	15,799,755	13,734,323



FIRST ELITE CAPITAL MODARABA

	Note	June 30, 2012 Rupees	June 30, 2011 Rupees
7 SHORT TERM FINANCES UNDER MURABAHAH ARRANGEMENTS - SECURED			
Considered good		20,409,676	23,318,191
Considered doubtful	7.1	46,561,694	46,603,492
		66,971,370	69,921,683
Accumulated impairment		(46,561,694)	(46,603,492)
		20,409,676	23,318,191

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% (2011: 16% 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.

7.1 Movement in accumulated impairment is as follows:

As at beginning of the year	46,603,492	46,628,308
Recognized during the year	-	-
Reversed during the year	(41,798)	(24,816)
As at end of the year	46,561,694	46,603,492

8 IJARAH RENTALS RECEIVABLE - SECURED

Considered good	648,421	1,029,434
Considered doubtful	5,308,097	4,702,605
	5,956,518	5,732,039
Accumulated impairment	(5,308,097)	(4,702,605)
	648,421	1,029,434

These represent rentals receivable against assets leased out under Ijarah contracts.

8.1 Movement in accumulated impairment is as follows:

As at beginning of the year	4,702,605	3,872,172
Recognized during the year	2,285,807	1,650,945
Reversed during the year	(1,680,315)	(820,512)
As at end of the year	5,308,097	4,702,605

9 PROFIT RECEIVABLE - SECURED

9.1 Profit Receivable On Musharakah Finances - Secured

Considered good	-	-
Considered doubtful	923,610	945,110
	923,610	945,110
Accumulated impairment	(923,610)	(945,110)
	-	-

9.1.1 Movement in accumulated impairment is as follows:

As at beginning of the year	945,110	954,610
Recognized during the year	-	-
Reversed during the year	(21,500)	(9,500)
As at end of the year	923,610	945,110



FIRST ELITE CAPITAL MODARABA

	Note	June 30, 2012 Rupees	June 30, 2011 Rupees
9.2 Profit Receivable On Murabahah Finances - Secured			
Considered good		757,416	869,224
Considered doubtful	9.2.1	33,780,533	34,068,230
		34,537,949	34,937,454
Accumulated impairment		(33,780,533)	(34,068,230)
		<u>757,416</u>	<u>869,224</u>
9.2.1 Movement in accumulated impairment is as follows:			
As at beginning of the year		34,068,230	34,037,518
Recognized during the year		-	159,288
Reversed during the year		(287,697)	(128,576)
As at end of the year		<u>33,780,533</u>	<u>34,068,230</u>
10 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Advances to employees against salary		540,923	650,603
against retirement benefits	10.1	1,588,985	851,630
Security deposits		60,450	60,450
Prepayments		93,885	126,043
Other receivables - unsecured	10.2	912,446	1,023,108
		<u>3,196,689</u>	<u>2,711,834</u>
10.1 These include advances to officers of the Modaraba amounting to Rs. 1,588,985 (2011: 851,630).			
10.2 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		912,446	1,023,108
Considered doubtful	10.2.1	6,560,417	6,573,517
		7,472,863	7,596,625
Accumulated impairment		(6,560,417)	(6,573,517)
		<u>912,446</u>	<u>1,023,108</u>
10.2.1 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		(13,100)	-
As at end of the year		<u>6,560,417</u>	<u>6,573,517</u>
11 LONG TERM FINANCES UNDER MUSHARAKAH ARRANGEMENTS - SECURED			
These represent investments made under musharakah arrangements on profit and loss sharing basis and are secured by specific charge over operating fixed assets and demand promissory notes. The share of profit of Modaraba is 40% per annum (2011: 40% per annum) receivable on monthly basis.			
12 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 (2011: 14% to 19% per annum) receivable on monthly basis.			



13 ASSETS LEASED OUT UNDER IJARAH CONTRACTS

Year ended June 30, 2012

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

Year ended June 30, 2011

PARTICULARS	COST			AMORTIZATION			Carrying Value As at June 30, 2011		
	As at July 01, 2010	Additions	Disposals	As at June 30, 2011	As at July 01, 2010	For the year		Adjustment	
	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

13.1 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.



