



**FIRST  
ELITE  
CAPITAL  
MODARABA**

*Annual Report  
Two Thousand Twenty One*

Managed by  
**CRESCENT MODARABA MANAGEMENT  
COMPANY LIMITED**



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## **FIRST ELITE CAPITAL MODARABA**

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### **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

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### CORPORATE INFORMATION

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#### 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

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#### AUDIT COMMITTEE

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

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#### CFO & COMPANY SECRETARY

Mr. Muhammad Arif Hilal

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#### LEGAL ADVISOR

International Legal Services

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#### SHARIAH ADVISOR

Mufti Muhammad Umar

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## **FIRST ELITE CAPITAL MODARABA**

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### **AUDITORS OF THE MODARABA**

Naveed Zafar Ashfaq Jaffery & Co.  
Chartered Accountants

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### **HR & R COMMITTEE**

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

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### **BANKERS OF THE MODARABA**

Bank Alfalah Limited  
Bank Islami Pakistan Limited  
Meezan Bank Limited

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### **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](mailto:info@fecm.com.pk)  
Web: [www.fecm.com.pk](http://www.fecm.com.pk)

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### **SHARE REGISTRAR**

CorpTec Associates (Pvt.) Limited  
503-E, Johar Town, Lahore.  
Tel: 042-35170336-7  
Fax: 042-35170338  
E-mail: [info@corptec.com.pk](mailto:info@corptec.com.pk)

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## FIRST ELITE CAPITAL MODARABA

### CHAIRMAN'S REVIEW REPORT

Dear Modaraba Certificate Holders,

As required under the code of corporate Governance, an annual evaluation of the Board of Directors of Crescent Modaraba Management Company Limited Manager of First Elite Capital Modaraba has been carried out. The objective of this evaluation is to measure the Board's overall performance and effectiveness.

For the Financial year ended June 30, 2021, the Board's overall performance and effectiveness have been assessed as satisfactory. Improvements are an ongoing process leading to an action plan.

The Board of Directors received agendas and supporting papers in a timely manner for its meeting and decisions. All directors fully participated in and made contributions to the decision making process of the Board. The Board has in place policies for all relevant areas of the company's operations.

I would like to thank all the Board members for the cooperation and support.

On behalf of the Board, I take this opportunity to thank Registrar of Modaraba, Securities and Exchange Commission of Pakistan and other relevant regulatory bodies for their continued guidance and support.

**Muneeb Ahmed Dar**  
Chairman

September 30, 2021



## 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 30<sup>th</sup> annual audited accounts of the Modaraba for the year ended June 30, 2021.

#### **Financial Results**

Financial results for the year ended June 30, 2021 are summarized as below:

	<b>June 30, 2021 Rupees</b>	<b>June 30, 2020 Rupees</b>
Total Income of Modaraba	<b>48,222,659</b>	38,367,381
Depreciation of Assets Leased Out	<b>27,026,892</b>	28,203,865
Administrative & General Expenses	<b>15,812,996</b>	15,224,260
Financial Charges	<b>5,944</b>	3,435
Management Fee	-	-
Taxation	<b>(1,116,455)</b>	(208,032)
Profit/(Loss) after Taxation	<b>4,260,372</b>	(5,272,211)
Earning/(Loss) per certificate - basic and diluted	<b>0.38</b>	(0.46)

#### **Profit Distribution**

The Board in its meeting held on September 30, 2021 has approved the distribution of profit of Re.0.30 (3 %) per certificate of Rs.10 each, subject to deduction of Zakat and tax at source where applicable, for the year ended June 30, 2021.

#### **Review of Operations**

During the financial year 2021, your Modaraba registered a net profit of Rs.4,260,372/= against loss of Rs.5,272,211/= in the corresponding period of last year. Like other Industries the Modaraba sector has also been affected as a result of COVID 19 Pandemic. Despite the pandemic the management of the Modaraba efficiently deployed the available funds in Ijarah, investment in listed securities and trading business and earned a gross revenue of Rs.48,222,659/= during the year.

Administrative expenses were effectively controlled in spite of high inflation rate.

Pursuant to Prudential Regulations for Modarabas the Management of the Modaraba has transferred Rs.852,074/= to statutory reserve.

Certificate holders equity of your Modaraba stood at Rs.113,388,420/= and the Breakup value of certificate comes to Rs.10.00 as of June 30, 2021.

#### **Economy**

Despite severe economic and social strains caused by COVID-19 Pandemic, Pakistan's economic recovery continued in a steady way during the period under review, with almost all macroeconomic indicators suggesting up tick in fortunes. Government through various fiscal and monetary measures tried to relieve the industries in tough times and the economy is showing progressive results and have partially softened the pandemic's impact. Going forward, things started picking momentum in Pakistan. Exports and remittances moved upward. The record activities in Textile, construction and allied industries, strong performance of large-scale manufacturing (LSM), and improved exports along with rising remittances have restored the investors' confidence, paving way for the unprecedented economic growth. However, the Pandemic induced problems are not yet over as new virus mutations continue to surface after a bit of respite. Current political environment and fears of increased lockdown restrictions due to COVID-19 and a sustained strain may lead to harsh measures that may hamper growth outlook.



## FIRST ELITE CAPITAL MODARABA

Tax exemption on income of Modaraba sector on distribution of 90% and above dividend has been withdrawn, which will be a significant blow on profitability of the Modaraba sector.

### Future outlook

The uncertainty caused by COVID-19 Pandemic and its continuous transformation into new variants will remain a challenge to the business growth and profitability of the Modaraba for the ensuing period. In these circumstances, the management of the Modaraba will very carefully utilize the available resources to improve the performance of the Modaraba. Recovery from defaulting clients will remain as area of top priority.

### Corporate and Financial Reporting Framework

- The Financial statements, prepared by the management of the Modaraba, present fairly its true state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of accounts of the Modaraba have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International financial reporting standards, as applicable to Modaraba in Pakistan, have been followed in preparation of financial statements and any departures therefrom has been adequately disclosed and explained.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Modaraba's ability to continue as a going concern.
- The Directors, CEO, CFO, Company Secretary and their spouses and minor children do not hold any interest in the certificates of Modaraba, other than that disclosed in the pattern of certificate holding.
- During the year under review five meetings of the Board of Directors were held. Attendance by each Director is as follows:-

	Name of Director	Number of Meetings Attended
I.	Mr. Aamir Iftikhar Khan	5
II.	Dr. Sardar Ahmad Khan	5
III.	Mr. Ghazanfar Farrokh	5
IV.	Mr. Muhammad Javed Amin	4
V.	Mr. Muneeb Ahmed Dar	5
VI.	Mrs. Rukhsana Javed Amin	5
VII.	Mrs. Shahana Javed Amin	5

- During the year under review four meetings of the Audit Committee were held. Mr. Ghazanfar Farrokh, Chairman Mr. Muneeb Ahmed Dar, Member and Mrs. Shahana Javed Amin, Member attended all the four meetings.
- During the year under review one meeting of the Human Resource and Remuneration Committee was held. Mr. Muneeb Ahmed Dar, Chairman Mr. Ghazanfar Farrokh, Member and Mr. Aamir Iftikhar Khan, Member attended the meeting.

### Pattern of Certificate Holding

A statement reflecting the pattern of holding of the certificates as on June 30, 2021 is annexed to this Report.



## FIRST ELITE CAPITAL MODARABA

### Key Operating & Financial Data

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

### The Board of Directors

The total number of directors are 7 as per the following

- a) Male: 5
- b) Female: 2

The composition of board is as follows:

<u>Name</u>	<u>Category</u>
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 Director
Mr. Muhammad Javed Amin	Non-Executive Director
Mrs. Rukhsana Javed Amin	Non-Executive Director
Mrs. Shahana Javed Amin	Non-Executive Director

### Director's Remuneration

Through the Articles of the company, the Board of Directors is authorized to fix remuneration of Non-Executive and independent Directors from time to time. In this regard the board of Directors has developed a Remuneration Policy for Non-Executive and independent Directors of the Company.

