



**FIRST
ELITE
CAPITAL
MODARABA**

Annual Report
Two Thousand Seventeen

Managed by
**CRESCENT MODARABA MANAGEMENT
COMPANY LIMITED**



C O N T E N T S

VISION AND MISSION STATEMENT	3
CORPORATE INFORMATION	4-5
DIRECTORS' REPORT	6-7
ڈائریکٹرز رپورٹ	8-9
AUDITORS' REPORT	10
BALANCE SHEET	11
PROFIT AND LOSS ACCOUNT	12
STATEMENT OF COMPREHENSIVE INCOME	13
CASH FLOW STATEMENT	14
STATEMENT OF CHANGES IN EQUITY	15
NOTES TO THE FINANCIAL STATEMENTS	16-39
STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE	40
PATTERN OF CERTIFICATE HOLDING	41
CATEGORIES OF CERTIFICATE HOLDING	42
KEY OPERATING AND FINANCIAL DATA	43
REVIEW REPORT OF AUDITORS ON COMPLIANCE OF CODE OF CORPORATE GOVERNANCE	44
SHARIAH ADVISOR'S REPORT	45-46
NOTICE OF ANNUAL REVIEW MEETING	47
JAMA PUNJI	48



FIRST ELITE CAPITAL MODARABA



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. Ghazanfar Farrokh	Chairman
Mr. Muneeb Ahmed Dar	Member
Mrs. Shahana Javed Amin	Member

COMPANY SECRETARY

Mr. Muhammad Arif Hilal

LEGAL ADVISOR

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

BankIslami Pakistan Limited

PRINCIPAL & REGISTERED OFFICE

50-A, Garden Block, New Garden Town, Lahore - Pakistan

Tel: 042-35442735 - 37 Fax: 042-35442738

E-mail: info@fecm.com.pk

Web: www.fecm.com.pk

REGISTRAR

CorpTec Associates (Pvt.) Limited

503-E, Johar Town, Lahore.

Tel: 042-35170336-7

Fax: 042-35170338

E-mail: info@corptec.com.pk



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 26th annual audited accounts of the Modaraba for the year ended June 30, 2017.

Financial Results

Financial results for the year ended June 30, 2017 are summarized as under:

	June 30, 2017 Rupees	June 30, 2016 Rupees
Total Income of Modaraba	52,203,255	49,772,154
Depreciation of Assets Leased Out	27,620,067	29,315,050
Administrative & General Expenses	26,921,088	23,080,046
Financial Charges	15,231	17,455
Taxation	414,305	384,148
Loss after Taxation	2,767,436	3,024,545

Profit Distribution

Keeping in view the loss for the year, Your Modaraba is not in a position to distribute any dividend this year.

Review of Operations

During the period under review, the Modaraba has made after tax loss of Rs.2,767,436/= as compared to loss of Rs.3,024,545/= in corresponding period of the preceding year. The main reason for the loss is provision of Rs.8,476,593/= of non-performing loans as per requirements of the Prudential Regulations for Modarabas. The management of the Modaraba has filed recovery and criminal cases against most of the delinquent customers.

Despite tough competition with other financial institutions the Modaraba earned a gross revenue of Rs.52,203,255/= during the period as against Rs.49,772,154/= to same period of last year. The revenue was mainly derived from Ijarah, Murabahah Financing and Investments.

Due to loss in current year Modaraba is not in the position to transfer the amount to statutory reserves as required by Prudential Regulations for Modarabas. The Certificate Holders equity of Modaraba stand at Rs.124,939,552/= as at June 30, 2017.

Future Outlook

Besides financing to new quality customers, the Management of the Modaraba will also remain focused on recovery of overdue amounts from customers. The Management of the Modaraba will also explore new profitable business avenues 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.



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- 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	4
IV.	Mr. Muhammad Javed Amin	4
V.	Mr. Muneeb Ahmed Dar	4
VI.	Mrs. Rukhsana Javed Amin	3
VII.	Mrs. Shahana Javed Amin	4

- During the year under review four meetings of the Audit Committee were held. Mr. Muneeb Ahmed Dar, Mr. Ghazanfar Farrokh, and Mrs. Shahana Javed Amin attended all the four meetings.

Pattern of Certificate Holding

A statement reflecting the pattern of holding of the certificates as on June 30, 2017 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 2017-2018 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: October 03, 2017



FIRST ELITE CAPITAL MODARABA

- ڈائریکٹرز، ای او، ایف او، کینیسیکریٹری اور انکے شوہر/بیوی اور انکے چھوٹے بچے مضاربہ سرٹیفکیٹ میں کوئی دلچسپی (Interest) نہیں رکھتے، ماسوائے اسکے جن کا انکشاف پیئر آف سرٹیفکیٹ ہولڈنگ میں موجود ہے۔
- سال کے دوران بورڈ آف ڈائریکٹرز کے چار اجلاس منعقد کئے گئے تھے، ہر ڈائریکٹر کی حاضری درج ذیل ہے:

ڈائریکٹر کا نام	اجلاس میں شرکت کی تعداد
i. محترم عامر افتخار خان	04
ii. ڈاکٹر سردار احمد خان	-
iii. محترم غففر فرخ	04
iv. محترم محمد جاوید امین	04
v. محترم منیب احمد ڈار	04
vi. محترمہ رخسانہ جاوید امین	03
vii. محترمہ شہانہ جاوید امین	04

- سال کے دوران آڈٹ کمیٹی کے چار اجلاس منعقد ہوئے جن میں محترم منیب احمد ڈار، محترم غففر فرخ اور محترمہ شہانہ جاوید امین نے چاروں اجلاسوں میں شرکت کی۔

پیئر آف سرٹیفکیٹ ہولڈنگ:- (Pattern of Certificate Holding)

سرٹیفکیٹ ہولڈنگ کی ترتیب جو کہ 30 جون 2017 کے مطابق ہے اس رپورٹ کے ساتھ منسلک ہے۔

کلیدی آپریٹنگ اور فنانشل ڈیٹا:- (Key Operating and Financial Data)

گزشتہ 6 سال کا کلیدی مالیاتی خلاصہ سالانہ رپورٹ کے ساتھ منسلک ہے۔

آڈیٹرز:- (Auditors)

بورڈ نے میسرز الیاس سعید اینڈ کمپنی (چارٹرڈ اکاؤنٹنٹس) کو بشرط منظوری رجسٹرار آف مضاربہ اینڈ مضاربہ کمپنیز بطور آڈیٹر برائے مالی سال 2017-2018 کیلئے تقرری کی منظوری دی ہے۔

اعتراف:- (Acknowledgement)

بورڈ ریگولیٹری حکام کی جناب سے مسلسل رہنمائی اور تعاون کا شکریہ ادا کرتا ہے اور عملے کی جانب سے پیش کی گئی خدمات اور مشکل صورت حال میں پوری ذمہ داری، لگن اور عزم و ہمت کے ساتھ کام کرنے پر ان کو خراج تحسین پیش کرتا ہے۔

از طرف بورڈ آف ڈائریکٹرز:-

عامر افتخار خان

چیف ایگزیکٹو

کریڈنٹ مضاربہ منیجمنٹ کمپنی لمیٹڈ

03 اکتوبر 2017ء

☆☆☆☆



FIRST ELITE CAPITAL MODARABA

ڈائریکٹرز رپورٹ برائے سرٹیفکیٹ ہولڈرز

معزز سرٹیفکیٹ ہولڈرز:-

فرسٹ ایلٹیل کپٹل مضاربہ زیر انتظام کریڈٹ مضاربہ منجمنٹ کمپنی لمیٹڈ کے بورڈ آف ڈائریکٹرز مضاربہ کے 30 جون 2017ء کو ختم ہونے والے مالی سال کے سالانہ چھبیسویں (26th) آڈٹ شدہ اکاؤنٹس پیش کرتے ہیں۔