14 PROPERTY AND EQUIPMENT

Year ended June 30, 2012

PARTICULARS	COST			DEPRECIATION			Net book value as at June 30, 2012			
	As at July 01, 2011	Additions	Disposals	As at June 30, 2012	Rate	As at July 01, 2011		For the year	Disposal	As at June 30, 2012
	Rupees	Rupees	Rupees	Rupees		Rupees	Rupees	Rupees	Rupees	Rupees
Furniture and fixtures	208,780	7,000	-	215,780	10	98,352	11,580	-	109,932	105,848
Office equipment	1,900,078	-	-	1,900,078	10	882,756	101,732	-	984,488	915,590
Vehicles	2,745,000	-	-	2,745,000	20	903,304	368,340	-	1,271,644	1,473,356
	4,853,858	7,000	-	4,860,858		1,884,412	481,652	-	2,366,064	2,494,794

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	As at June 30, 2011
	Rupees	Rupees	Rupees	Rupees		Rupees	Rupees	Rupees	Rupees	Rupees
Furniture and fixtures	189,130	19,650	-	208,780	10%	87,578	10,774	-	98,352	110,428
Office equipment	1,668,930	231,148	-	1,900,078	10%	783,801	98,955	-	882,756	1,017,322
Vehicles	1,679,500	1,700,500	(635,000)	2,745,000	20%	908,565	303,985	(309,246)	903,304	1,841,696
	3,537,560	1,951,298	(635,000)	4,853,858		1,779,944	413,714	(309,246)	1,884,412	2,969,446

14.1 There are no disposals during the current year.

14.2 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



FIRST ELITE CAPITAL MODARABA

	Note	June 30, 2012 Rupees	June 30, 2011 Rupees
15 ACCRUED AND OTHER LIABILITIES			
Accrued expenses		869,880	576,183
Withholding tax		66,034	23,004
Other payables - unsecured		468,034	339,074
		1,403,948	938,261

16 SECURITY DEPOSITS			
Security deposits under ijarah contracts		47,448,293	34,251,517
Current maturity presented under current liabilities		(7,576,163)	(2,491,663)
		39,872,130	31,759,854

17 EMPLOYEES RETIREMENT BENEFITS

The amounts recognized on balance sheet are as follows:

Present value of defined benefit obligation	17.1	3,894,958	3,350,445
Unrecognized actuarial losses	17.2	(521,443)	(370,031)
		3,373,515	2,980,414

17.1 Movement in present value of defined benefit obligation

As at beginning of the year		3,350,445	2,622,821
Charged to profit or loss for the year	17.3	655,121	598,212
Benefits paid during the year		(262,020)	-
Actuarial loss arising during the year	17.2	151,412	129,412
As at end of the year		3,894,958	3,350,445

The present value of defined benefit obligation has been determined by the management of the Modaraba using the following assumptions:

	2012	2011
Discount rate	14%	14%
Expected rates of increase in salary	11%	12%
Expected average remaining working lives of employees	11	11 years

17.2 Movement in unrecognized actuarial losses

As at beginning of the year		370,031	240,619
Loss arising during the year		151,412	129,412
Recognized during the year	17.3	-	-
As at end of the year		521,443	370,031

17.3 Charge to profit or loss

Current service cost		277,856	263,804
Interest cost		377,265	334,408
	17.1	655,121	598,212
Actuarial gain recognized during the year	17.2	-	-
		655,121	598,212

17.4 Historical information

	June 30, 2012	June 30, 2011	June 30, 2010	June 30, 2009	June 30, 2008
Present value of defined benefit obligation	3,894,958	3,350,445	2,622,821	2,211,558	1,709,168
Actuarial adjustment arising during the year %	3.89	3.86	0.69	4.59%	1.41%

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



FIRST ELITE CAPITAL MODARABA

18 CONTINGENCIES AND COMMITMENTS

18.1 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 (2011: Rs. 87 million), which are pending. Additionally, claims for Rs. 23.7 million (2011: 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.