### Auditors

The board has approved the appointment of M/s Naveed Zafar Ashfaq Jaffery & Co. Chartered Accountants for the year 2021-2022 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

**Date: September 30, 2021**

**MUNEEB AHMED DAR**  
CHAIRMAN



## FIRST ELITE CAPITAL MODARABA

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

سرٹیفکیٹ ہولڈنگ کی ترتیب جو کہ 30 جون 2021ء کے مطابق ہے اس رپورٹ کے ساتھ منسلک ہے۔

کلیدی آپریشننگ اور فنانس ڈیٹا :- (Key Operating and Financial Data)

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

بورڈ آف ڈائریکٹرز :- (The Board of Directors)

مندرجہ ذیل کے مطابق ڈائریکٹرز کی کل تعداد سات ہے۔

مرد : 5

عورت : 2

بورڈ کی تشکیل مندرجہ ذیل ہے۔

نام	کمپنی
محترم منیب احمد ڈار	نان ایگزیکٹو ڈائریکٹر
محترم عامر افتخار خان	ایگزیکٹو ڈائریکٹر
ڈاکٹر سردار احمد خان	نان ایگزیکٹو ڈائریکٹر
محترم غضنفر فرخ	نان ایگزیکٹو ڈائریکٹر
محترم محمد جاوید امین	نان ایگزیکٹو ڈائریکٹر
محترم مدد خان جاوید امین	نان ایگزیکٹو ڈائریکٹر
محترم مشاہد جاوید امین	نان ایگزیکٹو ڈائریکٹر

ڈائریکٹرز کا مشاہرہ :- (Director's Remuneration)

کمپنی کے آرٹیکل کے تحت، بورڈ آف ڈائریکٹرز کو اختیار حاصل ہے کہ وہ وقتاً فوقتاً نان ایگزیکٹو اور انڈیپنڈنٹ ڈائریکٹرز کا مشاہرہ طے کرے۔ اس سلسلے میں بورڈ آف ڈائریکٹرز نے نان ایگزیکٹو اور انڈیپنڈنٹ ڈائریکٹرز کیلئے مشاہرہ پالیسی تیار کی ہے۔

آڈیٹرز :- (Auditors)

بورڈ نے میسرز نوید ظفر اشفاق جعفری اینڈ کمپنی (چارٹرڈ اکاؤنٹنٹس) کو بشرط منظوری رجسٹر آف مضاربہ اینڈ مضاربہ کمپنیز بطور آڈیٹر برائے مالی سال 2021-2022 کیلئے تقرری کی منظوری دی ہے۔

اعتراف :- (Acknowledgement)

بورڈ ریگولیٹری حکام کی جانب 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 :-

منیب احمد ڈار

چیئر مین

عامر افتخار خان

چیف ایگزیکٹو

30 ستمبر 2021ء

☆☆☆



## FIRST ELITE CAPITAL MODARABA

اس سے وابستہ صنعتوں میں ریکارڈ سرگرمیاں، بڑے پیمانے پر مینوفیکچرنگ (ایل ایس ایم)، کی مطلوب کارکردگی اور بڑھتی ہوئی ترسیلات زر کے ساتھ برآمدات میں بہتری نے سرمایہ کاروں کا اعتماد بحال کیا ہے جس سے بے مثال معاشی ترقی کی راہ ہموار ہوئی ہے۔ تاہم، وبائی مرض سے متعلق مسائل ابھی ختم نہیں ہوئے ہیں کیونکہ تھوڑی مہلت کے بعد نئے وائرس کی تغیرات سامنے آتی رہتی ہیں۔ موجودہ سیاسی ماحول اور کوویڈ-19 کی وجہ سے لاک ڈاؤن میں اضافے کا خدشہ اور مسلسل دباؤ سخت اقدامات کا باعث بن سکتا ہے جو ترقی کے نقطہ نظر کو روک سکتا ہے۔

90 فیصد اور اس سے اوپر ڈیویڈنڈ کی تقسیم پر مضاربہ کیلئے آمدنی پر ٹیکس کی چھوٹ واپس لے لی گئی ہے، جو مضاربہ کیلئے منافع کو بڑا دھچکا دے گی۔

### مستقبل کا نقطہ نظر: (Future Outlook)

کوویڈ-19 وبائی مرض کی وجہ سے پیدا ہونے والی غیر یقینی صورتحال اور نئی شکلوں میں اس کی مسلسل تبدیلی آئندہ آنے والی مدت میں مضاربہ کی کاروباری نمو اور منافع کے لیے ایک چیلنج بنی رہے گی۔ ان حالات میں، مضاربہ کی انتظامیہ مضاربہ کی کارکردگی کو بہتر بنانے کے لیے موجود وسائل کو احسن طریقے سے استعمال کرے گی۔ ڈیفالٹ کلائنٹس سے ریکوری اولین ترجیح رہے 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 دانشمندانہ فیصلے پر مبنی پالیسیوں کو مسلسل لاگو کیا گیا ہے۔
- مالیاتی گوشواروں (Financial Statements) کی تیاری میں بین الاقوامی رپورٹنگ کے 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 مؤثر طریقے سے عمل درآمد اور نگرانی کی جاتی ہے۔
- آئندہ بھی ایک کامیاب کاروبار کے طور پر جاری رہنے کیلئے مضاربہ کی اہلیت میں کوئی نمایاں شبہ نہیں ہے۔
- ڈائریکٹرز، ای او، سی ایف او، کمپنی سیکریٹری اور اسکے شوہر/بیوی اور اسکے چھوٹے بچے مضاربہ پر شیکلیٹ میں کوئی دلچسپی (Interest) نہیں رکھتے، ماسوائے اسکے جن کا انکشاف پیٹرن آف سرٹیفیکیٹ ہولڈنگ میں موجود ہے۔
- زیر جائزہ سال کے دوران بورڈ آف ڈائریکٹرز کے پانچ اجلاس منعقد کئے گئے تھے۔ ہر ڈائریکٹر کی حاضری درج ذیل ہے۔

#### اجلاس میں شرکت کی تعداد

#### ڈائریکٹر کا نام

i.	محترم عامر افتخار خان	5
ii.	ڈاکٹر سردار احمد خان	5
iii.	محترم غففر فرخ	5
iv.	محترم محمد جاوید امین	4
v.	محترم منیب احمد ڈار	5
vi.	محترمہ رخسانہ جاوید امین	5
vii.	محترمہ شہابانہ جاوید امین	5

- زیر جائزہ سال کے دوران آڈٹ کمیٹی کے چار اجلاس منعقد ہوئے جن میں محترم غففر فرخ (چیئر مین)، محترم منیب احمد ڈار (ممبر)، محترمہ شہابانہ جاوید امین (ممبر) نے چاروں اجلاسوں میں شرکت کی۔
- زیر جائزہ سال کے دوران انسانی وسائل اور مشاہرہ (HR & R) کمیٹی کا ایک اجلاس منعقد ہوا جس میں محترم منیب احمد ڈار (چیئر مین)، محترم غففر فرخ (ممبر) اور محترم عامر افتخار خان (ممبر) نے شرکت کی۔



## ڈائریکٹرز رپورٹ برائے سرٹیفکیٹ ہولڈرز

معزز سرٹیفکیٹ ہولڈرز:-

فرسٹ ایلٹیل کپٹل مضاربہ زیر انتظام کریڈٹ مضاربہ مینجمنٹ کمپنی لمیٹڈ کے بورڈ آف ڈائریکٹرز، مضاربہ کے 30 جون 2021ء کو ختم ہونے والے مالی سال کے سالانہ تیسویں (30th) آڈٹ شدہ اکاؤنٹس پیش کرتے ہیں۔

### مالیاتی نتائج:- (Financial Results)

30 جون 2021ء کو ختم ہونے والے سال کے مختصر مالیاتی نتائج درج ذیل ہیں۔

30 جون 2020ء (روپے)	30 جون 2021ء (روپے)	
38,367,381	48,222,659	مضاربہ کی کل آمدن
28,203,865	27,026,892	لیزڈ آؤٹ اثاثوں کی فرسودگی
15,224,260	15,812,996	انتظامی و عمومی اخراجات
3,435	5,944	مالی اخراجات (فنانس چارجز)
-	-	انتظامی فیس
(208,032)	(1,116,455)	ٹیکسیشن
(5,272,211)	4,260,372	منافع (خسارہ) بعد از ٹیکسیشن
(0.46)	0.38	آمدنی (خسارہ) فی سرٹیفکیٹ - بنیادی اور تحلیل شدہ

### منافع کی تقسیم:- (Profit Distribution)

بورڈ نے 30 ستمبر 2021ء کو منعقدہ اجلاس میں 30 جون 2021ء کو ختم شدہ سال کیلئے 10 روپے والے سرٹیفکیٹ پر 0.38 روپے (3%) فی سرٹیفکیٹ کے حساب سے نقد منافع منقسمہ کی منظوری دے دی ہے۔ جوڑ کواٹ اور ٹیکس کی کٹوتیوں (جہاں لاگو ہوں) سے مشروط ہے۔