مالیاتی نتائج:-

30 جون 2017ء کو ختم ہونے والے سال کے مختصر مالیاتی نتائج درج ذیل ہیں۔

30 جون 2017ء (روپے)	30 جون 2016ء (روپے)	
52,203,255	49,772,154	مضاربہ کی کل آمدن
27,620,067	29,315,050	لیزڈ آؤٹ اثاثوں کی فرسودگی
26,921,088	23,080,046	انتظامی و عمومی اخراجات
15,231	17,455	مالی اخراجات (فنانسل چارجز)
414,305	384,148	ٹیکسیشن
2,767,436	3,024,545	خسارہ بعد از ٹیکسیشن

منافع کی تقسیم:- (Profit Distribution)

اس سال نقصان کو پیش نظر رکھتے ہوئے آپ کی مضاربہ کمپنی کوئی بھی منافع تقسیم کرنے کی پوزیشن میں نہیں ہے۔

آپریشنز کا جائزہ:- (Review of Operations)

موجودہ سال کے دوران مضاربہ کو بعد از ٹیکسیشن = 2,767,436 روپے کا خسارہ ہوا، جبکہ گزشتہ سال اسی مدت کے دوران مضاربہ کو = 3,024,545 روپے کا خسارہ ہوا تھا۔ خسارہ کی بنیادی وجہ مضاربوں کیلئے پروڈینشل ریگولیشنز کی ضروریات کے مطابق غیر فعال قرضوں (non-performing loans) کی = 8,476,593 روپے کی پروویژن (Provision) ہے۔ مضاربہ کی انتظامیہ نے قرضوں کی واپسی کیلئے بہت سے محرم گاہکوں کے خلاف مالیاتی اور فوجداری مقدمہ درج کروائے ہیں۔

دیگر مالیاتی اداروں کے ساتھ سخت مقابلہ کے باوجود مضاربہ کی مجموعی آمدنی = 52,203,255 روپے رہی جبکہ پچھلے سال اسی مدت کے دوران = 49,772,154 روپے تھی۔ مضاربہ کی آمدنی بنیادی طور پر اجارہ، مراحتہ فنانسنگ اور سرمایہ کاری سے حاصل کی گئی۔ اس سال خسارہ کی وجہ سے مضاربہ اس پوزیشن میں نہیں کہ مضاربہ کے پروڈینشل ریگولیشنز کے مطابق رقم قانونی ذخائر (Statutory Reserves) میں منتقل کر سکے۔ مضاربہ سرٹیفکیٹ ہولڈرز کی ایکویٹی (Equity) 30 جون 2017ء کے مطابق = 124,939,552 روپے رہی۔

مستقبل کا نقطہ نظر:- (Future Outlook)

نئے معیاری گاہکوں کو فنانسنگ کے ساتھ مضاربہ کی انتظامیہ صارفین سے زائد المعیاد واجبات کی وصولی پر اپنی تمام تر توجہ مرکوز رکھے گی۔ مضاربہ کی انتظامیہ اپنے معزز سرٹیفکیٹ ہولڈرز کے لئے نئے منافع بخش کاروبار کے مواقع بھی تلاش کرے گی۔

کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک:- (Corporate & Financial Reporting Frame Work)

- مضاربہ کی انتظامیہ کی جانب سے تیار کردہ مالیاتی گوشوارے، اسکے تمام امور، آپریشنز کے نتائج، نقدی کا بہاؤ اور ایکویٹی میں تبدیلی کو منصفانہ طور پر پیش کیا گیا ہے۔
- مضاربہ کی اکاؤنٹس بکس کو باقاعدہ طور پر برقرار رکھا گیا ہے۔
- مالیاتی جائزوں اور اکاؤنٹنگ اندازوں کی تیاری میں مناسب اور آشنہ اندازہ فیصلے پڑتی پالیسیوں کو مسلسل لاگو کیا گیا ہے۔
- مالیاتی گوشواروں (Financial Statements) کی تیاری میں بین الاقوامی رپورٹنگ معیار، جو کہ پاکستان میں مضاربہ پر لاگو ہیں، کی پیروی کی گئی ہے، اور تمام اخراج کا مناسب طور پر انکشاف اور اسکی وضاحت کی گئی ہے۔
- اندرونی کنٹرول کا نظام اپنی ساخت میں انتہائی مضبوط ہے اور اس پر موثر طریقے سے عمل درآمد اور نگرانی کی جاتی ہے۔
- مضاربہ کی صلاحیت اور کارکردگی پر کوئی قابل ذکر شکوک و شبہات نہیں ہیں۔



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, 2017 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 accounts 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 accounts 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, terms and conditions 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, 2017 and of the loss, other comprehensive loss, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

ILYAS SAEED & CO
Chartered Accountants

Engagement Partner: Muhammad Ilyas

Date: October 03, 2017

Place: Lahore



FIRST ELITE CAPITAL MODARABA

BALANCE SHEET AS AT JUNE 30, 2017

	Note	June 30, 2017 Rupees	June 30, 2016 Rupees
ASSETS			
CURRENT ASSETS			
Cash and bank balances	4	23,089,634	21,690,807
Short term investments	5	16,129,448	18,540,876
Short term finances under musharakah arrangements - Secured	6	938,504	1,080,030
Short term finances under murabahah arrangements - Secured	7	27,218,067	46,337,432
Ijarah rentals receivable - Secured	8	2,062,152	1,198,772
Profit receivable - Secured	9	157,540	93,150
Advances, deposits, prepayments and other receivables	10	6,285,897	6,229,679
Advance income tax	11	1,263,041	1,558,171
		77,144,283	96,728,917
NON-CURRENT ASSETS			
Assets leased out under ijarah contracts	12	105,391,575	83,468,750
Property and equipment	13	3,475,759	1,584,688
		108,867,334	85,053,438
TOTAL ASSETS		186,011,617	181,782,354
LIABILITIES			
CURRENT LIABILITIES			
Accrued and other liabilities	14	1,877,694	1,584,304
Security deposits	15	5,435,152	7,891,375
Unclaimed profit distribution		7,826,590	7,834,899
		15,139,436	17,310,578
NON-CURRENT LIABILITIES			
Security deposits	15	37,646,064	27,266,700
Employees retirement benefits	16	8,286,565	6,754,166
		45,932,629	34,020,866
Contingencies and commitments	17	-	-
TOTAL LIABILITIES		61,072,065	51,331,444
NET ASSETS		124,939,552	130,450,910
REPRESENTED BY			
Authorized capital 20,000,000 (2016: 20,000,000) modaraba certificates of Rs. 10 each		200,000,000	200,000,000
Issued, subscribed and paid-up capital	18	113,400,000	113,400,000
Statutory reserves	19	11,539,552	17,050,910
		124,939,552	130,450,910