18.2 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, 2012 Rupees	June 30, 2011 Rupees
Future Ijarah rentals receivable			
Not later than one year		43,485,674	37,219,453
Later than one year but not later than five years		61,451,786	49,690,130
Later than five years		-	-
		104,937,460	86,909,583
19 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL			
Modaraba certificates of Rs. 10 each 10,000,000 (2011: 10,000,000) certificates issued for cash		100,000,000	100,000,000
1,340,000 (2011: 1,340,000) certificates issued as full paid bonus certificates		13,400,000	13,400,000
		113,400,000	113,400,000
20 STATUTORY RESERVE			
This represents special reserve created in compliance with the Prudential Regulations for Modarabas issued by the Securities and Exchange Commission of Pakistan.			
21 RETURN ON INVESTMENTS			
Dividend income		1,536,625	1,389,901
Gain on sale of investments		579,336	951,930
		2,115,961	2,341,831
22 OTHER INCOME			
Gain on financial instruments			
Return on bank deposits		733,199	871,785
Reversal of impairment		54,898	24,816
		788,097	896,601
Other income			
Documentation and processing charges		26,410	24,780
Gain on disposal of assets in own use		-	239,246
		814,507	1,160,627
23 ADMINISTRATIVE AND GENERAL EXPENSES			
Salaries and benefits	23.1	5,819,831	5,061,583
Rent, rates and taxes		9,510	94,648
Service charges		2,928,059	2,929,560
Utilities		292,680	237,112
Repair and maintenance		543,873	403,617
Printing and stationery		412,538	458,184



FIRST ELITE CAPITAL MODARABA

	Note	June 30, 2012 Rupees	June 30, 2011 Rupees
Communication		259,172	220,538
Postage		244,230	236,176
Travelling and conveyance		816,259	639,436
Insurance		3,570,023	3,015,778
Advertisement		28,400	28,400
Fee and subscription		470,997	510,585
Newspapers, books and periodicals		7,486	8,083
Entertainment		84,984	45,835
Auditors' remuneration	23.2	360,000	315,000
Legal and professional charges		271,543	213,700
Depreciation	14	481,652	413,714
Zakat		1,300	850
Others		226,890	214,969
		16,829,427	15,047,768

23.1 These include charge in respect of employees retirement benefits amounting to Rs. 655,121 (Rs. 2011: 598,212).

23.2 Auditors' remuneration

Annual statutory Audit	250,000	250,000
Half yearly review	50,000	35,000
Review report under Code of Corporate Governance	45,000	25,000
Out of pocket expenses	15,000	5,000
	360,000	315,000

24 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.

25 TAXATION

25.1 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 at least ninety percent of its profits, as reduced by the amount transferred to statutory reserve, as cash dividends to the certificate holders.

25.2 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.

26 EARNINGS PER CERTIFICATE

Profit attributable to certificate holders	Rupees	9,023,230	8,811,772
Weighted average number of certificates outstanding during the year	No. of shares	11,340,000	11,340,000
Earnings per certificate	Rupees	0.80	0.78

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

27 CASH GENERATED FROM OPERATIONS

Profit before taxation	9,023,230	8,811,772
Adjustments for non-cash and other items		
Depreciation	481,652	413,714
Amortization of assets leased out under ijarah contracts	31,142,058	27,712,094
Gain on sale of investments	(579,336)	(951,930)
Gain on disposal of property and equipment	-	(239,246)
Impairment loss	1,332,361	1,142,435



FIRST ELITE CAPITAL MODARABA

	Note	June 30, 2012 Rupees	June 30, 2011 Rupees
Reversal of impairment loss		(54,898)	(24,816)
Dividend income		(1,536,625)	(1,389,901)
Gain on transfer of assets leased out		(655,910)	(361,897)
Provision for employees retirement benefits		655,121	598,212
		30,784,423	26,898,665
Operating profit before changes in working capital		39,807,653	35,710,437
Changes in working capital			
Finances under murabahah arrangements		4,711,142	3,737,310
Finances under musharakah arrangements		107,500	6,795,500
Ijarah rentals receivable		381,013	83,809
Profit receivable on murabahah finances		-	75,833
Profit receivable on musharakah finances		111,808	100,070
Advances, deposits, prepayments and other receivables		(484,855)	23,238
Security deposits		13,196,776	8,464,965
Accrued and other liabilities		465,687	(3,118,467)
Management fee payable		162,581	165,727
		18,651,652	16,327,985
Cash generated from operations		58,459,305	52,038,422
28 CASH AND CASH EQUIVALENTS			
Cash and bank balances	5	13,630,184	16,824,601
		13,630,184	16,824,601

29 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:

29.1 Transactions with related parties

Management fee	1,002,581	979,086
Profit distribution	623,700	567,000

29.2 Balances with related parties

Management fee payable	1,141,667	979,086
------------------------	-----------	---------

