



**FIRST
ELITE
CAPITAL
MODARABA**

*Annual Report
Two Thousand Fourteen*

Managed by
**CRESCENT MODARABA MANAGEMENT
COMPANY LIMITED**



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FIRST ELITE CAPITAL MODARABA

VISION STATEMENT

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

MISSION STATEMENT

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



FIRST ELITE CAPITAL MODARABA

CORPORATE INFORMATION

BOARD OF DIRECTORS OF MODARABA MANAGEMENT COMPANY

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

AUDIT COMMITTEE

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

COMPANY SECRETARY

Mr. Muhammad Arif Hilal

LEGAL ADVISOR

Mr. Haq Nawaz Chattha,
International Legal Services

SHARIAH ADVISOR

Mufti Tayyab Amin



FIRST ELITE CAPITAL MODARABA

AUDITORS OF THE MODARABA

Ilyas Saeed & Co.

Chartered Accountants

HR & R COMMITTEE

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

BANKERS OF THE MODARABA

Allied Bank Limited

Bank Alfalah Limited

KASB Bank Limited

Samba Bank Limited

PRINCIPAL & REGISTERED OFFICE

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

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

E-mail: info@fecm.com.pk

Web: www.fecm.com.pk

REGISTRAR

Hassan Farooq Associates (Pvt.) Limited

7-G, Mushtaq Ahmad Gormani Road,

Gulberg - II, Lahore.

Tel: 042-35761661-35761662

Fax: 042-35760521



FIRST ELITE CAPITAL MODARABA

DIRECTORS' REPORT TO THE CERTIFICATE HOLDERS

Valued Certificate Holders

The Board of Directors of **Crescent Modaraba Management Company Limited**, manager of **First Elite Capital Modaraba** presents the 23rd annual audited accounts of the Modaraba for the year ended June 30, 2014.

Financial Results

Financial results for the year ended June 30, 2014 are summarized as under:

	June 30, 2014 Rupees	Re-stated June 30, 2013 Rupees
Total Income of Modaraba	62,538,741	61,784,232
Depreciation of Assets Leased Out	35,386,591	32,443,237
Administrative & General Expenses	17,055,179	17,699,511
Impairment loss on financial assets	-	1,573,917
Financial Charges	14,268	14,153
Modaraba Company's Management Fee	1,008,270	1,004,142
Taxation	-	-
Profit after Taxation	9,074,433	9,049,272

Profit Distribution

The Board in its meeting held on September 24, 2014 has approved the distribution of profit of Re. 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, 2014.

Review of Operations

The Modaraba earned a net profit of Rs.9,074,433/= in the year ended June 30, 2014 as compared to Rs.9,049,272/= in corresponding period of the preceding year, which is quite satisfactory in a situation where acute power shortage, high energy prices, poor law and order situation and high inflation severely hampered the economic activities in the country. During the period under review the management of the Modaraba mainly remained focus on business activities like Ijarah, Murabahah and investment in listed securities and able to earn gross revenue of Rs.62,538,741/=. An amount of Rs.2,268,608/= has been transferred to statutory reserve during the year under review. The portfolio of Ijarah, Murabahah and Musharakah remained at Rs.114,178,734/= as on June 30, 2014. The certificate holders equity of Modaraba stand at Rs.138,155,113/= and the breakup value of certificate comes to Rs.12.18 per certificate.

Future Outlook

The management of the Modaraba is strengthening the risk management strategies and pursuing more cautions approach in order to ensure quality of assets. The target of the management is to attain better results in the current line of business for our valued 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.



FIRST ELITE CAPITAL MODARABA

- 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 implemented and monitored.
- There are no significant doubts upon the Modaraba's ability to continue as a going concern.
- The Directors, CEO, CFO, Company Secretary and their spouses and minor children do not hold any interest in the certificates of Modaraba, other than that disclosed in the pattern of certificate holding.
- During the year under review four meetings of the Board of Directors were held. Attendance by each Director is as follows:-

	Name of Director	Number of Meetings Attended
I.	Mr. Aamir Iftikhar Khan	4
II.	Dr. Sardar Ahmad Khan	-
III.	Mr. Ghazanfar Farrokh	3
IV.	Mr. Muhammad Javed Amin	4
V.	Mr. Muneeb Ahmed Dar	4
VI.	Mrs. Rukhsana Javed Amin	-
VII.	Mrs. Shahana Javed Amin	3

- 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, 2014 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 Ilyas Saeed & Co. Chartered Accountants for the year 2014-2015 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 24, 2014



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, 2014 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, 2014 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.

The financial statements of the Modaraba for the year ended June 30, 2013 were audited by another firm of auditors whose report dated September 25, 2013 expressed an unqualified opinion thereon.

ILYAS SAEED & CO.