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, 2017

	Note	June 30, 2017 Rupees	June 30, 2016 Rupees
INCOME			
Income from ijarah financing	20	44,513,656	40,351,042
Income from murabahah financing	21	1,693,368	6,552,344
Return on investments	22	3,651,627	2,214,349
Other income	23	2,344,604	654,419
		52,203,255	49,772,154
EXPENSES			
Depreciation of assets leased out under ijarah contracts	12	(27,620,067)	(29,315,050)
Administrative and general expenses	24	(26,921,088)	(23,080,046)
Financial charges		(15,231)	(17,455)
		(54,556,386)	(52,412,551)
Loss before taxation		(2,353,131)	(2,640,397)
Taxation			
-Current	11	(414,305)	(384,148)
Loss after taxation		(2,767,436)	(3,024,545)
Loss per certificate - basic and diluted	27	(0.24)	(0.27)

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

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2017

	Note	June 30, 2017 Rupees	June 30, 2016 Rupees
Loss after taxation		(2,767,436)	(3,024,545)
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss			
Changes in fair value of available for sale investments	5	(2,131,344)	(2,407,717)
Reclassification adjustments for (gain)\loss included in profit or loss		(82,425)	(47,901)
		(2,213,769)	(2,455,618)
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit plan		(530,153)	(17,997)
Total comprehensive loss		<u>(5,511,358)</u>	<u>(5,498,160)</u>

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

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2017

	Note	June 30, 2017 Rupees	June 30, 2016 Rupees
CASH GENERATED FROM OPERATIONS	28	48,271,876	21,867,700
(Payments) / receipts for:			
Income taxes		295,130	326,448
Purchase of Ijarah assets		(81,033,120)	(32,115,919)
Transfer of Ijarah assets		32,263,600	21,785,875
Management fee		-	(953,688)
Profit distribution		(8,309)	(6,237,000)
		(48,482,699)	(17,194,284)
Net cash (used in)/generated from operating activities		(210,823)	4,673,416
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(2,240,491)	(8,500)
Purchase of investments		(25,060,529)	(14,678,572)
Proceeds from sale of investments		27,927,881	16,904,435
Dividend received		982,790	1,385,699
Net cash generated from investing activities		1,609,651	3,603,062
CASH FLOW FROM FINANCING ACTIVITIES			
Net cash flow from financing activities		-	-
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,398,828	8,276,478
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		21,690,807	13,414,329
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	29	23,089,634	21,690,807

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


STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2017

	Note	Reserves					Total equity
		Paid-up Certificate Capital	Statutory reserve	Available for sale financial assets	Accumulated losses	Total	
		Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as at June 30, 2015		113,400,000	31,074,260	5,217,391	(7,505,581)	28,786,070	142,186,070
Profit distribution @ 5.5% i.e. Re. 0.55 per certificate for the year ended June 30, 2015		-	-	-	(6,237,000)	(6,237,000)	(6,237,000)
Comprehensive income for the year ended June 30, 2016		-	-	-	(3,024,545)	(3,024,545)	(3,024,545)
Profit after taxation		-	-	(2,455,618)	(17,997)	(2,473,615)	(2,473,615)
Other comprehensive income		-	-	(2,455,618)	(3,042,542)	(5,498,160)	(5,498,160)
Transferred to statutory reserve	19	-	-	-	-	-	-
Balance as at June 30, 2016		113,400,000	31,074,260	2,761,773	(16,785,123)	17,050,910	130,450,910
Comprehensive loss for the year ended June 30, 2017		-	-	-	(2,767,436)	(2,767,436)	(2,767,436)
Loss after taxation		-	-	(2,213,769)	(530,153)	(2,743,922)	(2,743,922)
Other comprehensive loss		-	-	(2,213,769)	(3,297,589)	(5,511,358)	(5,511,358)
Transferred to statutory reserve	19	-	-	-	-	-	-
Balance as at June 30, 2017		113,400,000	31,074,260	548,004	(20,082,712)	11,539,552	124,939,552

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

NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

1 STATUS AND NATURE OF THE BUSINESS

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 repealed Companies Ordinance 1984 (now the Companies Act, 2017), vide Registration No. L 01630 dated 30th May, 1989. The registered office of the Modaraba is situated at 50-A, Garden Block, New Garden Town, Lahore. The Modaraba was floated on September 26, 1991 and is listed on Pakistan Stock Exchange Limited. 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

During the year, the Companies Ordinance, 1984, has been repealed and the Companies Act, 2017 (the Act) has been promulgated. However, the Securities and Exchange Commission of Pakistan (SECP) vide its circular no. 17 of 2017 dated July 20, 2017 under section 509 of the Act, has communicated Commission's decision "that the companies whose financial year closes on or before June 30, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984."

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 ("IFRS"), the International Accounting Standards ("IAS") and the Islamic Financial Accounting Standards ("IFAS") as notified under the provisions of the repealed 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.

SECP vide its circular no. 10 of 2004 dated 13 February 2004, had deferred, till further orders, the applicability of International Accounting Standard (IAS) 17 "Leases" on Modarabas with effect from 1 July 2003 and advised the management companies of Modarabas that they may continue to prepare the financial statements of the Modarabas without applying the requirements of IAS 17 to the Modarabas. However, the requirements of IAS 17 were considered for the purpose of leasing transactions (net investment in finance lease, assets given on finance lease, liabilities against assets subject to finance lease, and assets obtained on finance lease entered into by the Modaraba upto 30 June 2008. From 1 July 2008, all new lease transactions (both for assets given and assets obtained) are being accounted for in accordance with the requirements of IFAS 2 as explained hereunder. Islamic Financial Accounting Standard 2 'Ijarah' issued by the Institute of Chartered Accountants of Pakistan was adopted by the Securities and Exchange Commission of Pakistan ('the SECP') vide SRO 431(1)/ 2007 dated 22 May 2007. During the year ended 30 June 2009, SECP vide its letter no. SC/M/RW/SC/2009 dated 9 March 2009, directed that the management companies of Modarabas may apply the accounting treatment of IFAS 2, only to the leasing (Ijarah) transactions entered on or after 1 July 2008. Under the above IFAS 2, the 'Ijarah' transactions are accounted for in the following manner:

- Mustajir (lessor) presents the assets subject to Ijarah in their balance sheet according to the nature of the asset, distinguished from the assets in own use.



FIRST ELITE CAPITAL MODARABA

- Costs, including depreciation on the assets given on Ijarah, incurred in earning the Ijarah income are recognised as expenses.

- Ijarah income is recognised in income on an accrual basis as and when the rental becomes due, unless another systematic basis is more representative of the time pattern in which the benefit of the use derived from the leased asset is diminished.

Consequently, in preparation of these financial statements the Modaraba has accounted for leasing transactions executed before 1 July 2008 as finance leases consistent with prior years and has treated leasing transactions executed on or after 1 July 2008 in accordance with the requirements of IFAS 2.

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

2.3.1 Recoverable amount and impairment

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

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

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

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



FIRST ELITE CAPITAL MODARABA

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 APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

2.5.1 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 standards or interpretation:

Standards, amendments or Interpretation	IASB Effective Date (annual periods beginning on or after)
IAS-12 Recognition of deferred tax assets for un realized losses (amendments to IAS-12)	January1, 2017
IFRS-7 Disclosure initiative (amendments to IAS-7)	January 1, 2017
IFRS-12 Annual improvements to IFRS Standards 2014-2016 (amendments to IFRS-12)	January 1, 2017

2.5.2 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.

Standards, amendments or Interpretation	IASB Effective Date (annual periods beginning on or after)
IFRS-9 Financial Instruments	January 1, 2018
IFRS-14 Regulatory Deferral accounts	January 1, 2016
IFRS-15 Revenue from Contracts with Customers	January 1, 2018
IFRS-16 Leases	January 1, 2019

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.