30 FINANCIAL INSTRUMENTS

30.1 Financial instruments by class and category

Financial assets

	Note	2012		2011	
		Loans and receivables Rupees	Available for sale financial assets Rupees	Loans and receivables Rupees	Available for sale financial assets Rupees
Cash and bank balances	5	13,630,184	-	16,824,601	-
Short term investments	6	-	15,799,755	-	13,734,323
Finances under murabahah arrangements	7 & 12	28,666,153	-	33,322,397	-
Finances under musharakah arrangements	11	2,162,500	-	2,270,000	-
Ijarah rentals receivable	8	648,421	-	1,029,434	-
Profit receivable	9	757,416	-	869,224	-
Advances to employees	10	2,129,908	-	1,502,233	-
Security deposits	10	60,450	-	60,450	-
Other receivables	10	912,446	-	1,023,108	-
		48,967,478	15,799,755	56,901,447	13,734,323



FIRST ELITE CAPITAL MODARABA

	Note	Financial liabilities at amortized cost Rupees	Financial liabilities at amortized cost Rupees
Financial liabilities			
Accrued expenses	15	869,880	576,183
Other payables	15	468,034	339,074
Management fee payable		1,141,667	979,086
		2,479,581	1,894,343

30.2 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.

30.2.1 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.

30.2.2 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.

31 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:

	Note	June 30, 2012 Rupees	June 30, 2011 Rupees
31.1 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.			
31.1.1 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	13,424,909	16,508,854
Finances under murabahah arrangements	7 & 12	75,227,847	79,925,889
Finances under musharakah arrangements	11	2,162,500	2,270,000
Ijarah rentals receivable	8	5,956,518	5,732,039
Profit receivable on musharakah finances	9	923,610	945,110
Profit receivable on murabahah finances	9	34,537,949	34,937,454
Other receivables	10	7,472,863	7,596,625
		139,706,196	147,915,971



FIRST ELITE CAPITAL MODARABA

31.1.2 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, 2012 Rupees	June 30, 2011 Rupees
Customers	126,281,287	131,407,117
Banking companies and financial institutions	13,424,909	16,508,854
	<u>139,706,196</u>	<u>147,915,971</u>

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

	2012					
	Ijarah rentals Receivable	Finances under Murabahah arrangements	Finances under Musharikhah arrangements	Profit receivables	Others receivables	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Services	14,807	65,500	-	492,208	170,203	742,718
Fuel and energy	552,382	287,770	-	4,494	-	844,646
Textile	133,162	45,215,576	-	30,033,018	5,110,571	80,492,327
Transport	-	-	2,162,500	923,610	512,304	3,598,414
Electrical and engineering	313,469	-	-	255,647	-	569,116
Packaging	-	3,180,619	-	3,013,864	132,928	6,327,411
Individuals	4,942,698	26,478,382	-	738,718	1,546,857	33,706,655
	<u>5,956,518</u>	<u>75,227,847</u>	<u>2,162,500</u>	<u>35,461,559</u>	<u>7,472,863</u>	<u>126,281,287</u>
	2011					
	Ijarah rentals receivable	Finances under Murabahah arrangements	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
	<u>5,732,039</u>	<u>79,925,889</u>	<u>2,270,000</u>	<u>35,882,564</u>	<u>7,596,625</u>	<u>131,407,117</u>

31.1.3 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.

31.1.3(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



FIRST ELITE CAPITAL MODARABA

counterparties on their obligations to the Modaraba.

31.1.3(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:

	2012		2011	
	Gross Carrying Amount	Accumulated Impairment	Gross carrying amount	Accumulated Impairment
	Rupees	Rupees	Rupees	Rupees
Neither past due nor impaired	27,766,152	-	32,422,396	-
Past due by upto 90 days	1,395,384	-	2,606,040	628,390
Past due by 90 to 180 days	1,322,547	1,310,109	1,128,637	1,128,637
Past due by 180 days to 1 year	975,698	975,698	3,002,121	732,121
Past due by 1 to 2 years	3,285,652	1,123,152	601,389	601,389
Past due by 2 to 3 years	790,618	790,618	1,261,849	749,545
Past due by 3 years or more	90,745,236	88,934,774	90,384,685	89,052,872
	<u>126,281,287</u>	<u>93,134,351</u>	<u>131,407,117</u>	<u>92,892,954</u>

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

31.1.4 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.