Chartered Accountants

Engagement Partner: Irfan Ilyas

Date: SEPTEMBER 24, 2014

Place: LAHORE



FIRST ELITE CAPITAL MODARABA

BALANCE SHEET AS AT JUNE 30, 2014

	Note	June 30, 2014 Rupees	Re-stated June 30, 2013 Rupees	Re-stated July 01, 2012 Rupees
ASSETS				
CURRENT ASSETS				
Cash and bank balances	5	52,219,076	24,481,081	13,630,184
Short term investments	6	19,069,742	15,412,641	15,799,755
Short term finances under musharakah arrangements - Secured	7	1,340,000	1,440,000	-
Short term finances under murabahah arrangements - Secured	8	7,665,516	23,982,318	20,409,676
Ijarah rentals receivable - Secured	9	1,601,668	2,228,963	648,421
Profit receivable - Secured	10	453,146	673,950	757,416
Advances, deposits, prepayments and other receivables	11	4,927,120	4,637,124	3,196,689
Advance income tax		1,595,674	1,388,757	1,331,251
		88,871,942	74,244,834	55,773,392
NON-CURRENT ASSETS				
Long term finance under musharakah arrangements-secured		-	-	2,162,500
Long term finance under murabaha arrangements-secured		-	-	8,256,477
Assets leased out under ijarah contracts	12	105,173,218	116,847,930	118,124,523
Property and equipment	13	2,068,018	2,381,891	2,494,794
		107,241,236	119,229,821	131,038,294
TOTAL ASSETS		196,113,178	193,474,655	186,811,686
LIABILITIES				
CURRENT LIABILITIES				
Accrued and other liabilities	14	2,577,243	1,675,919	1,403,948
Security deposits	15	12,149,449	10,476,524	7,576,163
Management fee payable		1,008,270	1,045,810	1,141,667
Unclaimed profit distribution		6,707,271	6,053,517	5,379,480
		22,442,233	19,251,770	15,501,258
NON-CURRENT LIABILITIES				
Security deposits	15	30,716,981	36,219,381	39,872,130
Employees retirement benefits	16	4,798,851	5,251,541	3,894,958
		35,515,832	41,470,922	43,767,088
Contingencies and commitments	17	-	-	-
TOTAL LIABILITIES		57,958,065	60,722,692	59,268,346
NET ASSETS		138,155,113	132,751,963	127,543,340
REPRESENTED BY				
Authorized capital				
20,000,000 (2013: 20,000,000) modaraba certificates of Rs. 10 each		200,000,000	200,000,000	200,000,000
Issued, subscribed and paid-up capital	18	113,400,000	113,400,000	113,400,000
Reserves		24,755,113	19,351,963	14,143,340
		138,155,113	132,751,963	127,543,340

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

Chairman
CRESCENT MODARABA
MANAGEMENT CO. LTD.

Chief Executive
CRESCENT MODARABA
MANAGEMENT CO. LTD.

Director
CRESCENT MODARABA
MANAGEMENT CO. LTD.



FIRST ELITE CAPITAL MODARABA

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2014

	Note	June 30, 2014 Rupees	Re-stated June 30, 2013 Rupees
INCOME			
Income from ijarah financing		52,413,809	50,480,632
Profit on murabahah and musharakah financing		4,835,831	7,699,515
Return on investments	20	2,046,960	1,137,788
Other income	21	3,242,141	2,466,297
		62,538,741	61,784,232
EXPENSES			
Depreciation of assets leased out under ijarah contracts	12	35,386,591	32,443,237
Administrative and general expenses	22	17,055,179	17,699,511
Impairment loss on financial assets	23	-	1,573,917
Financial charges		14,268	14,153
		52,456,038	51,730,818
Operating profit		10,082,703	10,053,414
Management fee	24	1,008,270	1,004,142
Profit before taxation		9,074,433	9,049,272
Taxation	25	-	-
Profit after taxation		9,074,433	9,049,272
Earnings per certificate - basic and diluted	26	0.80	0.80

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

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Director
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MANAGEMENT CO. LTD.



FIRST ELITE CAPITAL MODARABA

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2014

	Note	June 30, 2014 Rupees	Re-stated June 30, 2013 Rupees
Items that may be reclassified subsequently to profit or loss			
Changes in fair value of available for sale investments	6	1,969,676	313,779
Reclassification adjustments for losses/(gains) included in profit or loss	20.1	167,706	2,506,432
		2,137,382	2,820,211
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit plan		428,335	(423,860)
Other comprehensive income before taxation		2,565,717	2,396,351
Taxation		-	-
Other comprehensive income after taxation		2,565,717	2,396,351
Profit after taxation		9,074,433	9,049,272
Total comprehensive income		11,640,150	11,445,623

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

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Director
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MANAGEMENT CO. LTD.



FIRST ELITE CAPITAL MODARABA

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2014

	Note	June 30, 2014 Rupees	June 30, 2013 Rupees
CASH GENERATED FROM OPERATIONS	27	56,319,647	42,151,513
(Payments)/receipts for:			
Income taxes		(206,917)	(57,506)
Employees retirement benefits		(861,050)	-
Purchase of Ijarah assets		(53,459,624)	(49,709,500)
Transfer of Ijarah assets		31,337,069	19,436,786
Management fee		(1,045,810)	(1,099,999)
Profit distribution		(5,583,246)	(5,562,963)
Net cash generated from/(used in) operating activities		26,500,069	5,158,331
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(43,470)	(291,260)
Purchase of investments		(8,140,594)	(8,533,105)
Proceeds from sale of investments		8,180,712	13,159,439
Dividend received		1,241,278	1,357,492
Net cash generated from/(used in) investing activities		1,237,926	5,692,566
CASH FLOW FROM FINANCING ACTIVITIES		-	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		27,737,995	10,850,897
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		24,481,081	13,630,184
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	28	52,219,076	24,481,081

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

Chairman
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MANAGEMENT CO. LTD.

Chief Executive
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MANAGEMENT CO. LTD.

Director
CRESCENT MODARABA
MANAGEMENT CO. LTD.



FIRST ELITE CAPITAL MODARABA

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2014

	Note	Reserves				Total equity
		Issued Subscribed And paid-up Capital	Statutory reserve	Available for sale financial assets	Accumulated losses	
		Rupees	Rupees	Rupees	Rupees	Rupees
Balance as at July 01, 2012 (as previously reported)		113,400,000	24,486,366	(1,440,229)	(8,381,354)	128,064,783
Effects of change in accounting policy due to application of IAS 19(revised)-note 4					(521,443)	
Balance as at July 01, 2012 (Re-stated)		113,400,000	24,486,366	(1,440,229)	(8,902,797)	127,543,340
Comprehensive income		-	-	-	9,049,272	9,049,272
Profit after taxation (Re-stated)		-	-	2,820,211	(423,860)	2,396,351
Other comprehensive income (Re-stated)		-	-	2,820,211	8,625,412	11,445,623
Transaction with owners		-	-	-	(6,237,000)	(6,237,000)
Profit distribution @ 5.5% i.e. Re. 0.55 per certificate	19	-	2,259,319	-	(2,259,319)	-
Transferred to statutory reserve		-	-	-	-	-
Balance as at June 30, 2013 (Re-stated)		113,400,000	26,745,685	1,379,982	(8,773,704)	132,751,963
Comprehensive income		-	-	-	9,074,433	9,074,433
Profit after taxation		-	-	2,137,382	428,335	2,565,717
Other comprehensive income		-	-	2,137,382	9,502,768	11,640,150
Transaction with owners		-	-	-	(6,237,000)	(6,237,000)
Profit distribution @ 5.5% i.e. Re. 0.55 per certificate	19	-	2,268,608	-	(2,268,608)	-
Transferred to statutory reserve		-	-	-	-	-
Balance as at June 30, 2014		113,400,000	29,014,293	3,517,364	(7,776,544)	138,155,113

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

Chairman
CRESCENT MODARABA
MANAGEMENT CO. LTD.