FIRST ELITE CAPITAL MODARABA

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 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



FIRST ELITE CAPITAL MODARABA

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

3.5.3 Measurement

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

3.5.4 De-recognition

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

3.5.5 Off-setting

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

3.5.6 "Regular way" purchases and sales of financial assets

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

3.6 Investments in listed securities

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

3.7 Accrued and other liabilities

3.7.1 Financial liabilities

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



FIRST ELITE CAPITAL MODARABA

3.9 Cash and cash equivalents

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

3.10 Revenue

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

Revenue from different sources is recognized as follows:

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

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

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

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

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

3.11 Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions and include holding company, associated companies with or without common directors, directors and major shareholders and their close family members, key management personnel and staff and retirement benefit funds.

3.12 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'.

3.13 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.

3.13.1 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.

3.13.2 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



FIRST ELITE CAPITAL MODARABA

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.

3.14 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.

3.15 Impairment

3.15.1 Financial assets

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

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

3.15.2 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.



FIRST ELITE CAPITAL MODARABA

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.

3.16 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.

3.17 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.

	Note	June 30, 2017 Rupees	June 30, 2016 Rupees
4 CASH AND BANK BALANCES			
Cash in hand		223,381	122,904
Cash at bank in			
Current accounts		52,816	1,086,536
Saving / deposit accounts	4.1	22,813,437	20,481,367
		<u>22,866,253</u>	<u>21,567,903</u>
		<u>23,089,634</u>	<u>21,690,807</u>

4.1 Effective rate of return on deposit/saving accounts, for the year, ranges from 4% to 7% (2016: 4% to 7%).

5 SHORT TERM INVESTMENTS

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

Cost	5.1	19,317,834	19,515,493
Accumulated impairment	5.1	(3,736,390)	(3,736,390)
Accumulated changes in fair value	5.1	548,004	2,761,773
		<u>16,129,448</u>	<u>18,540,876</u>



5.1 Particulars of investments

Oil and Gas Producers

Pakistan Petroleum Limited
Pakistan Refinery Limited
Byco Petroleum Limited

Fertilizer

Fauji Fertilizer Bin Qasim Limited
Fauji Fertilizer Company Limited

Chemicals

Lottee Pakistan PTA Limited
Nimir Resins Limited

Cements

Gharibwal Cement Company Limited
Fauji cement Company Limited

Textile Composite

Sunrise Textiles Limited

Technology & Communication

Callmate Telips Telecom Limited
Pakistan Telecommunication Company Limited
Pak Electron Limited

Power Generation

Hub Power Company Limited

Oil & Gas marketing Co.

Sui Northern Gas Pipelines Limited
Pakistan State Oil Company Limited

Commercial Banks

Meezan Bank Limited

Investment Banks/Co.

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

Modarabs

First Equity Modaraba

Food and personal care

Treet Corporation Limited

TOTAL



FIRST ELITE CAPITAL MODARABA

No. Of Shares/ Certificates		Average Cost		Fair Value	
June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
		Rupees		Rupees	
-	15,000	-	2,253,800	-	2,325,750
-	15,000	-	715,169	-	617,700
-	2,000	-	62,489	-	41,080
17,000	17,000	972,425	972,425	728,280	901,170
51,450	51,450	2,789,754	2,789,754	4,251,828	5,902,344
-	18,000	-	191,111	-	108,180
50,000	-	631,933	-	471,500	-
15,000	-	993,085	-	683,100	-
-	15,000	-	649,152	-	537,000
153,900	153,900	2,023,076	2,023,076	-	-
5,100	5,100	530,323	530,323	-	-
85,000	85,000	4,200,073	4,200,073	1,326,850	1,277,550
20,000	-	2,381,481	-	2,206,400	-
5,000	7,000	329,560	461,384	587,150	840,420
5,000	18,000	878,748	591,315	744,600	653,220
13,200	13,200	2,387,665	2,387,665	5,113,020	4,956,072
-	3,330	-	156,507	-	141,525
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
-	37,000	-	218,243	-	148,000
-	1,500	-	113,296	-	74,145
432,450	469,280	19,317,834	19,515,493	16,129,448	18,540,876



FIRST ELITE CAPITAL MODARABA

- 6 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, 2017 Rupees	June 30, 2016 Rupees
Considered good		-	-
Considered doubtful		1,576,004	1,717,530
		1,576,004	1,717,530
Accumulated impairment	6.1	(637,500)	(637,500)
		938,504	1,080,030
6.1 Movement in accumulated impairment is as follows:			
As at beginning of the year		637,500	637,500
Recognized during the year		-	-
As at end of the year		637,500	637,500

- 7 SHORT TERM FINANCES UNDER MURABAHAH ARRANGEMENTS - SECURED

Considered good		27,218,067	46,337,432
Considered doubtful		60,551,344	52,074,751
		87,769,411	98,412,183
Accumulated impairment	7.1	(60,551,344)	(52,074,751)
		27,218,067	46,337,432

These represent receivable against murabahah transactions on deferred payment basis at a specified margin. These are secured against pledge of marketable securities, mortgage of property, vehicles, hypothecation of stocks, demand promissory notes and personal guarantees. Profit margin on murabahah transactions ranges from 15% to 20% (2016: 13% to 20%) per annum receivable on monthly basis.

- 7.1 Movement in accumulated impairment is as follows:

As at beginning of the year		52,074,751	46,444,361
Recognized during the year	24	8,476,593	5,651,059
Reversed during the year		-	(20,669)
		8,476,593	5,630,390
As at end of the year	7.1.1	60,551,344	52,074,751

- 7.1.1 The Modaraba has filed execution petitions with the Modaraba Tribunal Punjab and suit with banking court, Lahore against various parties for recoveries, also claims has been filed, against one (2016 : two) companies, with official liquidators appointed by Lahore High Court.

- 8 IJARAH RENTALS RECEIVABLE - SECURED

These represent rentals receivable against assets leased out under Ijarah contracts. These are secured against the promissory note (Signed cheques) in favour of Modaraba for the entire lease rental amount. The details are as follows:

Considered good		2,062,152	1,198,772
Considered doubtful		3,152,120	6,665,226
		5,214,272	7,863,998
Accumulated impairment	8.1	(3,152,120)	(6,665,226)
		2,062,152	1,198,772

- 8.1 Movement in accumulated impairment is as follows:

As at beginning of the year		6,665,226	4,421,488
Recognized during the year		2,936,649	4,717,141
Reversed during the year		(6,449,755)	(2,473,403)
	20	(3,513,106)	2,243,738
As at end of the year	8.1.1	3,152,120	6,665,226



FIRST ELITE CAPITAL MODARABA

8.1.1 The Modaraba has filed execution petitions against one party with the Modaraba Tribunal Punjab, Lahore for recovery.

Note	June 30, 2017 Rupees	June 30, 2016 Rupees
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9 PROFIT RECEIVABLE - SECURED

This represents profit receivable on murabahah finance.