31.1.5 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.

31.2 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.

31.3 Market risk

31.3.1 Currency risk

The Modaraba is not exposed to currency risk.

31.3.2 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



FIRST ELITE CAPITAL MODARABA

in ijarah assets, musharakah, murabahah are fixed rate instruments.

31.3.3 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. 1.5 million (2011: Rs. 1 million). A ten percent decrease in market prices would have had an equal but opposite impact on equity.

32 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.

33 EVENTS AFTER THE REPORTING PERIOD

The Board of Directors of the Management Company in their meeting held on September 27, 2012 has approved profit distribution to certificate holders at Re. 0.55 per certificate of Rs. 10 each.

34 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:

	2012		
	Officers	Other Employees	Total
	Rupees	Rupees	Rupees
Managerial remuneration	1,443,600	1,454,374	2,897,974
Allowances and perquisites	1,277,821	988,915	2,266,736
Post employment benefits	356,978	298,143	655,121
	3,078,399	2,741,432	5,819,831
Number of persons	3	12	15
	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
	2,671,535	2,390,048	5,061,583
Number of persons	3	11	14



FIRST ELITE CAPITAL MODARABA

35 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on September 27, 2012 by the Board of Directors of the Management Company.

36 GENERAL

Figures have been rounded off to the nearest rupee.

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

Muneeb Ahmed Dar

Chairman
CRESCENT MODARABA
MANAGEMENT CO. LTD.

Aamir Iftikhar Khan

Chief Executive
CRESCENT MODARABA
MANAGEMENT CO. LTD.

Muhammad Javed Amin

Director
CRESCENT MODARABA
MANAGEMENT CO. LTD.



FIRST ELITE CAPITAL MODARABA

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

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

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

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

1. At present the board comprises of seven directors of which six are non-executives and only the Chief Executive Officer (CEO) is an executive director. The provisions of clause i (b) of CCG would be applicable to the management company in next election of directors.
2. The directors have confirmed that none of them is serving as a director on more than ten listed companies, including this management company.
3. All the resident directors of the management company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the board during the financial year.
5. The Management Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company and Modaraba along with its supporting policies and procedures.
6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the Modaraba. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board.
8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. One director of the board has acquired, certification under Director's Training Program offered by Pakistan Institute of Corporate Governance.
10. The board approves appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment. However, there was no new appointment during the year.
11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Modaraba were duly endorsed by CEO and CFO before approval of the board.
13. The directors, CEO and executives do not hold any interest in the certificates of the Modaraba other than that disclosed in the pattern of holding of certificates.
14. The Modaraba has complied with all the corporate and financial reporting requirements of the CCG.
15. The board has formed an Audit Committee. It comprises four members, of whom three are non-executive directors including the chairman of the committee.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Modaraba and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed an HR and Remuneration Committee. It comprises three members, of whom two are non-executive directors including the chairman of the committee.
18. The board has set up an effective internal audit function.
19. The statutory auditors of the Modaraba have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold certificates of the Modaraba and that the firm, and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of modarabas securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all other material principles enshrined in the CCG have been complied with.

On behalf of the Board

Aamir Iftikhar Khan
Chief Executive
Crescent Modaraba Management Company Limited

Date: September 27, 2012



FIRST ELITE CAPITAL MODARABA

PATTERN OF CERTIFICATE HOLDERS AS AT JUNE 30, 2012

NUMBER OF CERTIFICATE HOLDERS	CERTIFICATE HOLDINGS FROM	TO	TOTAL CERTIFICATE HELD
2334	1	100	114569
456	101	500	149905
1260	501	1000	743254
334	1001	5000	757702
76	5001	10000	560875
37	10001	15000	460844
13	15001	20000	220825
8	20001	25000	192228
14	25001	30000	391888
3	30001	35000	94469
7	35001	40000	265520
1	40001	45000	41050
1	45001	50000	46500
3	50001	55000	157314
2	55001	60000	114200
1	60001	65000	65000
1	65001	70000	67107
1	75001	80000	75974
1	80001	85000	81203
3	85001	90000	262761
2	90001	95000	187617
1	95001	100000	95792
2	105001	110000	214500
1	110001	115000	110016
1	115001	120000	119000
1	270001	275000	272851
1	300001	305000	302000
1	530001	535000	531872
1	925001	930000	925620
1	1130001	1135000	1134000
1	1255001	1260000	1259608
1	1320001	1325000	1323936
4570			11340000