Director
CRESCENT MODARABA
MANAGEMENT CO. LTD.



FIRST ELITE CAPITAL MODARABA

NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

1 REPORTING ENTITY

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

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

2.2 Basis of measurement

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

2.3 Judgments, estimates and assumptions

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

2.3.1 Recoverable amount and impairment

The Modaraba reviews carrying amounts of its assets for possible impairment and makes formal estimates of recoverable amount if there is any such indication. Investments in marketable securities are tested for impairment by reference to their prices in the active market. An allowance for impairment is made for all investments for which there is an indication of permanent



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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.

2.5 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED ACCOUNTING STANDARDS THAT ARE EFFECTIVE IN THE CURRENT YEAR

New, revised and amended standards and interpretations:

The Company has adopted the following revised standards, amendments and interpretations of IFRSs which became effective for the current year:

IAS 1 Presentation of Financial Statements - Presentation of items of other comprehensive income - (Amendment)

IAS 19 Employee Benefits - (Revised)

IAS 28 Investments in Associates and Joint Ventures

IFRS 7 Financial Instruments: Disclosures - (Amendments)

Amendments enhancing disclosures about offsetting of financial assets and financial liabilities

IFRIC 20 Stripping costs in the production phase of a surface mine

Amendments to Accounting Standards Issued by the IASB

IAS 1 Presentation of Financial Statements - Clarification of the requirements for comparative information

IAS 16 Property, Plant and Equipment - Clarification of Servicing Equipment

IAS 32 Financial Instruments: Presentation - Tax Effects of Distribution to Holders of Equity Instruments

IAS 34 Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities

The adoption of the above revisions and amendments to accounting standards and interpretations did not have any material effect on the financial statements except as explained in note 5.

2.6 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:



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	Effective date (annual periods beginning on or after)
IAS 32 Offsetting Financial Assets and Financial Liabilities - (Amendment)	01 January 2014
IAS 36 Recoverable Amount for Non-Financial Assets - (Amendment)	01 January 2014
IAS 39 Novation of Derivatives and Continuation of Hedge Accounting 2014- (Amendment)	01 January 2014
IFRIC 21 Levies	01 January 2014

The Company expects that the adoption of the above amendments and interpretations of the standards will not affect the Company's financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan:

Standard or Interpretation

	IASB Effective Date
IFRS 09 Financial Instruments: Classification and Measurement	1-Jan-15
IFRS 10 Consolidated Financial Statements	1-Jan-13
IFRS11 Joint Arrangements	1-Jan-13
IFRS 12 Disclosure of Interests in Other Entities	1-Jan-13
IFRS 13 Fair Value Measurement	1-Jan-13

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 13 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 depreciation. Depreciation is recognized in profit or loss over the period of lease by applying straight line method. In respect of additions and sales / transfers during the year, amortization is charged proportionately to the period of lease.

3.3 Certificate capital

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



3.4 Employees retirement benefits

3.4.1 Short term employee benefits

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

3.4.2 Post employment benefits

The Modaraba operates an unfunded gratuity scheme (defined benefit plan) for all its employees who have completed the minimum qualifying service period. The amount recognized on balance sheet represents the present value of defined benefit obligation. Actuarial gains or loss are recognized immediately in other comprehensive income as required by IAS 19 -(Revised) Employee Benefits. The details of the scheme are referred to in note 16 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



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Modaraba's obligations specified in the contract expire or are discharged or cancelled. Any gain or loss on de-recognition of financial assets and financial liabilities is recognized in profit or loss.

3.5.5 Off-setting

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

3.5.6 "Regular way" purchases and sales of financial assets

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

3.6 Investments in listed securities

Investments in listed equity and other securities, which are intended to be held for an indefinite period of time and may be sold in response to need for liquidity or significant changes in equity prices are classified as 'available for sale financial assets'. On initial recognition these are measured at cost, being their fair value on date of acquisition, plus attributable transaction costs. Subsequent to initial recognition, these are measured at fair value. Changes in fair value are recognized as other comprehensive income until the investment is derecognized or impaired. Gains and losses on de-recognition and impairment losses are recognized in profit or loss.

3.7 Accrued and other liabilities

3.7.1 Financial liabilities

These are classified as 'financial liabilities at amortized cost'. On initial recognition, these are measured at cost, being their fair value at the date the liability is incurred, 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.



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

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

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

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

3.11 Comprehensive income

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

3.12 Income tax

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

3.12.1 Current taxation

Current tax is the amount of tax payable on taxable income for the year and any adjustment to the tax payable in respect of previous years. Provision for current tax is based on current rates of taxation in Pakistan after taking into account tax credits, rebates and exemptions available, if any. The amount of unpaid income tax in respect of the current or prior periods is recognized as a liability. Any excess paid over what is due in respect of the current or prior periods is recognized as an asset.

3.12.2 Deferred taxation

Deferred tax is accounted for using the balance sheet approach providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. In this regard, the effects on deferred taxation of the portion of income that is subject to final tax regime is also considered in accordance with the treatment prescribed by the Institute of Chartered Accountants of Pakistan. Deferred tax is measured at rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for deductible temporary differences to the extent 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



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

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

3.14.2 Non-financial assets

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

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

3.15 Provisions and contingencies

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

3.16 Profit distribution to certificate holders

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

4 Change in Accounting Policy

The Modaraba has adopted the amended accounting standards which become effective during the year. Other than this, the accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year.

During the year (with effect from July 01, 2013) the Modaraba has adopted IAS 19, (Revised) 'Employee Benefits'. The amendments in the revised standard require the Modaraba to



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eliminate the corridor approach and recognize all actuarial gains and losses (now called 'remeasurements' that result from the remeasurements of defined benefit obligations and fair value of plan assets at the balance sheet date) in other comprehensive income as they occur, immediately recognize all past service costs and replace interest cost and expected return on plan assets with an interest amount that is calculated by applying the discount rate to the net defined benefits liability / asset.