Considered good	157,540	93,150
Considered doubtful	36,760,724	36,762,782
	36,918,264	36,855,932
Accumulated impairment	9.1 (36,760,724)	(36,762,782)
	157,540	93,150

9.1 Movement in accumulated impairment is as follows:

As at beginning of the year	36,762,782	34,031,313
Recognized during the year	-	2,731,469
Reversed during the year	(2,058)	-
	(2,058)	2,731,469
As at end of the year	36,760,724	36,762,782

10 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advances to employees-considered good against salaries	437,643	140,158
against retirement benefits	10.1 2,500,846	2,285,559
Advances to suppliers	800,000	1,931,930
Security deposits	60,450	60,450
Prepayments	2,376,580	1,537,235
Accrued profit on bank deposits	55,562	55,100
Other receivables - unsecured	10.2 54,816	219,247
	6,285,897	6,229,679

10.1 These include advances to officers of the Modaraba amounting to Rs. 2,500,846/- . (2016: 2,285,559/-).

10.2 These mainly include amounts recoverable from customers in respect of expenses incurred by the Modaraba on their behalf. Particulars of other receivables are as follows:

Considered good	54,816	219,247
Considered doubtful	5,699,672	7,400,476
	5,754,488	7,619,723
Accumulated impairment	10.2.1 (5,699,672)	(7,400,476)
	54,816	219,247

10.2.1 Movement in accumulated impairment is as follows:

As at beginning of the year	7,400,476	7,400,476
Recognized during the year	-	-
Reversed during the year	(1,700,804)	-
As at end of the year 10.2.1.1	5,699,672	7,400,476

10.2.1.1 The Modaraba has filed execution petitions against one party with the Modaraba Tribunal Punjab, Lahore for recovery.

11. ADVANCE INCOME TAX

Opening balance	1,558,171	1,884,619
Add: tax deducted / paid during the year	119,175	57,700
Less: Provision for the year	(414,305)	(384,148)
As at end of the year	1,263,041	1,558,171



FIRST ELITE CAPITAL MODARABA

12 ASSETS LEASED OUT UNDER IJARAH CONTRACTS

Year ended June 30, 2017

PARTICULARS	COST			DEPRECIATION			Carrying Value As at June 30, 2017
	As at July 01, 2016	Additions	Disposals	As at June 30, 2017	For the year	Adjustment	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Vehicles	113,016,716	67,448,120	(50,802,520)	129,662,316	21,708,126	(21,858,427)	92,853,694
Office equipment	938,300	-	(938,300)	-	176,027	(741,715)	-
Machinery	13,364,197	13,585,000	(7,795,000)	19,154,197	5,735,914	(5,445,452)	12,537,881
	127,319,213	81,033,120	(59,535,820)	148,816,513	27,620,067	(28,045,594)	105,391,575

Year ended June 30, 2016

PARTICULARS	COST			DEPRECIATION			Carrying Value As at June 30, 2016
	As at July 01, 2015	Additions	Disposals	As at June 30, 2016	For the year	Adjustment	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Vehicles	135,577,300	29,678,916	(52,239,500)	113,016,716	23,434,273	(33,900,819)	76,057,795
Office equipment	938,300	-	-	938,300	270,390	-	372,612
Machinery	23,740,594	2,437,003	(12,813,400)	13,364,197	5,610,387	(9,834,218)	7,038,343
	160,256,194	32,115,919	(65,052,900)	127,319,213	29,315,050	(43,735,037)	83,468,750

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.



FIRST ELITE CAPITAL MODARABA

13 PROPERTY AND EQUIPMENT

Year ended June 30, 2017

PARTICULARS	COST			DEPRECIATION			Net book value as at June 30, 2017
	As at July 01, 2016	Additions	Disposals	As at June 30, 2017	Rate %age	For the year As at July 01, 2016	As at June 30, 2017
	Rupees	Rupees	Rupees	Rupees		Rupees	Rupees
Furniture and fixtures	253,280	11,000	-	264,280	10	155,729	10,204
Office equipment	2,240,138	36,126	-	2,276,264	10	1,383,480	86,883
Vehicles	2,788,470	2,193,365	(46,000)	4,935,835	20	2,157,992	251,482
	5,281,888	2,240,491	(46,000)	7,476,379		3,697,201	348,569
						(45,150)	4,000,620
							3,475,759

Year ended June 30, 2016

PARTICULARS	COST			DEPRECIATION			Net book value as at June 30, 2016
	As at July 01, 2015	Additions	Disposals	As at June 30, 2016	Rate %age	For the year As at July 01, 2015	As at June 30, 2016
	Rupees	Rupees	Rupees	Rupees		Rupees	Rupees
Furniture and fixtures	244,780	8,500	-	253,280	10	145,162	10,567
Office equipment	2,240,138	-	-	2,240,138	10	1,288,296	95,184
Vehicles	2,788,470	-	-	2,788,470	20	2,000,363	157,629
	5,273,388	8,500	-	5,281,888		3,433,820	263,380
						-	3,697,201
							1,584,687



FIRST ELITE CAPITAL MODARABA

	Note	June 30, 2017 Rupees	June 30, 2016 Rupees
14 ACCRUED AND OTHER LIABILITIES			
Accrued expenses		1,305,109	945,379
Advance ijarah rentals and security deposits		102,952	66,967
Withholding tax payable		97,776	116,515
Charity payable		1,130	3,938
Other payables - secured		-	20,778
Other payables - unsecured		370,727	430,727
		<u>1,877,694</u>	<u>1,584,304</u>
15 SECURITY DEPOSITS			
Security deposits under ijarah contracts		43,081,216	35,158,075
Current maturity presented under current liabilities		(5,435,152)	(7,891,375)
		<u>37,646,064</u>	<u>27,266,700</u>
16 EMPLOYEES RETIREMENT BENEFITS			
The amounts recognized on balance sheet are as follows:			
Present value of defined benefit obligation	16.1	<u>8,286,565</u>	<u>6,754,166</u>
16.1 Movement in present value of defined benefit obligation			
As at beginning of the year		6,754,166	5,689,317
Current service cost	16.2	512,569	477,920
Interest cost on defined benefit obligation	16.2	489,677	568,932
		<u>7,756,412</u>	<u>6,736,169</u>
Remeasurements:			
Actuarial (gains)/losses from changes in demographic assumptions		-	182,701
Actuarial (gains)/losses from changes in financial assumptions		9,344	(43,656)
Experience adjustments		520,809	(121,048)
	16.3	<u>530,153</u>	<u>17,997</u>
As at the close of the year		<u>8,286,565</u>	<u>6,754,166</u>
16.2 Expenses to be charged to P&L			
Current service cost		512,569	477,920
Interest cost on defined benefit obligation		489,677	568,932
		<u>1,002,246</u>	<u>1,046,852</u>
16.3 Remeasurements recognized in other comprehensive income			
Actuarial (gains) / losses from changes in demographic assumptions		-	182,701
Actuarial (gains) / losses from changes in financial assumptions		9,344	(43,656)
Experience adjustments		520,809	(121,048)
		<u>530,153</u>	<u>17,997</u>



FIRST ELITE CAPITAL MODARABA

16.4 Significant actuarial assumptions

Discount rate used for interest cost charged in P&L	7.25%	10.00%
Discount rate used for year end obligation	7.75%	7.25%
Salary increase used for year end obligation		
Salary increase FY 2017	5.75%	5.25%
Salary increase FY 2018	5.75%	5.25%
Salary increase FY 2019	5.75%	5.25%
Salary increase FY 2020	5.75%	5.25%
Salary increase FY 2021	5.75%	5.25%
Salary increase FY 2022	5.75%	5.25%
Salary increase FY 2023 onwards	5.75%	5.25%
Next salary is increased at	July 01, 2017	July 01, 2016
Mortality rates	SLIC (2001 - 2005) Setback 1 Year	SLIC (2001 - 2005) Setback 1 Year
Withdrawal rates	Age-based (per Appendix)	Age-based (per appendix)
Retirement assumption	Age 60	Age 60

16.5 Historical information

	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Present value of defined benefit obligation	Rupees 8,286,565	6,754,166	5,689,317	4,798,851	5,251,541
Actuarial adjustment arising during the year	% 5.91	0.27	0.27	8.93	8.07

16.6 Future expectation

The estimated expenses to be charged to P & L during the year ending June 30, 2018 amounts to Rs.1.13 million. The actual cost will be determined after valuation of the Fund as at June 30, 2018 when the actuarial gains and losses arising during the year ending June 30, 2018 will be available.