### آپریٹنگ کا جائزہ:- (Review of Operations)

مالی سال 2021ء کے دوران، مضاربہ کو = 4,260,372 روپے کا منافع ہوا جبکہ گزشتہ سال اسی مدت کے دوران = 5,272,211 روپے کا خسارہ تھا۔ دیگر صنعتوں کی طرح مضاربہ سیکٹر بھی کووڈ-19 وبائی مرض کے نتیجے میں متاثر ہوا ہے۔ وبائی مرض کے باوجود مضاربہ کی انتظامیہ نے دستیاب فنڈز کو اجارہ، لیسڈ سیکورٹیز اور تجارتی کاروبار میں لگایا اور سال کے دوران = 48,222,659 روپے کی مجموعی آمدنی حاصل کی۔

افراط زر کی بلند شرح کے باوجود انتظامی اخراجات کو مؤثر طریقے سے کنٹرول کیا گیا۔

مضاربہ کے پروڈنشل ریگولیشنز کے مطابق مضاربہ کی انتظامیہ نے قانونی ذخائر (Statutory Reserves) میں = 852,074 روپے منتقل کیے ہیں۔

30 جون 2021ء کو مضاربہ کی ایکویٹی = 113,388,420 روپے رہی اور بریک اپ ویلیو = 10.00 روپے فی سرٹیفکیٹ ہے۔

### معیشت:- (Economy)

کووڈ-19 وبائی مرض کی وجہ سے شدید معاشی اور معاشرتی تناؤ کے باوجود، پاکستان کی معاشی بحالی مستحکم راستے پر گامزن رہی۔ زیر غور مدت کے دوران تقریباً تمام بڑے معاشی اشارے خوش قسمتی سے اضافے کی تجویز دیتے ہیں۔ حکومت نے مختلف مالی اور مالیاتی اقدامات کے ذریعے مشکل وقتوں میں صنعتوں کو بحال کرنے کی کوشش کی اور معیشت ترقی پسند نتائج دکھا رہی ہے اور اس سے وبائی مرض کا جزوی طور پر کم اثر ہوا ہے۔ اس سے آگے، پاکستان میں اشیاء بڑی تیزی سے بڑھنے لگیں۔ برآمدات اور ترسیلات زر میں تیزی سے اضافہ ہوا۔ ٹیکسٹائل، تعمیرات اور





## 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, 2021 and the related profit and loss account, statement of comprehensive income, cash flows 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 purposes 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 financial statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial 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 financial 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 Companies and 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 Companies and 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 agreement 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 flows 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 Companies and 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, 2021 and of the profit, comprehensive income, 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 (XVIII of 1980).



**Naveed Zafar Ashfaq Jaffery & Co.**  
Chartered Accountants

**Engagement Partner:** Shahid Mohsin Shaikh - FCA

**Date:** September 30, 2021

**Place:** Lahore



## FIRST ELITE CAPITAL MODARABA

### BALANCE SHEET AS AT JUNE 30, 2021

	Note	June 30, 2021 Rupees	June 30, 2020 Rupees
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and bank balances	4	15,573,952	19,171,190
Short term investments	5	11,008,968	11,593,818
Short term finances under musharakah arrangements - Secured	6	272,244	405,244
Short term finances under murabahah arrangements - Secured	7	16,403	1,016,403
Ijarah rentals receivable - Secured	8	2,392,735	3,267,753
Profit receivable - Secured	9	-	48,738
Advances, deposits, prepayments and other receivables	10	36,030,714	3,863,996
Advance income tax	11	1,155,233	1,847,438
Stock in Trade	12	848,000	5,170,619
		67,298,249	46,385,199
<b>NON-CURRENT ASSETS</b>			
Assets leased out under ijarah contracts	13	92,564,655	108,087,632
Property and equipment	14	2,420,019	26,624,074
Investment property	15	23,533,287	-
		118,517,961	134,711,706
<b>TOTAL ASSETS</b>		<b>185,816,210</b>	<b>181,096,905</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accrued and other liabilities	16	1,590,121	1,955,846
Security deposits	17	18,291,149	7,308,977
Unclaimed profit distribution		8,179,463	8,187,946
		28,060,733	17,452,769
<b>NON-CURRENT LIABILITIES</b>			
Security deposits	17	35,089,266	47,672,723
Employees retirement benefits	18	9,277,791	9,066,663
		44,367,057	56,739,386
Contingencies and commitments	19	-	-
<b>TOTAL LIABILITIES</b>		<b>72,427,790</b>	<b>74,192,155</b>
<b>NET ASSETS</b>		<b>113,388,420</b>	<b>106,904,750</b>
<b>REPRESENTED BY</b>			
Authorized certificate capital 20,000,000 (2020: 20,000,000) modaraba certificates of Rs. 10 each		200,000,000	200,000,000
Issued, subscribed and paid-up certificate capital	20	113,400,000	113,400,000
Unappropriated losses		(24,307,416)	(28,529,847)
Other reserves	21	24,295,837	22,034,597
		113,388,420	106,904,750

The annexed notes 1 to 41 form an integral part of these financial statements.

**For Crescent Modaraba Management Company Limited  
(Management Company of First Elite Capital Modaraba)**

Chairman

Chief Executive

Director

Chief Financial Officer



## FIRST ELITE CAPITAL MODARABA

### PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2021

	Note	June 30, 2021 Rupees	June 30, 2020 Rupees
<b>INCOME</b>			
Income from ijarah financing	22	38,449,667	33,617,407
Income from murabahah financing	23	-	202,724
Return on investments	24	2,326,941	1,397,662
Reversal of provision for doubtful Murabahah Finance		248,526	48,251
Trading Income	25	5,903,506	2,566,272
Other income	26	1,294,019	535,065
		<b>48,222,659</b>	<b>38,367,381</b>
<b>EXPENSES</b>			
Depreciation of assets leased out under ijarah contracts	13	(27,026,892)	(28,203,865)
Administrative and general expenses	27	(15,812,996)	(15,224,260)
Financial charges		(5,944)	(3,435)
		<b>(42,845,832)</b>	<b>(43,431,560)</b>
		<b>5,376,827</b>	<b>(5,064,179)</b>
Management fee	28	-	-
<b>Profit / (Loss) before taxation</b>		<b>5,376,827</b>	<b>(5,064,179)</b>
<b>Taxation</b>	29	<b>(1,116,455)</b>	<b>(208,032)</b>
<b>Profit / (Loss) after taxation</b>		<b>4,260,372</b>	<b>(5,272,211)</b>
<b>Earning / (Loss) per certificate - basic and diluted</b>	30	<b>0.38</b>	<b>(0.46)</b>

The annexed notes 1 to 41 form an integral part of these financial statements.

For Crescent Modaraba Management Company Limited  
(Management Company of First Elite Capital Modaraba)

Chairman

Chief Executive

Director

Chief Financial Officer



## FIRST ELITE CAPITAL MODARABA

### STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2021

	Note	June 30, 2021 Rupees	June 30, 2020 Rupees
<b>Profit / (Loss) after taxation</b>		<b>4,260,372</b>	(5,272,211)
<b>Other comprehensive income/(loss)</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Changes in fair value of available for sale investments		<b>1,409,166</b>	(1,576,789)
Reclassification adjustments for (gain)/ loss included in profit or loss		-	-
		<b>1,409,166</b>	(1,576,789)
<b>Items that will not be reclassified to profit or loss</b>			
Remeasurements of defined benefit plan	<b>18.3</b>	<b>814,133</b>	506,255
<b>Total comprehensive income / (loss)</b>		<b>6,483,671</b>	(6,342,745)

The annexed notes 1 to 41 form an integral part of these financial statements.

For Crescent Modaraba Management Company Limited  
(Management Company of First Elite Capital Modaraba)

Chairman

Chief Executive

Director

Chief Financial Officer



## FIRST ELITE CAPITAL MODARABA

### CASH FLOWS STATEMENT FOR THE YEAR ENDED JUNE 30, 2021

	Note	June 30, 2021 Rupees	June 30, 2020 Rupees
<b>CASH GENERATED FROM OPERATIONS</b>	<b>31</b>	<b>1,823,660</b>	31,233,389
Receipts/(payments) for:			
Income taxes		(424,251)	(178,872)
Purchase of Ijarah assets		(36,024,800)	(26,294,500)
Transfer of Ijarah assets		25,979,279	8,587,146
Staff retirement benefits paid		(271,600)	(171,200)
Profit distribution		(8,483)	(12,991)
		<b>(10,749,855)</b>	(18,070,417)
<b>Net cash (used in)/ generated from operating activities</b>		<b>(8,926,195)</b>	13,162,972
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Sale Proceed of property and equipment		1,008,000	-
Purchase of investments		(22,794,082)	(4,352,335)
Proceeds from sale of investments		26,711,936	3,249,499
Dividend received		403,103	487,814
<b>Net cash (used in)/ generated from investing activities</b>		<b>5,328,957</b>	(615,022)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		-	-
<b>NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(3,597,238)</b>	12,547,950
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		<b>19,171,190</b>	6,623,240
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>32</b>	<b>15,573,952</b>	19,171,190

The annexed notes 1 to 41 form an integral part of these financial statements.