FIRST ELITE CAPITAL MODARABA

CATEGORIES OF CERTIFICATE HOLDING AS AT JUNE 30, 2012

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	925,620	8.16
Investment Corporation of Pakistan	1	15,000	0.13
National Investment Trust Limited	1	23,837	0.21
DIRECTORS, CEO AND THEIR SPOUSES AND MINOR CHILDREN			
	8	279,169	2.46
Mr. Muhammad Javed Amin		156,943	
Mrs. Rukhsana Javed Amin		8,700	
Mr. Muhammad Shams Amin		48,626	
Miss Mahnoor Amin		3,000	
Miss Jehan Ara Amin		5,500	
Miss Tajwer Amin		2,000	
Mr. Muhammad Ahmad Amin		9,400	
Mrs. Shahana Javed Amin		45,000	
EXECUTIVE			
	-	-	-
PUBLIC SECTOR COMPANIES AND CORPORATIONS			
State Life Insurance Corporation of Pakistan	1	531,972	4.69
BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON BANKING FINANCE COMPANIES, INSURANCE COMPANIES, TAKAFUL, MODARABAS AND PENSION FUNDS			
	7	117,946	1.04
MUTUAL FUNDS			
Golden Arrow Selected Stocks Fund Ltd.	1	5,000	0.04
Prudential Stock Fund Ltd.	1	37,920	0.33
JOINT STOCK COMPANIES			
	27	330,622	2.92
INDIVIDUALS			
	4,521	7,938,914	70.01
TOTAL:			
	4,570	11,340,000	100.00

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

Firozuddin A. Cassim	1,323,936	11.67
Dinaz F. Cassim	1,259,608	11.11
Crescent Modaraba Management Company Limited	1,134,000	10.00
National Bank of Pakistan Trustee Deptt.	925,620	8.16



FIRST ELITE CAPITAL MODARABA

KEY OPERATING AND FINANCIAL DATA

YEAR	2012	2011	2010	2009	2008	2007
	Rupees in million					
Revenues	59.35	53.70	48.18	41.06	35.81	30.26
Profit after management fee & taxation	9.02	8.81	7.32	6.89	9.85	9.62
Paid up Capital	113.40	113.40	113.40	113.40	113.40	113.40
Certificate Holder's Equity	128.06	124.04	117.68	112.55	118.18	123.95
Current Liabilities	15.50	9.36	15.15	14.29	12.72	6.97
Fixed assets	120.62	96.07	84.43	76.96	51.03	39.22
Current Assets	55.77	59.78	49.91	47.10	67.34	82.86
Dividend (%)	5.50	5.50	5.00	4.50	6.00	6.00
Earning per Certificate	0.80	0.78	0.65	0.61	0.87	0.85
Break up Value	11.29	10.94	10.38	9.93	10.42	10.93



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 (Guarantee) Limited, the Lahore Stock Exchange (Guarantee) Limited and the 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 (x) of the Listing Regulations 35 of the Karachi Stock Exchange (Guarantee) Limited, the Lahore Stock Exchange (Guarantee) Limited and the Islamabad Stock Exchange (Guarantee) Limited, where the Modaraba is listed.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Modaraba's compliance, in all material respects, with the best practices contained in the code of corporate governance, for the year ended June 30, 2012.

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ

Chartered Accountants

Engagement Partner: ZUBAIR IRFAN MALIK

Date: SEPTEMBER 27, 2012

Place: LAHORE



FIRST ELITE CAPITAL MODARABA

NOTICE OF ANNUAL REVIEW MEETING

Notice is hereby given that 13th Annual Review Meeting of the First Elite Capital Modaraba will be held on Wednesday, October 31, 2012 at 1:30 p.m. at 31/10-A, Abu Baker Block, New Garden Town, Lahore to review the performance of the Modaraba for the year ended June 30, 2012. The Certificate Holders whose names appear on the Register of the Modaraba as on October 24, 2012 are eligible to attend the Meeting.

Muhammad Arif Hilal
Company Secretary
Crescent Modaraba Management Company Limited

Date: October 08, 2012

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