16.7 Additional disclosure items

Year end sensitivity analysis (\pm 100 bps) on defined benefit obligation

	June 30, 2017 RUPEES
Discount rate + 100 bps	7,895,367
Discount rate - 100 bps	8,719,496
Salary increase + 100 bps	8,735,050
Salary increase - 100 bps	7,874,246
Average duration of the defined benefit obligation	5 years

17 CONTINGENCIES AND COMMITMENTS

17.1 Contingencies

17.1.1 For the Assessment year 2002-2003. The Tax department had filed a reference to the Honorable Lahore High Court against the Order passed by the Learned Tribunal in respect of "provision for Doubtful Debts", "Provision for Gratuity" and "Excess Perquisites" whereby the disallowances are 2,781,440/-, 87,290/- and 323,113/- respectively.

17.1.2 The Modaraba has filed seven execution petitions for recovery of receivables amounting to Rs. 86,862,791/- against different parties in Modaraba Tribunal Punjab, Lahore. The management is hotly pursuing its cases in the Court of law. There are almost no chances of



FIRST ELITE CAPITAL MODARABA

any unfavorable decision(s) against First Elite Capital Modaraba.

17.1.3 The Modaraba has filed a claim for Rs. 22,063,889/- against Sunrise Textile Limited (under liquidation) in High Court, Lahore. The Modaraba has applied to the official liquidators, appointed by the honourable Lahore High Court in C.O.No. 10/1995 for recovery of its dues. The management is hotly pursuing its cases in the Court of law. There are almost no chances of any unfavorable decision(s) against First Elite Capital Modaraba.

17.1.4 The Modaraba has filed seven suits for recovery of receivables amounting to Rs. 8,430,510/- against different parties in Banking Court, Lahore. The management is hotly pursuing its cases in the Court of law. There are almost no chances of any unfavorable decision(s) against First Elite Capital Modaraba.

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, 2017 Rupees	June 30, 2016 Rupees
Future Ijarah rentals receivable			
Not later than one year		34,616,651	19,147,365
Later than one year but not later than five years		49,846,107	51,054,533
Later than five years		-	-
		<u>84,462,758</u>	<u>70,201,898</u>
18 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL			
Modaraba certificates of Rs. 10 each			
10,000,000 (2016: 10,000,000) certificates issued for cash		100,000,000	100,000,000
1,340,000 (2016: 1,340,000) certificates issued as full paid bonus certificates		13,400,000	13,400,000
		<u>113,400,000</u>	<u>113,400,000</u>
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 INCOME FROM IJARAH FINANCING			
Income from ijarah rental		41,000,550	42,594,780
Ijarah income recovered / (suspended) - net	8.1 & 20.1	3,513,106	(2,243,738)
		<u>44,513,656</u>	<u>40,351,042</u>
20.1 This represents ijarah income recovered/suspended in accordance with the prudential regulations applicable to the Modaraba.			
21 INCOME FROM MURABAHAH FINANCING			
Income from murabahah		1,691,310	9,283,813
Murabahah income suspended/reversed profit - net	9.1 & 21.1	2,058	(2,731,469)
		<u>1,693,368</u>	<u>6,552,344</u>
21.1 This represents murabahah income suspended/reversed in accordance with the prudential regulations applicable to the Modaraba.			



FIRST ELITE CAPITAL MODARABA

	Note	June 30, 2017 Rupees	June 30, 2016 Rupees
22 RETURN ON INVESTMENTS			
Dividend income		982,790	1,385,699
Gain on sale of investments		2,668,837	828,650
		<u>3,651,627</u>	<u>2,214,349</u>
23 OTHER INCOME			
Gain on financial instruments			
Reversal of provision for doubtful receivables		1,700,804	20,669
Gain on disposal of property and equipment		5,150	-
Return on bank deposits		638,650	633,750
		<u>2,344,604</u>	<u>654,419</u>
24 ADMINISTRATIVE AND GENERAL EXPENSES			
Salaries and benefits	24.1	9,424,118	8,635,988
Rent, rates and taxes		20,315	98,835
Service charges		-	357,696
Utilities		215,412	346,170
Repair and maintenance		539,550	486,812
Printing and stationery		501,231	358,713
Communication		251,247	261,314
Postage		109,445	189,901
Travelling and conveyance		754,105	593,596
Insurance		3,271,871	3,074,087
Provision for doubtful debts under murabahah arrangements	7.1	8,476,593	5,651,059
Advertisement		33,013	28,360
Fee and subscription		445,947	543,767
Newspapers, books and periodicals		7,915	7,582
Entertainment		98,452	84,176
Auditors' remuneration	24.2	362,500	362,500
Legal and professional charges		1,781,000	1,474,700
Depreciation	13	348,569	263,380
Zakat and charity		1,963	8,186
Others		277,842	253,224
		<u>26,921,088</u>	<u>23,080,046</u>
24.1 These include charge in respect of employees retirement benefits amounting to Rs. 1,002,246/- (2016: Rs. 1,046,852/-).			
24.2 Auditors' remuneration			
Annual statutory Audit		250,000	250,000
Half yearly review		52,500	52,500
Review report under Code of Corporate Governance		45,000	45,000
Out of pocket expenses		15,000	15,000
		<u>362,500</u>	<u>362,500</u>
25 TAXATION			
Current taxation			
For the year		500,750	384,148
Prior years		(86,445)	-
		414,305	384,148
Deferred taxation	25.1	-	-
		<u>414,305</u>	<u>384,148</u>



FIRST ELITE CAPITAL MODARABA

25.1 As per the requirements of International Financial Reporting Standards, deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. As, the Company is currently incurring losses and does not foresee sufficient profits in the future, therefore the deferred tax asset is not being recognized.

26 MANAGEMENT FEE

This represents remuneration of the Management Company for the management of affairs of the Modaraba and is to be calculated at ten percent of the operating profit for the year according to modaraba Ordinance, 1980. There is a operating loss for the year hence no management fee for this year.