For Crescent Modaraba Management Company Limited  
(Management Company of First Elite Capital Modaraba)

  
Chairman

  
Chief Executive

  
Director

  
Chief Financial Officer




# FIRST ELITE CAPITAL MODARABA


## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2021

	Note	Reserves					Total equity
		Paid-up Certificate Capital	Capital Reserves	Revenue Reserves	Total	Rupees	
		Rupees	Statutory reserve	Available for sale financial assets	Unappropriated losses	Rupees	Rupees
Balance as at June 30, 2019		113,400,000	32,018,014	(8,406,628)	(23,763,891)	(152,505)	113,247,495
Comprehensive loss for the year ended June 30, 2020		-	-	-	(5,272,211)	(5,272,211)	(5,272,211)
Loss after taxation		-	-	(1,576,789)	506,255	(1,070,534)	(1,070,534)
Other comprehensive (loss) / income		-	-	(1,576,789)	(4,765,956)	(6,342,745)	(6,342,745)
Balance as at June 30, 2020		113,400,000	32,018,014	(9,983,417)	(28,529,847)	(6,495,250)	106,904,750
Comprehensive income for the year ended June 30, 2021		-	-	-	4,260,372	4,260,372	4,260,372
Profit after taxation		-	-	1,409,166	814,133	2,223,299	2,223,299
Other comprehensive income		-	-	1,409,166	5,074,505	6,483,671	6,483,671
Transfer to Statutory Reserve		-	852,074	-	(852,074)	-	-
<b>Balance as at June 30, 2021</b>		<b>113,400,000</b>	<b>32,870,088</b>	<b>(8,574,251)</b>	<b>(24,307,416)</b>	<b>(11,579)</b>	<b>113,388,420</b>

The annexed notes 1 to 41 form an integral part of these financial statements.

**For Crescent Modaraba Management Company Limited  
(Management Company of First Elite Capital Modaraba)**

  
Chief Executive

  
Chief Financial Officer

  
Chairman



## FIRST ELITE CAPITAL MODARABA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

#### 1 STATUS AND NATURE OF THE BUSINESS

First Elite Capital Modaraba ("the Modaraba") is a perpetual, multi-purpose and multi-dimensional modaraba formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Rules framed there under and is managed by Crescent Modaraba Management Company Limited ("the Management Company"), a company incorporated in Pakistan under the Companies 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, trading of stock and other related businesses.

#### 2 BASIS OF PREPARATION

##### 2.1 Statement of compliance

These financial statements have been prepared in accordance with the requirements of Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 ("the Ordinance"), the Modaraba Companies and Modaraba Rules, 1981 ("the Rules"), Prudential Regulations for Modarabas ("the Regulations") and other directives ("the Directives") issued by the Securities and Exchange Commission of Pakistan together with approved accounting standards as applicable in Pakistan to Modarabas. Approved accounting standards comprise of such International Financial Reporting Standards ("IFRS"), the International Accounting Standards ("IAS") and the Islamic Financial Accounting Standards ("IFAS") as notified under the provisions of the Companies Act, 2017 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.
- Costs, including depreciation on the assets given on Ijarah, incurred in earning the Ijarah income are recognized as expenses.
- Ijarah income is recognized 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.



## FIRST ELITE CAPITAL MODARABA

### 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 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 NEW AND AMENDED STANDARDS AND INTERPRETATIONS BECOME EFFECTIVE

The Company has adopted the following amendments in accounting standard and interpretation of IFRSs which became effective for the current year:

IAS 1 (Amendments) 'Presentation of Financial Statements' and IAS 8 (Amendments) 'Accounting Policies, Changes in Accounting Estimates and Errors'; Effective date (annual reporting periods beginning on or after January 31, 2023

IFRS 3 (Amendments) 'Business Combination'; Effective date (annual reporting periods beginning on or after January 31, 2022





## FIRST ELITE CAPITAL MODARABA

IFRS 16 (Amendments) 'Leases'; Effective date (annual reporting periods beginning on or after January 31, 2021)

Interest Rate Benchmark Reform which amended IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures'; Effective date (annual reporting periods beginning on or after January 31, 2021)

The adoption of the above amendments, and improvements to accounting standards and interpretations did not have any effect on the financial statements.

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

**2.6.1** 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**

IFRS 17 Insurance Contracts

**2.6.2** 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**

IFRS - 17 Insurance Contracts

The company accepts that the adoption of the above standards will have no material effect on the company's financial statements.

### 3 SIGNIFICANT ACCOUNTING POLICIES

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

#### **3.1 Change in accounting policy**

Investment property is initially measured at cost and subsequently at cost with any change therein recognised in profit or loss. Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

#### **3.2 Property and equipment**

These comprise operating fixed assets of the Modaraba.

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

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

The Modaraba recognizes depreciation in profit or loss by applying reducing balance method over the useful life of each operating fixed asset using rates specified in note 14 to the financial statements.

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

#### **3.3 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.

#### **3.4 Investment property**

Investment property is initially measured at cost and subsequently at cost with any change therein recognised in profit or loss. Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.



## FIRST ELITE CAPITAL MODARABA

### 3.5 Certificate capital

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

### 3.6 Employees retirement benefits

#### 3.6.1 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.

#### 3.6.2 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 18 to the financial statements.

### 3.7 Financial instruments

#### 3.7.1 Recognition

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

#### 3.7.2 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.

##### 3.7.2(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.

##### 3.7.2(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.

##### 3.7.2(c) Financial liabilities at amortized cost

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

#### 3.7.3 Measurement

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



## FIRST ELITE CAPITAL MODARABA

### 3.7.4 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.

### 3.7.5 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.

### 3.7.6 "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.

### 3.8 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.

### 3.9 Accrued and other liabilities

#### 3.9.1 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.

#### 3.9.2 Non-financial liabilities

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

### 3.9.A Advances and other receivables

#### 3.9.A(i) 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.

#### 3.9.A(ii) Non-financial assets

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

### 3.10 Cash and cash equivalents

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

### 3.11 Revenue

International Financial Reporting Standards ("IFRS") 15 "Revenue From Contracts with Customers" which provides a unified five-step model for determining the timing, measurement and recognition of revenue. The focus of the new standard is to recognize revenue as performance obligations are made rather than based on the transfer of risk and rewards. IFRS 15 includes a comprehensive set of disclosure requirements including qualitative and quantitative information about contracts with customers to understand the nature, amount, timing and uncertainty of



## FIRST ELITE CAPITAL MODARABA

revenue. The standard supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and the number of revenue related interpretations.

The Modaraba has applied the modified retrospective method upon adoption of IFRS 15 as allowed under the Standard. This method requires the recognition of the cumulative effect (without practical expedients) of initially applying IFRS 15 to retained earnings. Under this transition method, comparative information for prior periods has not been restated and continues to be reported in accordance with the previous standard under IAS 18 and related interpretations.

Apart from providing more extensive disclosures, the application of IFRS 15 has not had a significant impact on the financial position and / or financial performance of the Modaraba. Accordingly, there was no adjustment to retained earnings on application of IFRS 15 at 1 July 2019.

### **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.

Trading Income 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.

### **3.12 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.

### **3.13 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'.

### **3.14 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.

#### **3.14.1 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.

#### **3.14.2 Deferred taxation**

Deferred tax is accounted for using the balance sheet approach providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. In this regard, the effects on deferred taxation of the portion of income that is subject to final tax regime is also considered in accordance with the treatment prescribed by the Institute of Chartered Accountants of Pakistan. Deferred tax is measured at rates that are expected to be applied



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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. However, the Modaraba has not recognised any amount in respect of deferred tax in these financial statements as the Modaraba intends to continue availing the tax exemption in future years by distributing at least 90% of its profits to its certificate holders every year.

### 3.15 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

### 3.16 Impairment

#### 3.16.1 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.

#### 3.16.2 Non-financial assets

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

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



## FIRST ELITE CAPITAL MODARABA

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.