Previously the modaraba accounted for the actuarial gain/loss with respect to actuarial valuation of its retirement benefit plan using '10% corridor approach'. The amount recognized on balance sheet represented the present value of defined benefit obligation as adjusted for unrecognized actuarial gains or losses.

The change in accounting policy has been applied retrospectively. The effect of the change in the accounting policy on the current and the prior period financial statements have been summarized below:

	As at June 30 2013 Rupees	As at July 01 2012 Rupees
Impact on balance sheet		
Increase in employee retirement benefits	933,308	521,443
Decrease in reserves	933,308	521,443

	For the year ended June 30, 2013 Rupees
Impact on profit and loss account	
Decrease in administrative expenses	11,995
Impact on other comprehensive income	
Increase in remeasurement loss of employees retirement benefits	423,860
Impact on statement of changes in equity	
Increase in accumulated losses	423,860

	Note	June 30, 2014 Rupees	June 30, 2013 Rupees
5 CASH AND BANK BALANCES			
Cash in hand		162,537	376,451
Cash at bank in			
current accounts		880,346	740,213
saving/deposit accounts	5.1	51,176,193	23,364,417
		52,056,539	24,104,630
		52,219,076	24,481,081

5.1 Effective rate of return on deposit/saving accounts, for the year, ranges from 6% to 8% (2013: 6% to 8%).

6 SHORT TERM INVESTMENTS

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

Cost	6.1	19,288,768	18,523,204
Accumulated impairment	6.1	(3,736,390)	(4,490,545)
Accumulated changes in fair value	6.1	3,517,364	1,379,982
		19,069,742	15,412,641



6.1 Particulars of investments

Oil and Gas Producers

Pakistan Petroleum Limited
Attock Refinery Limited
Pakistan State Oil Company Limited

Chemicals

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

Personal Goods

Sunrise Textiles Limited
Libaas Textiles Limited

Fixed Line Telecommunication

Callmate Telips Telecom Limited
Pakistan Telecommunication Company Limited

Electricity

Hub Power Company Limited

Gas Water and Multiutilities

Sui Northern Gas Pipelines Limited
Sui Southern Gas Pipelines Limited

Banks

Meezan Bank Limited

Financial Services

Dadabhoy Leasing Company Limited
Bankers Equity Limited
Javed Omer Vohra & Company Limited

Equity Investment Instruments

First Equity Modaraba

Construction

Maple Leaf Cement Factory Limited

TOTAL



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No. Of Shares/ Certificates		Average Cost		Fair Value	
June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
		Rupees		Rupees	
6,000	8,500	1,068,015	1,638,962	1,346,040	1,798,430
5,000	-	1,119,982	-	1,061,450	-
13,200	12,000	2,387,665	2,387,665	5,132,820	3,844,560
16,000	16,000	755,323	755,323	636,320	600,640
12,000	12,000	152,239	152,239	86,280	91,440
51,450	51,450	2,789,754	2,789,754	5,775,263	5,527,274
153,900	153,900	2,023,076	2,023,076	-	-
-	82,000	-	815,655	-	61,500
5,100	5,100	530,323	530,323	-	-
70,000	70,000	3,875,108	3,875,108	1,782,900	1,553,300
9,000	5,000	457,590	226,626	528,660	308,250
67,000	40,000	1,665,749	1,016,695	1,517,550	802,400
-	25,797	-	711,715	-	503,557
3,330	3,330	125,034	86,613	143,989	96,570
1,000	1,000	9,000	9,000	-	-
2,000	2,000	26,100	26,100	-	-
8,800	8,800	1,164,611	1,164,611	16,720	16,720
33,000	52,000	199,169	313,739	140,250	208,000
30,000	-	940,030	-	901,500	-
486,780	548,877	19,288,768	18,523,204	19,069,742	15,412,641



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7 SHORT TERM FINANCES UNDER MUSHARAKAH ARRANGEMENTS - SECURED

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

	Note	June 30, 2014 Rupees	June 30, 2013 Rupees
Considered good		-	-
Considered doubtful		1,977,500	2,077,500
		1,977,500	2,077,500
Accumulated impairment	7.1	(637,500)	(637,500)
		1,340,000	1,440,000
7.1 Movement in accumulated impairment is as follows:			
As at beginning of the year		637,500	-
Recognized during the year	23	-	637,500
As at end of the year		637,500	637,500

8 SHORT TERM FINANCES UNDER MURABAHAH ARRANGEMENTS - SECURED

Considered good		7,390,515	22,222,907
Considered doubtful		46,740,657	48,327,615
		54,131,172	70,550,522
Accumulated impairment	8.1	(46,465,656)	(46,568,204)
		7,665,516	23,982,318

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% (2013: 16% to 20%) per annum receivable on monthly basis.

	Note	June 30, 2014 Rupees	June 30, 2013 Rupees
8.1 Movement in accumulated impairment is as follows:			
As at beginning of the year		46,568,204	46,561,694
Recognized during the year	23	-	80,000
Reversed during the year	21.1	(102,548)	(73,490)
As at end of the year		46,465,656	46,568,204

9 IJARAH RENTALS RECEIVABLE - SECURED

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

Considered good		1,601,668	2,228,963
Considered doubtful		5,886,270	4,821,444
		7,487,938	7,050,407
Accumulated impairment	9.1	(5,886,270)	(4,821,444)
		1,601,668	2,228,963
9.1 Movement in accumulated impairment is as follows:			
As at beginning of the year		4,821,444	5,308,097
Recognized during the year		3,259,706	1,438,417
Reversed during the year		(2,194,880)	(1,925,070)
As at end of the year		5,886,270	4,821,444