Unit	June 30, 2017 Rupees	June 30, 2016 Rupees
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27 LOSS PER CERTIFICATE - BASIC AND DILUTED

Loss attributable to certificate holders	Rupees	(2,767,436)	(3,024,545)
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Weighted average number of certificates outstanding during the year	No. of certificates	11,340,000	11,340,000
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Loss per certificate	Rupees	(0.24)	(0.27)
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There is no diluting effect on the basic earnings per certificate of the Modaraba

June 30, 2017 Rupees	June 30, 2016 Rupees
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28 CASH GENERATED FROM OPERATIONS

Loss before taxation	(2,353,131)	(2,640,397)
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Adjustments for non-cash and other items

Depreciation of assets under own use	348,570	263,380
Depreciation of assets leased out under ijarah contracts	27,620,067	29,315,069
Gain on sale of investments	(2,668,837)	(828,650)
Dividend income	(982,790)	(1,385,699)
Gain on transfer of assets leased out	(773,374)	(468,012)
Provision for doubtful debts under murabahah arrangements	8,476,593	5,630,390
Provision for taxation	(414,305)	(384,148)
Provision for employees retirement benefits	1,002,246	1,046,852
	32,608,165	33,189,182

Operating profit before changes in working capital	30,255,034	30,548,785
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Changes in working capital

Finances under murabahah arrangements	10,642,772	(1,002,877)
Finances under musharakah arrangements	141,526	141,130
Ijarah rentals receivable	(863,380)	938,006
Profit receivable	(64,390)	547,999
Advances, deposits, prepayments and other receivables	(56,218)	629,775
Security deposits	7,923,142	(8,943,209)
Accrued and other liabilities	293,390	(991,909)
	18,016,842	(8,681,085)

Cash generated from operations	48,271,876	21,867,700
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FIRST ELITE CAPITAL MODARABA

	Note	June 30, 2017 Rupees	June 30, 2016 Rupees
29 CASH AND CASH EQUIVALENTS			
Cash and bank balances	4	23,089,634	21,690,807

30 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

There are no related party transactions for the current year.

		2017		2016
Note	Loans and receivables Rupees	Available for sale financial assets Rupees	Loans and receivables Rupees	Available for sale financial assets Rupees

31 FINANCIAL INSTRUMENTS

31.1 Financial instruments by class and category

Financial assets

Cash and bank balances	4	23,089,634	-	21,690,807	-
Short term investments	5	-	16,129,448	-	18,540,876
Finances under musharakah arrangements	6	938,504	-	1,080,030	-
Finances under murabahah arrangements	7	27,218,067	-	46,337,432	-
Ijarah rentals receivable	8	2,062,152	-	1,198,772	-
Profit receivable	9	157,540	-	93,150	-
Advances to employees	10	2,938,489	-	2,425,717	-
Security deposits	10	60,450	-	60,450	-
Other receivables	10	54,816	-	219,247	-
		56,519,652	16,129,448	73,105,605	18,540,876

Financial liabilities

Accrued expenses	14	1,305,109	945,379
Other payables	14	370,727	430,727
		1,675,836	1,376,106

31.2 Fair values of financial instruments

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

31.2.1 Methods of determining fair values

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

31.2.2 Discount/interest rates used for determining fair values

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

32 FINANCIAL RISK EXPOSURE AND MANAGEMENT

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



FIRST ELITE CAPITAL MODARABA

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

32.1 Credit risk

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

	Note	June 30, 2017 Rupees	June 30, 2016 Rupees
32.1.1 Maximum exposure to credit risk			
The maximum exposure to credit risk as at the reporting date is as follows:			
Loans and receivables			
Cash at bank	4	22,866,253	21,567,903
Finances under musharakah arrangements	6	1,576,004	1,717,530
Finances under murabahah arrangements	7	87,769,411	98,412,183
Ijarah rentals receivable	8	5,214,272	7,863,998
Profit receivable	9	36,918,264	36,855,932
Other receivables	10	5,754,488	7,619,723
		<u>160,098,692</u>	<u>174,037,269</u>

32.1.2 Concentration of credit risk

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

	June 30, 2017 Rupees	June 30, 2016 Rupees
Customers	137,232,439	152,469,366
Banking companies and financial institutions	<u>22,866,253</u>	<u>21,567,903</u>
	<u>160,098,692</u>	<u>174,037,269</u>

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

	2017					
	Ijarah rentals Receivable	Finances under Murabahah arrangements	Finances under Musharakah arrangements	Profit receivables	Others receivables	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Services	246,554	65,500	-	533,301	151,997	997,352
Textile	133,162	43,177,574	-	29,345,983	3,409,767	76,066,486
Transport	-	-	1,576,004	923,610	509,804	3,009,418
Fuel and energy	58,772	-	-	-	-	58,772
Electrical and engineering	-	5,574,017	-	334,802	-	5,908,819
Packaging	-	3,180,618	-	3,013,864	132,928	6,327,410
Individuals	4,775,784	35,771,701	-	2,766,704	1,549,992	44,864,181
	<u>5,214,272</u>	<u>87,769,411</u>	<u>1,576,004</u>	<u>36,918,264</u>	<u>5,754,488</u>	<u>137,232,439</u>



FIRST ELITE CAPITAL MODARABA

	2016					
	Ijarah rentals Receivable	Finances under Murabahah arrangements	Finances under Musharakah arrangements	Profit receivables	Others receivables	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Services	311,792	65,500	-	492,208	369,108	1,238,608
Textile	2,669,091	43,177,574	-	29,345,983	5,110,571	80,303,219
Transport	-	-	1,717,530	923,610	509,804	3,150,944
Electrical and engineering	-	8,716,789	-	312,823	-	9,029,612
Packaging	-	3,180,619	-	3,013,864	132,928	6,327,411
Individuals	4,883,115	43,271,701	-	2,767,444	1,497,312	52,419,572
	7,863,998	98,412,183	1,717,530	36,855,932	7,619,723	152,469,366

32.1.3 Credit quality and impairment

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

32.1.3(a) Counterparties with external credit ratings

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

32.1.3(b) Counterparties without external credit ratings

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

	2017		2016	
	Gross Carrying Amount	Accumulated Impairment	Gross carrying Amount	Accumulated Impairment
	Rupees	Rupees	Rupees	Rupees
Neither past due nor impaired	13,876,153	-	24,045,794	-
Past due by upto 90 days	2,219,693	2,219,693	1,169,467	-
Past due by 90 to 180 days	828,915	828,915	2,409,699	2,409,699
Past due by 180 days to 1 year	766,111	766,111	30,023,218	7,418,983
Past due by 1 to 2 years	31,659,201	17,515,147	1,505,559	1,505,559
Past due by 2 to 3 years	79,862	79,862	347,881	347,881
Past due by 3 years or more	88,549,823	87,611,320	90,207,932	89,127,903
	<u>137,979,758</u>	<u>109,021,048</u>	<u>149,709,550</u>	<u>100,810,025</u>

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

32.1.4 Collateral held

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



FIRST ELITE CAPITAL MODARABA

32.1.5 Credit risk management

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

32.2 Liquidity risk

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

32.3 Market risk

32.3.1 Currency risk

The Modaraba is not exposed to currency risk.

32.3.2 Profit rate risk

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

32.3.3 Price risk

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

The Modaraba is exposed to unfavorable changes in the fair value of the investments in listed equity securities as a result of the changes in the equity prices. The particulars of investments exposed to price risk as at the reporting date are referred to note 5 to the financial statements. A ten percent increase in market prices would have increased equity by Rs. 1.6 million (2016: Rs. 1.9 million). A ten percent decrease in market prices would have had an equal but opposite impact on equity.