### 3.17 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.

### 3.18 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.

### 3.19 Stock in trade

Stock in trade is valued at lower of cost and net realizable value. Cost of stock in trade is based on weighted average cost and net realizable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

		June 30, 2021	June 30, 2020
	Note	Rupees	Rupees
<b>4 CASH AND BANK BALANCES</b>			
Cash in hand		207,385	156,705
Cash at bank			
Current accounts		287,755	299,844
Saving / deposit accounts	4.1	15,078,812	18,714,641
		<u>15,366,567</u>	<u>19,014,485</u>
		<u>15,573,952</u>	<u>19,171,190</u>

**4.1** Effective rate of return on deposit/saving accounts, for the year, ranges from 6.75% to 10.25% (2020: 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	23,319,609	25,313,625
Accumulated changes in fair value (trading suspended)		(3,736,390)	(3,736,390)
Accumulated changes in fair value (others)		(8,574,251)	(9,983,417)
	5.1	<u>11,008,968</u>	<u>11,593,818</u>



## FIRST ELITE CAPITAL MODARABA

### 5.1 Particulars of investments

#### Engineering

Crescent Steel & Allied Products Limited

#### Fertilizer

Fauji Fertilizer Bin Qasim Limited

#### Cements

Gharibwal Cement Company Limited

Fauji Cement Company Limited

#### Textile Composite

Sunrise Textiles Limited

Shams Textiles Mills Limited

Suraj Cotton Mills Limited

Nishat Mills Limited

#### Technology & Communication

Callmate Telips Telecom Limited

Pakistan Telecommunication Company Limited

#### Cable and Electrical Goods

Pak Electron Limited

#### Power Generation

Karachi Electric Limited

#### Oil & Gas marketing Co.

Sui Northern Gas Pipelines Limited

Pakistan State Oil Company Limited

Pakistan Petroleum Limited

Sui Southern Gas Company Limited

Oil and Gas Development Company Limited

Hascol Petroleum Limited

#### Investment Banks/Co.

Dadabhoj Leasing Company Limited

Bankers Equity Limited

Javed Omer Vohra & Company Limited

#### Automobile Assembler

Ghandhara Industries Limited

#### Commercial Banks

Bank Islami Pakistan Limited

#### Modarabas

Orix Modaraba

#### Pharmaceuticals

Ferozsons Laboratories Limited

#### Food and personal care

Treet Corporation Limited

### TOTAL

### 5.2 Shares of Javed Omer Vohra & Company Limited are in CDC Freeze Account



## FIRST ELITE CAPITAL MODARABA

No. Of Shares/ Certificates		Average Cost		Fair Value	
June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
		Rupees		Rupees	
-	1,000	-	46,838	-	45,500
<b>16,000</b>	17,000	<b>881,985</b>	937,105	<b>422,560</b>	271,320
-	41,000	-	1,638,252	-	667,480
<b>11,000</b>	15,000	<b>261,574</b>	259,460	<b>253,000</b>	253,200
<b>153,900</b>	153,900	<b>2,023,076</b>	2,023,076	-	-
<b>165</b>	-	<b>7,675</b>	-	<b>11,517</b>	-
<b>200</b>	-	<b>48,843</b>	-	<b>47,980</b>	-
<b>200</b>	-	<b>19,182</b>	-	<b>18,660</b>	-
<b>5,100</b>	5,100	<b>530,323</b>	530,323	-	-
<b>98,500</b>	90,000	<b>4,349,971</b>	4,252,996	<b>1,166,240</b>	799,200
<b>32,000</b>	32,000	<b>2,446,492</b>	2,446,492	<b>1,121,920</b>	733,760
<b>6,000</b>	-	<b>28,594</b>	-	<b>25,080</b>	-
<b>34,500</b>	25,000	<b>3,142,761</b>	2,688,386	<b>1,676,010</b>	1,365,000
<b>5,127</b>	15,084	<b>1,128,349</b>	1,762,031	<b>1,149,730</b>	2,385,685
<b>10,030</b>	13,030	<b>1,331,514</b>	1,966,716	<b>870,905</b>	1,130,743
<b>48,500</b>	40,500	<b>1,029,923</b>	913,354	<b>645,050</b>	540,270
<b>35,960</b>	23,500	<b>4,571,123</b>	3,490,747	<b>3,417,279</b>	2,561,500
<b>15,500</b>	-	<b>284,695</b>	-	<b>138,415</b>	-
<b>1,000</b>	1,000	<b>9,000</b>	9,000	-	-
<b>2,000</b>	2,000	<b>26,100</b>	26,100	-	-
<b>8,800</b>	8,800	<b>1,164,611</b>	1,164,611	<b>16,720</b>	16,720
<b>100</b>	-	<b>33,818</b>	-	<b>27,902</b>	-
-	1,000	-	12,097	-	7,560
-	5,000	-	73,080	-	90,000
-	2,000	-	811,884	-	600,860
-	7,000	-	261,077	-	125,020
<b>484,582</b>	<b>498,914</b>	<b>23,319,609</b>	25,313,625	<b>11,008,968</b>	11,593,818





## FIRST ELITE CAPITAL MODARABA

### 6 SHORT TERM FINANCES UNDER MUSHARAKAH ARRANGEMENTS - SECURED

	Note	June 30, 2021 Rupees	June 30, 2020 Rupees
Considered good		-	-
Considered doubtful		909,744	1,042,744
		909,744	1,042,744
Provision for doubtful receivables	6.1	(637,500)	(637,500)
		272,244	405,244

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

#### 6.1 Movement in provision for doubtful receivables 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		16,403	1,016,403
Considered doubtful		55,061,178	55,309,704
		55,077,581	56,326,107
Provision for doubtful receivables	7.1	(55,061,178)	(55,309,704)
		16,403	1,016,403

These represent receivable against murbahaha transactions on deferred payment basis at a specified margin. These are secured against mortgage of property, and personal guarantees. Profit margin on murabahah transactions ranges from 13% to 20% (2020: 13% to 20%) per annum receivable on monthly basis.

#### 7.1 Movement in provision for doubtful receivables is as follows:

As at beginning of the year		55,309,704	55,357,955
Recognized during the year	27	-	-
Reversed during the year		(248,526)	(48,251)
		(248,526)	(48,251)
As at end of the year		55,061,178	55,309,704

**7.1.1** The Modaraba has filed Three (2020: Three) execution petitions for claim of Rs. 25,868,727/- (2020: 25,868,727/-) 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 any unfavorable decision(s) against First Elite Capital Modaraba.

**7.1.2** The Modaraba has filed a claim for Rs. 22,063,889/- (2020: 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 honorable Lahore High Court in C.O.No. 10/1995 for recovery of its dues.

**7.1.3** The Modaraba has filed Twenty Five (2020: Twenty Five) suits for recovery of receivables amounting to Rs. 26,475,820 (2020: Rs. 26,475,820/-) 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.

**7.1.4** The Modaraba has filed One (2020: One) criminal complaint under section 20 of the Financial Institutions (Recovery of Finances) Ordinance, 2001. against party in Banking Court, Lahore



## FIRST ELITE CAPITAL MODARABA

### 8 IJARAH RENTALS RECEIVABLE - SECURED

	Note	June 30, 2021 Rupees	June 30, 2020 Rupees
Considered good		2,392,735	3,267,753
Considered doubtful		6,155,056	7,699,651
		8,547,791	10,967,404
Provision for doubtful receivables	8.1	(6,155,056)	(7,699,651)
		2,392,735	3,267,753

These represent rentals receivable against assets leased out under Ijarah contracts. These are secured against vehicles registered in favor of Modaraba. The details are as follows:

#### 8.1 Movement in provision for doubtful receivables is as follows:

As at beginning of the year		7,699,651	3,684,459
Recognized during the year		5,154,274	4,605,941
Reversed during the year		(6,698,869)	(590,749)
	21	(1,544,595)	4,015,192
As at end of the year		6,155,056	7,699,651

**8.1.1** The Modaraba has filed One (2020: One) execution petition for claim of Rs. 209,616/- (2020: 209,616/-) against one party in Modaraba Tribunal Punjab, Lahore. The management is hotly pursuing its case in the Court of law. There are almost no chances of any unfavorable decision(s) against First Elite Capital Modaraba.