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	Note	June 30, 2014 Rupees	June 30, 2013 Rupees
10 PROFIT RECEIVABLE - SECURED			
This represents profit receivable on murabahah and musharakah finances			
Considered good		453,147	673,950
Considered doubtful		34,704,142	34,704,143
		35,157,289	35,378,093
Accumulated impairment	10.1	(34,704,143)	(34,704,143)
		<u>453,146</u>	<u>673,950</u>
10.1 Movement in accumulated impairment is as follows:			
As at beginning of the year		34,704,143	34,704,143
Recognized during the year		-	396,657
Reversed during the year		-	(396,657)
As at end of the year		<u>34,704,143</u>	<u>34,704,143</u>
11 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Advances to employees-considered good against salary			
		160,358	698,887
against retirement benefits	11.1	1,586,735	1,571,783
Advances to suppliers	11.2	3,014,284	968,000
Security deposits		60,450	60,450
Prepayments		54,894	62,133
Other receivables - unsecured	11.3	50,399	1,275,871
		<u>4,927,120</u>	<u>4,637,124</u>
11.1 These include advances to officers of the Modaraba amounting to Rs. 1,586,735 (2013: 1,571,783).			
11.2 This represents advances for purchase of assets for onward sale under ijarah contract.			
11.3 These mainly include amounts recoverable from customers in respect of expenses incurred by the Modaraba on their behalf. Particulars of other receivables are as follows:			
	Note	June 30, 2014 Rupees	June 30, 2013 Rupees
Considered good		50,399	1,275,871
Considered doubtful		7,400,476	7,411,076
		7,450,875	8,686,947
Accumulated impairment	11.3.1	(7,400,476)	(7,411,076)
		<u>50,399</u>	<u>1,275,871</u>
11.3.1 Movement in accumulated impairment is as follows:			
As at beginning of the year		7,411,076	6,560,417
Recognized during the year	23	-	856,417
Reversed during the year	21.1	(10,600)	(5,758)
As at end of the year		<u>7,400,476</u>	<u>7,411,076</u>



12 ASSETS LEASED OUT UNDER IJARAH CONTRACTS

Year ended June 30, 2014

PARTICULARS	COST			DEPRECIATION			Carrying Value As at June 30, 2014
	As at July 01, 2013	Additions	Disposals	As at June 30, 2014	For the year	Adjustment	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Vehicles	146,329,376	46,415,124	(62,637,700)	130,106,800	28,677,747	(39,461,011)	89,418,468
Office equipment	130,500	799,500	(130,500)	799,500	52,409	(82,350)	774,540
Machinery	27,229,400	6,245,000	(12,431,000)	21,043,400	6,656,435	(5,908,094)	14,980,210
	173,689,276	53,459,624	(75,199,200)	151,949,700	35,386,591	(45,451,455)	105,173,218

Year ended June 30, 2013

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

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



13 PROPERTY AND EQUIPMENT

Year ended June 30, 2014

PARTICULARS	COST			DEPRECIATION			Net book value as at June 30, 2014		
	As at July 01, 2013	Additions	Disposals	As at June 30, 2014	Rate %age	As at July 01, 2013		For the year	Adjustment
	Rupees	Rupees	Rupees	Rupees		Rupees	Rupees	Rupees	Rupees
Furniture and fixtures	244,780	-	-	244,780	10	121,794	12,299	-	134,093
Office equipment	2,162,338	-	-	2,162,338	10	1,082,119	108,022	-	1,190,141
Vehicles	2,745,000	43,470	-	2,788,470	20	1,566,314	237,022	-	1,803,336
	5,152,118	43,470	-	5,195,588		2,770,227	357,343	-	3,127,570
									2,068,018

Year ended June 30, 2013

PARTICULARS	COST			DEPRECIATION			Net book value as at June 30, 2013		
	As at July 01, 2012	Additions	Disposals	As at June 30, 2013	Rate %age	As at July 01, 2012		For the year	Adjustment
	Rupees	Rupees	Rupees	Rupees		Rupees	Rupees	Rupees	Rupees
Furniture and fixtures	215,780	29,000	-	244,780	10	109,932	11,862	-	121,794
Office equipment	1,900,078	262,260	-	2,162,338	10	984,488	97,631	-	1,082,119
Vehicles	2,745,000	-	-	2,745,000	20	1,271,644	294,670	-	1,566,314
	4,860,858	291,260	-	5,152,118		2,366,064	404,163	-	2,770,227
									2,381,891



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	Note	June 30, 2014 Rupees	June 30, 2013 Rupees
14 ACCRUED AND OTHER LIABILITIES			
Accrued expenses		846,114	678,168
Advance ijarah rentals and security deposits		1,051,252	307,106
Withholding tax payable		175,021	22,542
Service charges payable		39,052	577,182
Charity payable		35,077	16,638
Other payables - unsecured		430,727	74,283
		2,577,243	1,675,919
15 SECURITY DEPOSITS			
Security deposits under ijarah contracts		42,866,430	46,695,905
Current maturity presented under current liabilities		(12,149,449)	(10,476,524)
		30,716,981	36,219,381
16 EMPLOYEES RETIREMENT BENEFITS			
The amounts recognized on balance sheet are as follows:			
Present value of defined benefit obligation	16.1	4,798,851	(Re-stated) 5,251,541
16.1 Movement in present value of defined benefit obligation			
As at beginning of the year		5,251,541	3,894,958
Charged to profit or loss for the year	16.3	836,695	932,723
Benefits paid during the year		(861,050)	-
Actuarial (gain)/loss arising during the year	16.2	(428,335)	423,860
As at end of the year		4,798,851	5,251,541
The present value of defined benefit obligation has been determined by the management of the Modaraba using the following assumptions:			
		2014	2013
Discount rate		13%	11%
Expected rates of increase in salary		11%	11%
Expected average remaining working lives of employees		9 years	11 years
16.2 Remeasurements recognized in other comprehensive income			
Actuarial (gain)/loss on obligation		(428,335)	423,860
16.3 Charge to profit or loss			
Current service cost		353,740	388,919
Interest cost		482,955	543,804
	16.1	836,695	932,723
Actuarial gain recognized during the year		-	-
		836,695	932,723



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16.4 Historical information

		June 30, 2014	June 30, 2013	June 30, 2012	June 30, 2011	June 30, 2010
Present value of defined						
Benefit obligation	Rupees	4,798,851	5,251,541	3,894,958	3,350,445	2,622,821
Actuarial adjustment arising during the year	%	8.93	8.07	3.89	3.86	0.69

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

17 CONTINGENCIES AND COMMITMENTS

17.1 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 (2013: Rs. 87 million), which are pending. Additionally, claims for Rs. 23.7 million (2013: Rs. 23.7 million) have been filed against two companies, which are currently under liquidation, with official liquidators appointed by the Lahore High Court. The Modaraba has made adequate provisions in respect of these balances, as required by the Regulations.