33 CAPITAL MANAGEMENT

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

34 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 executives and employees is as follows:



FIRST ELITE CAPITAL MODARABA

	2017		
	Officers	Other Employees	Total
	Rupees	Rupees	Rupees
Managerial remuneration	3,159,950	1,780,700	4,940,650
Allowances and perquisites	2,246,544	1,234,678	3,481,222
Post employment benefits	980,735	551,664	1,532,399
	<u>6,387,229</u>	<u>3,567,042</u>	<u>9,954,271</u>
Number of persons	<u>5</u>	<u>11</u>	<u>16</u>
	2016		
	Officers	Other Employees	Total
	Rupees	Rupees	Rupees
Managerial remuneration	2,895,600	1,388,400	4,284,000
Allowances and perquisites	2,317,773	987,363	3,305,136
Post employment benefits	348,951	697,901	1,046,852
	<u>5,562,324</u>	<u>3,073,664</u>	<u>8,635,988</u>
Number of persons	<u>5</u>	<u>10</u>	<u>15</u>

35 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the Management Company on October 03, 2017.

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 Stock Exchange. However, the First Elite Capital Modaraba ("the Modaraba") is listed on Pakistan Stock Exchange Limited. 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 Exchange 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:

- 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.

Name	Category
Mr. Muneeb Ahmed Dar	Non-Executive Director
Mr. Aamir Iftikhar Khan	Executive Director
Dr. Sardar Ahmad Khan	Non-Executive Director
Mr. Ghazanfar Farrokh	Non-Executive Independent Director
Mr. Muhammad Javed Amin	Non-Executive Director
Mrs. Rukhsana Javed Amin	Non-Executive Director
Mrs. Shahana Javed Amin	Non-Executive Director

The independent director meets the criteria of independence under clause 5.19.1 (b) of Code of Corporate Governance.

- The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this management company.
- 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 NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
- No causal vacancy occurred in the board during the financial year.
- 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.
- 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.
- 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.
- 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.
- Four directors of the board have acquired, certification under Director's Training Program up to June 30, 2017, as per requirement of the clause 5.19.7 of Code of Corporate Governance.
- No appointment of CFO, Company Secretary and Head of Internal Audit, has been made during the year.
- 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.
- The financial statements of the Modaraba were duly endorsed by CEO and CFO before approval of the board.
- 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.
- The Modaraba has complied with all the corporate and financial reporting requirements of the CCG.
- The board has formed an Audit Committee. It comprises of three members, of whom all are non-executive directors including the chairman of the committee.
- 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.
- The board has formed an HR and Remuneration Committee. It comprises of three members, of whom two are non-executive directors including the chairman of the committee.
- 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 as per requirement of the code of Corporate Governance.
- 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, and 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.
- 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.
- 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.
- Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
- The Modaraba has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
- We confirm that all other material principles enshrined in the CCG have been complied with

On behalf of the Board

Aamir Iftikhar Khan
Chief Executive

Crescent Modaraba Management Company Limited
Date: October 03, 2017



FIRST ELITE CAPITAL MODARABA

PATTERN OF CERTIFICATE HOLDERS AS AT JUNE 30, 2017

NUMBER OF CERTIFICATE HOLDERS	CERTIFICATE HOLDINGS FROM TO		TOTAL CERTIFICATE HELD
2,307	1	100	110,764
464	101	500	157,107
1,194	501	1,000	721,329
388	1,001	5,000	964,223
118	5,001	10,000	942,754
43	10,001	15,000	534,281
28	15,001	20,000	519,391
17	20,001	25,000	405,711
20	25,001	30,000	558,670
6	30,001	35,000	201,818
7	35,001	40,000	269,987
4	40,001	45,000	174,550
11	45,001	50,000	536,000
3	50,001	55,000	158,753
3	55,001	60,000	171,700
1	65,001	70,000	68,000
2	75,001	80,000	158,000
3	80,001	85,000	247,927
5	95,001	100,000	500,000
1	100,001	105,000	104,000
1	110,001	115,000	115,000
1	115,001	120,000	116,000
1	140,001	145,000	142,000
1	185,001	190,000	185,943
2	195,001	200,000	400,000
1	220,001	225,000	225,000
1	290,001	295,000	292,500
1	295,001	300,000	300,000
1	390,001	395,000	392,620
1	530,001	535,000	531,972
1	1,130,001	1,135,000	1,134,000
4,637			11,340,000



FIRST ELITE CAPITAL MODARABA

CATEGORIES OF CERTIFICATE HOLDING AS AT JUNE 30, 2017

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	392,620	3.46
Investment Corporation of Pakistan	1	14,500	0.13
DIRECTORS, CEO AND THEIR SPOUSES AND MINOR CHILDREN			
	3	239,643	2.11
Mr. Muhammad Javed Amin		185,943	
Mrs. Rukhsana Javed Amin		8,700	
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	116,789	1.03
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	26	326,109	2.88
INDIVIDUALS	4,594	8,541,447	75.33
TOTAL:	4,637	11,340,000	100.00
CERTIFICATES HOLDERS HOLDING FIVE PERCENTAGE OR MORE INTEREST IN THE LISTED COMPANY.			
Crescent Modaraba Management Company Limited		1,134,000	10.00



FIRST ELITE CAPITAL MODARABA

KEY OPERATING AND FINANCIAL DATA

YEAR	2017	2016	2015	2014	2013	2012
	Rupees in million					
Revenues	52.20	49.77	58.55	62.54	61.78	59.35
(Loss) / Profit after Management Fee & Taxation	(2.77)	(3.02)	8.58	9.07	9.04	9.02
Paid up Capital	113.40	113.40	113.40	113.40	113.40	113.40
Certificate Holder's Equity	124.94	130.45	142.19	138.16	133.69	128.06
Current Liabilities	15.14	17.31	27.50	22.44	19.25	15.50
Fixed Assets	108.87	85.05	103.83	107.24	119.23	120.62
Current Assets	77.15	96.73	99.52	88.87	74.24	55.77
Dividend (%)	-	-	5.50	5.50	5.50	5.50
(Loss) / Earning per Certificate	(0.24)	(0.27)	0.76	0.80	0.80	0.80
Break up Value	11.02	11.50	12.54	12.18	11.79	11.29



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 requirements of Listing Regulations of the Stock Exchange, 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 Pakistan Stock Exchange Regulations, Sub-Regulation (b) of paragraph 5.19.6 of the Pakistan 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, 2017.

ILYAS SAEED & CO
Chartered Accountants

Engagement Partner: Muhammad Ilyas

Date: October 03, 2017

Place: Lahore



FIRST ELITE CAPITAL MODARABA

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, 2017 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:
 - Improvement in Ijarah product to comply with Shariah Principles.
 - Proper monitoring of non-Shariah, non-tradable investments, to be disposed off when they would be tradable equity instruments.

Training:

- Staff training to follow the steps of Shariah Principles about Ijarah.
 - Staff training regarding dividend purification.
- 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.

Observation:

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



FIRST ELITE CAPITAL MODARABA

Recommendation(s)

1. A few 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.

May Allah bless us with the best Tawfeeq to accomplish his cherished tasks, make us successful in this world and in the hereafter, and forgive our mistakes.

Mufti Tayyab Amin

Shariah Advisor

Date: October 03, 2017



FIRST ELITE CAPITAL MODARABA

NOTICE OF ANNUAL REVIEW MEETING

Notice is hereby given that 18th Annual Review Meeting of the First Elite Capital Modaraba will be held on Tuesday, October 31, 2017 at 11:00 a.m. at 50-A, Garden Block, New Garden Town, Lahore to review the performance of the Modaraba for the year ended June 30, 2017. The Certificate Holders whose names appear on the Register of the Modaraba as on October 24, 2017 are eligible to attend the Meeting.

Muhammad Arif Hilal
Company Secretary
Crescent Modaraba Management Company Limited

Date: October 10, 2017
Place : LAHORE



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