#### 8.2 Future Ijarah rentals receivable

Not later than one year	27,433,091	37,777,627
Later than one year but not later than five years	14,191,641	40,275,322
Later than five years	-	-
	41,624,732	78,052,949

### 9 PROFIT RECEIVABLE - SECURED

Considered good		-	48,738
Considered doubtful		21,690,660	21,690,660
		21,690,660	21,739,398
Provision for doubtful receivables	9.1	(21,690,660)	(21,690,660)
		-	48,738

This represents profit receivable on murabahah and musharikah finance

#### 9.1 Movement in provision for doubtful receivables is as follows:

As at beginning of the year		21,690,660	21,698,811
Recognized during the year		-	-
Reversed during the year	23	-	(8,151)
		-	(8,151)
As at end of the year		21,690,660	21,690,660



## FIRST ELITE CAPITAL MODARABA

	Note	June 30, 2021 Rupees	June 30, 2020 Rupees
<b>10 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>			
Advances to employees - unsecured but considered good			
against salaries		553,867	543,414
against retirement benefits	10.1	1,977,574	1,661,992
Security deposits		60,450	60,450
Prepayments		1,404,827	1,506,526
Accrued profit on bank deposits		3,977	32,692
Other receivables - unsecured			
Considered good		32,030,019	58,922
Considered doubtful		2,765,941	2,765,941
	10.2	34,795,960	2,824,863
Provision for doubtful receivables		(2,765,941)	(2,765,941)
		32,030,019	58,922
		<u>36,030,714</u>	<u>3,863,996</u>
<b>10.1</b>	These represents advances to officers of the Modaraba amounting to Rs. 2,098,814/- (2020: 1,801,968).		
<b>10.2</b>	This include amounts recoverable from customers Rs 1,118,768 (2020: Rs.1,118,768) in respect of expenses incurred by the Modaraba on their behalf.		
<b>11 ADVANCE INCOME TAX</b>			
Opening balance		1,847,438	1,876,598
Add : tax deducted / paid during the year		112,850	93,905
Less: provision for taxation		(805,055)	(123,065)
As at end of the year		<u>1,155,233</u>	<u>1,847,438</u>
<b>12 STOCK IN TRADE</b>			
Stock in Trade	12.1	848,000	5,170,619
<b>12.1</b>	This represents stock of wheat straw (toori) purchased by Modaraba during the year for the purpose of trading.		



**13 ASSETS LEASED OUT UNDER IJARAH CONTRACTS**

**Year ended June 30, 2021**

PARTICULARS	COST			DEPRECIATION			Carrying Value
	As at July 01, 2020	Additions	Disposals	As at June 30, 2021	For the year	Adjustment	As at June 30, 2021
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Vehicles	163,330,516	34,424,800	(49,685,000)	148,070,316	25,581,581	(25,164,115)	89,186,559
Office equipment	1,080,000	-	-	1,080,000	256,000	-	674,665
Machinery	3,304,003	1,600,000	-	4,904,003	1,189,311	-	2,703,431
	<b>167,714,519</b>	<b>36,024,800</b>	<b>(49,685,000)</b>	<b>154,054,319</b>	<b>27,026,892</b>	<b>(25,164,115)</b>	<b>61,489,664</b>
							<b>92,564,655</b>

**Year ended June 30, 2020**

PARTICULARS	COST			DEPRECIATION			Carrying Value
	As at July 01, 2019	Additions	Disposals	As at June 30, 2020	For the year	Adjustment	As at June 30, 2020
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Vehicles	159,981,916	23,927,500	(20,578,900)	163,330,516	27,253,985	(12,354,979)	104,864,225
Office equipment	85,000	1,080,000	(85,000)	1,080,000	189,000	(68,000)	930,665
Machinery	2,862,003	1,287,000	(845,000)	3,304,003	760,880	(760,500)	2,292,742
	<b>162,928,919</b>	<b>26,294,500</b>	<b>(21,508,900)</b>	<b>167,714,519</b>	<b>28,203,865</b>	<b>(13,183,479)</b>	<b>59,626,887</b>
							<b>108,087,632</b>



# FIRST ELITE CAPITAL MODARABA

## 32 14 PROPERTY AND EQUIPMENT

Year ended June 30, 2021

PARTICULARS	COST			DEPRECIATION			Net book value as at June 30, 2021
	As at July 01, 2020	Additions	Disposals	As at June 30, 2021	Rate %age	For the year	As at June 30, 2021
	Rupees	Rupees	Rupees	Rupees		Rupees	Rupees
Land - Freehold	23,533,287	-	(23,533,287)	-	-	-	-
Furniture and fixtures	282,815	-	-	282,815	10	8,639	205,068
Office equipment	2,440,264	-	(57,000)	2,383,264	10	70,081	1,757,185
Vehicles	5,878,335	-	(1,196,000)	4,682,335	20	451,487	2,966,142
	32,134,701	-	(24,786,287)	7,348,414		530,207	4,928,395
							2,420,019

Year ended June 30, 2020

PARTICULARS	COST			DEPRECIATION			Net book value as at June 30, 2020
	As at July 01, 2019	Additions	Adjustment	As at June 30, 2020	Rate %age	For the year	As at June 30, 2020
	Rupees	Rupees	Rupees	Rupees		Rupees	Rupees
Land - Freehold	23,533,287	-	-	23,533,287	-	-	23,533,287
Furniture and fixtures	282,815	-	-	282,815	10	9,598	86,386
Office equipment	2,440,264	-	-	2,440,264	10	79,575	1,724,087
Vehicles	5,878,335	-	-	5,878,335	20	572,057	3,590,111
	32,134,701	-	-	32,134,701		661,230	5,510,627
							26,624,074



## FIRST ELITE CAPITAL MODARABA

	Note	June 30, 2021 Rupees	June 30, 2020 Rupees
<b>15 INVESTMENT PROPERTY</b>			
Balance at July 01,		-	-
Reclassification form property and equipment		23,533,287	-
Balance at June 30,		23,533,287	-
<b>15.1</b> Investment property are properties held for capital appreciation, and are accounted for using the cost model.			
<b>15.2</b> Investment property situated at Sardar Iqbal Road, Gulberg V, Lahore.			
<b>16 ACCRUED AND OTHER LIABILITIES</b>			
Management fee payable		-	249,308
Accrued expenses		1,200,695	1,362,295
Advance ijarah rentals		250,463	89,547
Withholding tax payable		10,952	18,279
Charity payable		12,624	12,690
Other payables		115,387	223,727
		1,590,121	1,955,846
<b>17 SECURITY DEPOSITS</b>			
Security deposits under ijarah contracts	17.1	53,380,415	54,981,700
Current maturity presented under current liabilities		(18,291,149)	(7,308,977)
		35,089,266	47,672,723
<b>17.1</b> These are amounts received by Modaraba against Ijarah contracts, these are adjusted against the value of assets at the end of Ijarah contract.			
<b>18 EMPLOYEES RETIREMENT BENEFITS</b>			
The amounts recognized on balance sheet are as follows:			
Present value of defined benefit obligation	18.1	9,277,791	9,066,663
<b>18.1 Movement in present value of defined benefit obligation</b>			
As at beginning of the year		9,066,663	8,458,040
Current service cost	18.2	448,429	803,514
Interest cost on defined benefit obligation	18.2	848,432	482,564
Benefit Paid		(271,600)	(171,200)
		10,091,924	9,572,918
Remeasurements:			
Actuarial (gains)/losses from changes in demographic assumptions		-	-
Actuarial (gains)/losses from changes in financial assumptions		(238,223)	25,574
Experience adjustments		(575,910)	(531,829)
	18.3	(814,133)	(506,255)
As at the end of the year		9,277,791	9,066,663
<b>18.2 Expenses to be charged to P&amp;L</b>			
Current service cost		448,429	803,514
Interest cost on defined benefit obligation		848,432	482,564
		1,296,861	1,286,078



## FIRST ELITE CAPITAL MODARABA

Note	June 30, 2021 Rupees	June 30, 2020 Rupees
<b>18.3 Remeasurements recognized in other comprehensive income</b>		
Actuarial (gains) / losses from changes in demographic assumptions	-	-
Actuarial (gains) / losses from changes in financial assumptions	(238,223)	25,574
Experience adjustments	(575,910)	(531,829)
	<b>(814,133)</b>	<b>(506,255)</b>

### 18.4 Significant actuarial assumptions

Discount rate used for interest cost charged in P&L	<b>9.50%</b>	9.50%
Discount rate used for year end obligation	<b>10.00%</b>	9.50%
Salary increase used for year end obligation		
Salary increase FY 2020	<b>N/A</b>	N/A
Salary increase FY 2021	<b>N/A</b>	7.50%
Salary increase FY 2022	<b>8.00%</b>	7.50%
Salary increase FY 2023	<b>8.00%</b>	7.50%
Salary increase FY 2024	<b>8.00%</b>	7.50%
Salary increase FY 2025 onwards	<b>8.00%</b>	7.50%
Next salary is increased at	<b>July 01, 2021</b>	July 01, 2020
Mortality rates	<b>SLIC (2001 - 2005) Setback 1 Year</b>	SLIC (2001 - 2005) Setback 1 Year
Withdrawal rates	<b>Age-based (per Appendix) Age 60</b>	Age-based (per appendix)
Retirement assumption		Age 60

### 18.5 Historical information

	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Historical information					
Present value of defined benefit obligation	Rupees <b>9,277,791</b>	9,066,663	8,458,040	9,433,938	8,286,565
Actuarial adjustment arising during the year	% <b>1.02</b>	1.07	2.76	0.88	6.39

### 18.6 Future expectation

The estimated expenses to be charged to P & L during the year ending June 30, 2021 amounts to Rs.1.2 million. The actual cost will be determined after valuation of the Fund as at June 30, 2021 when the actuarial gains and losses arising during the year ending June 30, 2021 will be available.