17.2 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, 2014 Rupees	June 30, 2013 Rupees
Future Ijarah rentals receivable			
Not later than one year		40,474,371	45,141,590
Later than one year but not later than five years		45,756,893	55,178,119
Later than five years		-	-
		86,231,264	100,319,709

18 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Modaraba certificates of Rs. 10 each 10,000,000 (2013: 10,000,000) certificates issued for cash		100,000,000	100,000,000
1,340,000 (2013: 1,340,000) certificates issued as full paid bonus certificates		13,400,000	13,400,000
		113,400,000	113,400,000

19 STATUTORY RESERVE

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

20 RETURN ON INVESTMENTS

Dividend income		1,241,278	1,357,492
(Loss)/gain on sale of investments	20.1	805,682	(219,704)
		2,046,960	1,137,788

20.1 This includes loss of Rs. 167,706 (2013: loss of Rs. 2,506,432) reclassified from other comprehensive income on disposal of related investments.



FIRST ELITE CAPITAL MODARABA

	Note	June 30, 2014 Rupees	June 30, 2013 Rupees
21 OTHER INCOME			
Gain on financial instruments			
Return on bank deposits		2,374,838	748,336
Reversal of impairment on financial assets	21.1	867,303	1,717,961
		<u>3,242,141</u>	<u>2,466,297</u>
21.1 Reversal of impairment on financial assets			
Available for sale investments		754,155	1,638,713
Short term finances under murabahah arrangements		102,548	73,490
Other receivables		10,600	5,758
		<u>867,303</u>	<u>1,717,961</u>
22 ADMINISTRATIVE AND GENERAL EXPENSES			
Salaries and benefits	22.1	6,532,326	6,277,802
Rent, rates and taxes		37,420	37,900
Service charges		2,306,880	2,582,178
Utilities		381,862	352,242
Repair and maintenance		525,518	493,067
Printing and stationery		353,275	443,044
Communication		288,773	306,828
Postage		175,981	342,916
Travelling and conveyance		838,581	683,004
Insurance		3,443,483	3,971,327
Advertisement		97,100	33,800
Fee and subscription		480,691	527,984
Newspapers, books and periodicals		6,732	8,739
Entertainment		91,990	105,435
Auditors' remuneration	22.2	360,000	360,000
Legal and professional charges		562,795	526,710
Depreciation	13	357,343	404,163
Zakat		8,357	4,637
Others		206,072	237,735
		<u>17,055,179</u>	<u>17,699,511</u>
22.1 These include charge in respect of employees retirement benefits amounting to Rs. 836,695 (2013: Rs. 932,723(re-stated)).			
22.2 Auditors' remuneration			
Annual statutory Audit		250,000	250,000
Half yearly review		50,000	50,000
Review report under Code of Corporate Governance		45,000	45,000
Out of pocket expenses		15,000	15,000
		<u>360,000</u>	<u>360,000</u>
23 IMPAIRMENT LOSS ON FINANCIAL ASSETS			
Short term finances under musharakah arrangements	7.1	-	637,500
Short term finances under murabahah arrangements	8.1	-	80,000
Other receivables	11.3.1	-	856,417
		<u>-</u>	<u>1,573,917</u>
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.			



FIRST ELITE CAPITAL MODARABA

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 atleast 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.

Unit	June 30, 2014 Rupees	June 30, 2013 Rupees
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26 EARNINGS PER CERTIFICATE

Profit attributable to certificate holders	Rupees	9,074,433	9,049,272
Weighted average number of certificates outstanding during the year	No. of certificates	11,340,000	11,340,000
Earnings per certificate	Rupees	0.80	0.80

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

June 30, 2014 Rupees	June 30, 2013 Rupees
-------------------------	-------------------------

27 CASH GENERATED FROM OPERATIONS

Profit before taxation	9,074,433	9,049,272
Adjustments for non-cash and other items		
Depreciation of assets under own use	357,343	404,163
Depreciation of assets leased out under ijarah contracts	35,386,591	32,443,237
Loss/(gain) on sale of investments	(805,682)	219,704
Impairment loss	-	1,573,917
Reversal of impairment loss	(754,155)	(1,638,713)
Dividend income	(1,241,278)	(1,357,492)
Gain on transfer of assets leased out	(1,589,324)	(893,930)
Provision for management fee	1,008,270	1,004,142
Provision for employees retirement benefits	836,695	932,723
	33,198,460	32,687,751
Operating profit before changes in working capital	42,272,893	41,737,023
Changes in working capital		
Finances under murabahah arrangements	16,316,802	4,603,835
Finances under musharakah arrangements	100,000	85,000
Ijarah rentals receivable	627,295	(1,580,542)
Profit receivable	220,804	83,466
Advances, deposits, prepayments and other receivables	(289,996)	(2,296,852)
Security deposits	(3,829,475)	(752,388)
Accrued and other liabilities	901,324	271,971
	14,046,754	414,490
Cash generated from operations	56,319,647	42,151,513



FIRST ELITE CAPITAL MODARABA

	NOTE	June 30, 2014 Rupees	June 30, 2013 Rupees
28 CASH AND CASH EQUIVALENTS			
Cash and bank balances	5	52,219,076	24,481,081
		<u>52,219,076</u>	<u>24,481,081</u>

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	1,008,270	1,004,142
Profit distribution	623,700	623,700

29.2 Balances with related parties

Management fee payable	1,008,270	1,045,810
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	2014		2013	
Note	Loans and receivables Rupees	Available for sale financial assets Rupees	Loans and receivables Rupees	Available for sale financial assets Rupees