### 18.7 Additional disclosure items

#### Year end sensitivity analysis (± 100 bps) on defined benefit obligation

Discount rate + 100 bps	<b>8,905,399</b>	8,114,663
Discount rate - 100 bps	<b>9,682,875</b>	9,837,329
Salary increase + 100 bps	<b>9,697,819</b>	9,837,329
Salary increase - 100 bps	<b>8,885,059</b>	8,477,329
Average duration of the defined benefit obligation	<b>5 years</b>	5 years



## FIRST ELITE CAPITAL MODARABA

### 19 CONTINGENCIES AND COMMITMENTS

#### 19.1 Contingencies

**19.1.1** The Modaraba received a show cause notice bearing bar code no. 100000010651796 dated 14-03-2016 issued u/s 182 of the Ordinance wherein Deputy Commissioner Inland Revenue intended to impose the penalty of Rs.2,500/- per day of default for failing to file the Withholding Statement for the month of December 2015. The Modaraba through its Authorized Representative (AR) has factually contested the above notice and explained the problem in IRIS system due to which the Modaraba was unable to file the Withholding Statement within the prescribed period. No further Correspondence has been received till date in this regard.

**19.1.2** For the Assessment year 2002-2003 the assessment was made by the Taxation Officer/Officer Inland Revenue making additions under different heads and tax liability determined at Rs. 5,123,287/- which was reduced to Rs. 7,765/- by the learned Commissioner Inland Revenue Appeals (CIR-A). The Tax department filed a second appeal before the Appellate Tribunal Inland Revenue (Learned Tribunal) who vide order ITA No. 1844/LB/2006 dated 28-05-2008 upheld the Order of CIR (A) and dismissed the departmental appeal. Resultantly, a net tax liability of Rs.7,765/- was deposited on 07-11-2008 and confirmed by the tax department through letter bearing reference 188/unit/05 dated 07-11-2008.

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.

**19.1.3** The Modaraba has filed appeals before the Learned Tribunal in respect of Assessment Years 1998- 99, 1999-00 & 2000-01 against the orders of the CIR-A who upheld certain issues and some were remanded back to the Taxation Officer/Officer Inland Revenue. The case was decided in favor of the Modaraba whereby Learned Tribunal deleted additions/disallowances of 'Depreciation Allowance', 'Excess Perquisites u/s 24(i) of the Income Tax Ordinance, 1979. (Repealed Ordinance)' & 'Fee & Subscription' etc., except the issue of allowability of "Provision for Doubtful Debts/Doubtful Morabaha" which was sent back to the Taxation Officer for verification of claim through combined order ITA No. 4575/LB/06 & ITA No. 1193 & 5568/LB/04 dated 12-11-2008. The Taxation Officer/Officer Inland Revenue had to finalize the re-assessment proceedings within one year from the end of the financial year in which he was served with the order i.e. upto 30-06-2010 as per Section 124(2) of the Income Tax Ordinance, 2001. No intimation has yet been received from the tax department regarding Re-assessment Proceedings or filing of Reference to the Honorable High Court.

**19.1.4** The Modaraba filled its Common Reporting Standards Return (CRS Report) As the Tax Year 2018 on 13-05-2019.

The proceedings were initiated by Assistant Commissioner Inland Revenue, E&C, Unit-07, Range-02, Zone-06. CRTO, Lahore vide notice bearing bar code No. 100000059200918 Dated 25-09-2019 under Section 182(2) of Income Tax Ordinance, 2001 wherein the officer intended to impose penalty for late filling of CRS Return. The Modaraba through its AR (Authorized Representative) complied with the above notice through its replies bearing reference Nos. IT/A-74/19/931 dated 04-11-2019 and IT/A-74/19/938 dated 07-11-2019 claiming that the Return was filed within Due date for filing of return for the CRS. The Learned ACIR passed the Order bearing barcode No. 100000064637626 dated 29-11-2019 and imposed penalty of Rs





## FIRST ELITE CAPITAL MODARABA

1,230,000/- Being aggrieved from the impugned order the Modaraba preferred appeal before Commissioner Inland Revenue Appeals VI, Lahore. This appeal was heard on 22-06-2020 and the appellate order is awaiting till date.

	Note	June 30, 2021 Rupees	June 30, 2020 Rupees
<b>19.2 Commitments</b>		Nil	Nil
<b>20 ISSUED, SUBSCRIBED AND PAID-UP CERTIFICATE CAPITAL</b>			
Modaraba certificates of Rs. 10 each			
10,000,000 (2020: 10,000,000) certificates issued for cash		100,000,000	100,000,000
1,340,000 (2020: 1,340,000) certificates issued as full paid bonus certificates		13,400,000	13,400,000
		<b>113,400,000</b>	<b>113,400,000</b>
<b>21 OTHER RESERVES</b>			
Statutory reserve	21.1	32,870,088	32,018,014
Unrealized loss on Available for sale financial assets		(8,574,251)	(9,983,417)
		<b>24,295,837</b>	<b>22,034,597</b>
<b>21.1</b> These include statutory reserves which represent profits set aside by the Modaraba to comply with the Prudential Regulations for Modarabas issued by the SECP. These regulations require the Modaraba to transfer not less than 20% and not more than 50% of its after tax profit till such time that reserves equal 100% of the paid up capital. Thereafter, a sum not less than 5% of the after tax profit is to be transferred. During the current year, the Modaraba has transferred an amount of Rs. 852,074/= (2020: Rs. Nil/=) which represents Rs. 852,074/= (2020: Nil) of the profit/loss after taxation for the year.			
<b>22 INCOME FROM IJARAH FINANCING</b>			
Income from ijarah rental		35,446,678	37,370,874
Ijarah income (suspended) / recovered - net	8.1 & 21.1	1,544,595	(4,015,192)
		<b>36,991,273</b>	<b>33,355,682</b>
Gain on disposal of ijarah assets		1,458,394	261,725
		<b>38,449,667</b>	<b>33,617,407</b>
<b>22.1</b> This represents ijarah income recovered / (suspended) in accordance with the prudential regulations applicable to the Modaraba.			
<b>23 INCOME FROM MURABAHAH FINANCING</b>			
Income from murabahah		-	194,573
Murabahah income recovered	9.1 & 22.1	-	8,151
		<b>-</b>	<b>202,724</b>
<b>23.1</b> This represents murabahah income recovered in accordance with the prudential regulations applicable to the Modaraba.			
<b>24 RETURN ON INVESTMENTS</b>			
Dividend income-gross		403,103	487,814
Gain on sale of investments-net		1,923,838	909,848
		<b>2,326,941</b>	<b>1,397,662</b>
<b>25 TRADING INCOME</b>			
Sales		53,670,341	15,513,587
Less: Cost of sales		(47,766,835)	(12,947,315)
		<b>5,903,506</b>	<b>2,566,272</b>



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	Note	June 30, 2021 Rupees	June 30, 2020 Rupees
<b>26 OTHER INCOME</b>			
Return on bank deposits		310,938	535,065
Gain on sale of fixed assets		867,439	-
Misc. income		115,642	-
		<u>1,294,019</u>	<u>535,065</u>
<b>27 ADMINISTRATIVE AND GENERAL EXPENSES</b>			
Salaries and benefits	27.1	9,159,048	9,133,328
Rent, rates and taxes		136,083	42,750
Utilities		510,356	428,487
Repair and maintenance		578,079	537,303
Printing and stationery		406,606	351,550
Communication		239,686	253,336
Postage		110,193	115,328
Travelling and conveyance		477,380	385,721
Insurance		335,918	146,736
Advertisement		12,560	11,900
Fee and subscription		721,148	572,025
Newspapers, books and periodicals		5,116	6,335
Entertainment		34,538	89,941
Auditors' remuneration	27.2	390,000	362,500
Legal and professional charges		1,886,730	1,912,905
Depreciation	14	530,207	661,230
Zakat and charity		15,579	13,190
Others		263,769	199,695
		<u>15,812,996</u>	<u>15,224,260</u>
<b>27.1</b>	These include charge in respect of employees retirement benefits amounting to Rs.1,296,861 /- (2020: Rs. 1,286,078/-).		
<b>27.2 Auditors' remuneration</b>			
Annual statutory Audit		265,000	250,000
Half yearly review		60,000	52,500
Review report under Code of Corporate Governance		50,000	45,000
Out of pocket expenses		15,000	15,000
		<u>390,000</u>	<u>362,500</u>
<b>28 MANAGEMENT FEE</b>			
The Modaraba Management Company is entitled to a fee for services rendered to the Modaraba under the provisions of the Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980 upto a maximum of 10% per annum of the net annual profits of the Modaraba.			
		June 30, 2021 Rupees	June 30, 2020 Rupees
		<u>-</u>	<u>-</u>
<b>29 TAXATION</b>			
Current taxation			
For the year		1,116,455	208,032
		<u>1,116,455</u>	<u>208,032</u>