30 FINANCIAL INSTRUMENTS

30.1 Financial instruments by class and category

Financial assets

Cash and bank balances	5	52,219,076	-	24,481,081	-
Short term investments	6	-	19,069,742	-	15,412,641
Finances under murabahah arrangements	8	7,665,516	-	23,982,318	-
Finances under musharakah arrangements	7	1,340,000	-	1,440,000	-
Ijarah rentals receivable	9	1,601,668	-	2,228,963	-
Profit receivable	10	453,146	-	673,950	-
Advances to employees	11	1,747,093	-	2,270,670	-
Security deposits	11	60,450	-	60,450	-
Other receivables	11	50,399	-	1,275,871	-
		<u>65,137,348</u>	<u>19,069,742</u>	<u>56,413,303</u>	<u>15,412,641</u>

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

Accrued expenses	14	846,114	678,168
Service charges payable	14	39,052	577,182
Other payables	14	430,727	74,283
Management fee payable	24	1,008,270	1,045,810
		<u>2,324,163</u>	<u>2,375,443</u>

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



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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:

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:

	Note	June 30, 2014 Rupees	June 30, 2013 Rupees
Loans and receivables			
Cash at bank	5	52,056,539	24,104,630
Finances under murabahah arrangements	8	54,131,172	70,550,522
Finances under musharakah arrangements	7	1,977,500	2,077,500
Ijarah rentals receivable	9	7,487,938	7,050,407
Profit receivable	10	35,157,289	35,378,093
Other receivables	11	7,450,875	8,686,947
		158,261,313	147,848,099

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, 2014 Rupees	June 30, 2013 Rupees
Customers	106,204,774	123,743,469
Banking companies and financial institutions	52,056,539	24,104,630
	158,261,313	147,848,099

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



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2014						
	Ijarah rentals Receivable	Finances under Murabahah arrangements	Finances under Musharakah arrangements	Profit receivables	Others receivables	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Services	252,277	65,500	-	492,208	200,260	1,010,245
Textile	133,162	43,494,538	-	30,018,813	5,110,571	78,757,084
Transport	-	-	1,977,500	923,610	509,804	3,410,914
Electrical and engineering	-	-	-	255,647	-	255,647
Packaging	-	3,180,618	-	3,013,864	132,928	6,327,410
Individuals	7,102,499	7,390,516	-	453,147	1,497,312	16,443,474
	<u>7,487,938</u>	<u>54,131,172</u>	<u>1,977,500</u>	<u>35,157,289</u>	<u>7,450,875</u>	<u>106,204,774</u>

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

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 counter party 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 counter parties on their obligations to the Modaraba.

31.1.3(b) Counterparties without external credit ratings

These include customers which are counterparties 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:



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	2014		2013	
	Gross Carrying Amount	Accumulated Impairment	Gross carrying amount	Accumulated Impairment
	Rupees	Rupees	Rupees	Rupees
Neither past due nor impaired	7,748,641	-	23,587,317	-
Past due by upto 90 days	1,747,089	-	4,098,785	-
Past due by 90 to 180 days	1,576,030	1,576,030	1,053,267	1,053,267
Past due by 180 days to 1 year	1,791,504	1,791,504	549,219	549,219
Past due by 1 to 2 years	1,419,675	1,419,675	1,966,647	1,966,647
Past due by 2 to 3 years	1,049,917	1,049,917	2,567,100	1,127,100
Past due by 3 years or more	90,871,918	89,256,919	89,921,134	89,446,134
	106,204,774	95,094,045	123,743,469	94,142,367

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 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. 1.9 million (2013: Rs. 1.5 million). A ten percent decrease in market prices would have had an equal but opposite impact on equity.



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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 24, 2014, have 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:

	2014		
	Officers	Other Employees	Total
	Rupees	Rupees	Rupees
Managerial remuneration	1,754,520	1,576,073	3,330,593
Allowances and perquisites	1,356,154	1,008,884	2,365,038
Post employment benefits	431,650	405,045	836,695
	3,542,324	2,990,002	6,532,326
Number of persons	3	12	15
	2013		
	Officers	Other Employees	Total
	Rupees	Rupees	Rupees
Managerial remuneration	1,368,528	1,620,837	2,989,365
Allowances and perquisites	1,166,254	1,189,460	2,355,714
Post employment benefits	481,157	451,566	932,723
	3,015,939	3,261,863	6,277,802
Number of persons	3	12	15

35 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on September 24, 2014 by the Board of Directors of the Management Company.

36 RECOVERABLE AMOUNTS AND IMPAIRMENT

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

37 GENERAL

Figures have been rounded off to the nearest rupee.

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

Chairman
CRESCENT MODARABA
MANAGEMENT CO. LTD.

Chief Executive
CRESCENT MODARABA
MANAGEMENT CO. LTD.

Director
CRESCENT MODARABA
MANAGEMENT CO. LTD.



FIRST ELITE CAPITAL MODARABA

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

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

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

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

1. At present the board comprises of seven directors of which six are non-executives and only the Chief Executive Officer (CEO) is an executive director. The provisions of clause i (b) of CCG would be applicable to the management company in next election of directors.
2. The directors have confirmed that none of them is serving as a director on more than ten listed companies, including this management company.
3. All the resident directors of the management company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No causal vacancy occurred in the board during the financial year.
5. The Management Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company and Modaraba along with its supporting policies and procedures.
6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the Modaraba. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board.
8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. Three directors of the board have acquired, certification under Director's Training Program up to June 30, 2014, as per requirement of the clause xi of Code of Corporate Governance.
10. The board approves appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
The Board of Directors has outsourced the internal audit function to Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants which are a suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Modaraba and their representatives are involved in the internal audit of the Modaraba on full time basis. Further the Modaraba has also appointed a permanent employee as head of internal audit under clause xxxi of the Code of Corporate Governance.
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, except for those requirements that are applicable after the next election of directors, which will be complied with after the said elections in accordance with the implementation of CCG schedule issued by the Securities and Exchange Commission of Pakistan.

On behalf of the Board

Aamir Iftikhar Khan

Chief Executive

Crescent Modaraba Management Company Limited

Date: September 24, 2014



FIRST ELITE CAPITAL MODARABA

PATTERN OF CERTIFICATE HOLDERS AS AT JUNE 30, 2014

NUMBER OF CERTIFICATE HOLDERS	CERTIFICATE HOLDINGS FROM	TO	TOTAL CERTIFICATE HELD
2,321	1	100	113,186
449	101	500	148,135
1,212	501	1,000	716,968
305	1,001	5,000	685,411
69	5,001	10,000	516,745
34	10,001	15,000	412,083
12	15,001	20,000	211,131
7	20,001	25,000	169,021
14	25,001	30,000	394,770
1	30,001	35,000	34,718
4	35,001	40,000	153,087
3	40,001	45,000	126,619
4	45,001	50,000	194,000
3	50,001	55,000	161,878
4	55,001	60,000	227,327
1	60,001	65,000	62,000
2	65,001	70,000	134,107
1	80,001	85,000	84,624
1	85,001	90,000	85,803
2	100,001	105,000	206,000
1	105,001	110,000	107,000
1	115,001	120,000	118,500
1	155,001	160,000	156,943
1	165,001	170,000	166,308
1	170,001	175,000	174,500
1	175,001	180,000	178,000
1	225,001	230,000	229,000
1	230,001	235,000	233,500
1	295,001	300,000	300,000
1	530,001	535,000	531,972
1	630,001	635,000	630,120
1	1,130,001	1,135,000	1,134,000
1	1,215,001	1,220,000	1,218,608
1	1,320,001	1,325,000	1,323,936
4,463			11,340,000



FIRST ELITE CAPITAL MODARABA

CATEGORIES OF CERTIFICATE HOLDING AS AT JUNE 30, 2014

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	630,120	5.56
Investment Corporation of Pakistan	1	15,000	0.13
DIRECTORS, CEO AND THEIR SPOUSES AND MINOR CHILDREN			
	5	222,043	1.96
Mr. Muhammad Javed Amin		156,943	
Mrs. Rukhsana Javed Amin		8,700	
Miss Tajwer Amin		2,000	
Mr. Muhammad Ahmad Amin		9,400	
Mrs. Shahana Javed Amin		45,000	
EXECUTIVE			
	-	-	-
PUBLIC SECTOR COMPANIES AND CORPORATIONS			
State Life Insurance Corporation of Pakistan	1	531,972	4.69
BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON BANKING FINANCE COMPANIES, INSURANCE COMPANIES, TAKAFUL, MODARABAS AND PENSION FUNDS			
	8	117,379	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			
	24	177,314	1.56
INDIVIDUALS			
	4,420	8,469,252	74.68
TOTAL:	4,463	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	1,218,608	10.75
Crescent Modaraba Management Company Limited	1,134,000	10.00
National Bank of Pakistan Trustee Deptt.	630,120	5.56



FIRST ELITE CAPITAL MODARABA

KEY OPERATING AND FINANCIAL DATA

YEAR	2014	2013	2012	2011	2010	2009
	Rupees in million					
Revenues	62.54	61.78	59.35	53.70	48.18	41.06
Profit after Management Fee & Taxation	9.07	9.04	9.02	8.81	7.32	6.89
Paid up Capital	113.40	113.40	113.40	113.40	113.40	113.40
Certificate Holder's Equity	138.16	133.69	128.06	124.04	117.68	112.55
Current Liabilities	22.44	19.25	15.50	9.36	15.15	14.29
Fixed Assets	107.24	119.23	120.62	96.07	84.43	76.96
Current Assets	88.87	74.24	55.77	59.78	49.91	47.10
Dividend (%)	5.50	5.50	5.50	5.50	5.00	4.50
Earning per Certificate	0.80	0.80	0.80	0.78	0.65	0.61
Break up Value	12.18	11.79	11.29	10.94	10.38	9.93



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 (Chapter XI) of Karachi Stock Exchange Limited, Lahore Stock Exchange Limited and Islamabad Stock Exchange Limited, where the Modaraba is listed.

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

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

There were no related party transactions falling within the ambit of the Sub-Regulation (x) of the Listing Regulations 35 of Karachi Stock Exchange Limited, Lahore Stock Exchange Limited and Islamabad Stock Exchange Limited, where the Modaraba is listed.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Modaraba's compliance, in all material respects, with the best practices contained in the code of corporate governance, for the year ended June 30, 2014.

ILYAS SAEED & CO.

Chartered Accountants

Engagement Partner: Irfan Ilyas

Date: SEPTEMBER 24, 2014

Place: LAHORE



SHARIAH ADVISOR'S REPORT

I have conducted the Shariah review of **First Elite Capital Modaraba** managed by **Crescent Modaraba Management Company Limited** for the year ended June 30, 2014 in accordance with the requirements of the **Shariah Compliance and Shariah Audit Mechanism for Modarabas**. Based on my review I report that in my opinion:

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

Training:

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

Observation:

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



FIRST ELITE CAPITAL MODARABA

Recommendation(s)

1. Remaining Non Shariah Non Tradable equity instruments will be disposed off when they would be tradable equity instruments.
2. The management should maintain its efforts to comply with rulings of Shariah in its business operations and future transactions.

Conclusion

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

Mufti Tayyab Amin
Shariah Advisor

Date: September 24, 2014



FIRST ELITE CAPITAL MODARABA

NOTICE OF ANNUAL REVIEW MEETING

Notice is hereby given that 15th Annual Review Meeting of the First Elite Capital Modaraba will be held on Friday, October 31, 2014 at 12:15 p.m. at 31/10-A, Abu Baker Block, New Garden Town, Lahore to review the performance of the Modaraba for the year ended June 30, 2014. The Certificate Holders whose names appear on the Register of the Modaraba as on October 24, 2014 are eligible to attend the Meeting.

Muhammad Arif Hilal

Company Secretary

Crescent Modaraba Management Company Limited

Date: October 03, 2014

Place : LAHORE

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UNDER POSTAL CERTIFICATE



IF UNDELIVERED PLEASE RETURN TO

FIRST ELITE CAPITAL MODARABA

Managed By
Crescent Modaraba Management Company Limited

PRINCIPAL & REGISTERED OFFICE
31/10-A, Abu Baker Block,
New Garden Town, Lahore - Pakistan
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