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		June 30, 2021 Rupees	June 30, 2020 Rupees
<b>30 EARNING/(LOSS)PER CERTIFICATE - BASIC AND DILUTED</b>			
Profit/(Loss) attributable to certificate holders	<b>Rupees</b>	<b>4,260,372</b>	(5,272,211)
Weighted average number of certificates outstanding during the year	<b>No. of certificates</b>	<b>11,340,000</b>	11,340,000
Profit/(Loss) per certificate	<b>Rupees</b>	<b>0.38</b>	(0.46)
There is no diluting effect on the basic earnings per certificate of the Modaraba			

		June 30, 2021 Rupees	June 30, 2020 Rupees
<b>31 CASH GENERATED FROM OPERATIONS</b>			
<b>Profit/(loss) before taxation</b>		<b>5,376,827</b>	(5,064,179)
<b>Adjustments for non-cash and other items</b>			
Depreciation of assets under own use		<b>530,207</b>	661,230
Depreciation of assets leased out under ijarah contracts		<b>27,026,892</b>	28,203,865
Gain on sale of investments		<b>(1,923,838)</b>	(909,848)
Dividend income		<b>(403,103)</b>	(487,814)
Gain on transfer of assets leased out		<b>(1,458,394)</b>	(261,725)
Gain on sale of property and equipment		<b>(867,439)</b>	-
Provision for employees retirement benefits		<b>1,296,861</b>	1,286,078
Reversal of provision for doubtful murabahah receivables		<b>248,526</b>	(48,251)
		<b>23,952,660</b>	28,443,535
<b>Operating profit before changes in working capital</b>		<b>29,329,487</b>	23,379,356
<b>Changes in working capital</b>			
Finances under murabahah arrangements		<b>1,248,526</b>	1,548,251
Finances under musharakah arrangements		<b>133,000</b>	152,000
Ijarah rentals receivable		<b>875,018</b>	(1,112,182)
Profit receivable		<b>48,738</b>	(18,599)
Advances, deposits, prepayments and other receivables		<b>(32,166,718)</b>	524,606
Stock in Trade		<b>4,322,619</b>	2,185,206
Security deposits		<b>(1,601,285)</b>	5,131,605
Accrued and other liabilities		<b>(365,725)</b>	(556,854)
		<b>(27,505,827)</b>	7,854,033
<b>Cash generated from operations</b>		<b>1,823,660</b>	31,233,389

	Note	June 30, 2021 Rupees	June 30, 2020 Rupees
<b>32 CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	<b>4</b>	<b>15,573,952</b>	19,171,190

### 33 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The related party of the Modaraba comprise of the modaraba management company, directors and key management personnel. Transactions with related parties are disclosed below.



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## 33.1 Transaction with related party during the year

June 30, 2021 Rupees	June 30, 2020 Rupees
-------------------------	-------------------------

Name	Nature of relationship	Nature of transaction
Nil	-	-

## 33.2 Payable to related parties

Name	Nature of relationship	Accounts Balances
Crescent Modaraba Management Company Limited	Management Company	Management fee payable

- 249,308

2021

2020

Note	Loans and receivables Rupees	Available for sale financial assets Rupees	Loans and receivables Rupees	Available for sale financial assets Rupees
------	---------------------------------	-----------------------------------------------	---------------------------------	-----------------------------------------------

## 34 FINANCIAL INSTRUMENTS

### 34.1 Financial instruments by class and category

#### Financial assets

Cash and bank balances	4	15,573,952	-	19,171,190	-
Short term investments	5	-	11,008,968	-	11,593,818
Finances under musharakah arrangements	6	272,244	-	405,244	-
Finances under murabahah arrangements	7	16,403	-	1,016,403	-
Ijarah rentals receivable	8	2,392,735	-	3,267,753	-
Profit receivable	9	-	-	48,738	-
Advances to employees	10	2,531,441	-	2,205,406	-
Security deposits	10	60,450	-	60,450	-
Other receivables	10	32,030,019	-	58,922	-
		52,877,244	11,008,968	26,234,106	11,593,818

Note	2021 Financial liabilities at Amortized cost Rupees	2020 Financial liabilities at amortized cost Rupees
------	--------------------------------------------------------------	--------------------------------------------------------------

#### Financial liabilities

Accrued expenses	16	1,200,696	1,362,295
Management fee payable	16	-	249,308
Charity payable	16	12,624	12,690
Other payables	16	115,387	223,727
		1,328,706	1,848,020

### 34.2 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.

#### 34.2.1 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.

#### 34.2.2 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.



## FIRST ELITE CAPITAL MODARABA

### 35 FINANCIAL RISK EXPOSURE AND MANAGEMENT

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

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

#### 35.1 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.

##### 35.1.1 Maximum exposure to credit risk

The maximum exposure to credit risk as at the reporting date is as follows:

	Note	June 30, 2021 Rupees	June 30, 2020 Rupees
<b>Loans and receivables</b>			
Cash at bank	4	15,573	19,014,485
Finances under musharakah arrangements	6	909,744	1,042,744
Finances under murabahah arrangements	7	55,077,581	56,326,107
Ijarah rentals receivable	8	8,547,791	10,967,404
Profit receivable	9	21,690,660	21,739,398
Other receivables	10	34,795,960	2,824,863
		<b>136,595,688</b>	<b>111,915,001</b>

##### 35.1.2 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:

Customers and other parties	121,021,736	92,900,516
Banking companies and financial institutions	15,573,952	19,014,485
	<b>136,595,688</b>	<b>111,915,001</b>

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

	2021					
	Ijarah rentals Receivable	Finances under Murabahah arrangements	Finances under Musharakah arrangements	Profit receivables	Others receivables	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Services	244,427	-	-	533,301	1,769,567	2,547,295
Textile	-	23,728,130	-	14,288,302	476,036	38,492,468
Transport	-	-	909,744	923,610	509,804	2,343,158
Dairy Farm	-	-	-	-	27,566,899	27,566,899
Electrical and engineering	-	-	-	255,647	-	255,647
Packaging	-	3,180,619	-	3,013,864	132,928	6,327,411
Individuals	8,290,254	28,168,832	-	2,675,935	4,340,726	43,475,747
	<b>8,534,681</b>	<b>55,077,581</b>	<b>909,744</b>	<b>21,690,660</b>	<b>34,795,960</b>	<b>121,008,625</b>



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	2020					
	Ijarah rentals Receivable	Finances under Murabahah arrangements	Finances under Musharakah arrangements	Profit receivables	Others receivables	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Services	81,500	65,500	-	533,301	208,383	888,684
Textile	133,162	23,911,160	-	14,288,302	476,036	38,808,660
Transport	-	-	1,042,744	923,610	509,804	2,476,158
Electrical and engineering	-	-	-	255,647	-	255,647
Packaging	-	3,180,619	-	3,013,864	132,928	6,327,411
Individuals	10,752,742	29,168,828	-	2,724,673	1,497,712	39,921,570
	<u>10,967,404</u>	<u>56,326,107</u>	<u>1,042,744</u>	<u>21,739,398</u>	<u>2,824,863</u>	<u>92,900,515</u>

### 35.1.3 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.

#### 35.1.3(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.

#### 35.1.3(b) Counterparties without external credit ratings

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

	2021		2020	
	Gross Carrying Amount	Accumulated Impairment	Gross carrying Amount	Accumulated Impairment
	Rupees	Rupees	Rupees	Rupees
Neither past due nor impaired	<b>31,807,955</b>	-	58,922	-
Past due by upto 90 days	<b>3,389,569</b>	<b>787,653</b>	6,044,099	1,789,982
Past due by 90 to 180 days	<b>787,653</b>	<b>787,653</b>	1,021,556	959,182
Past due by 180 days to 1 year	<b>1,147,731</b>	<b>1,147,731</b>	1,796,991	1,796,991
Past due by 1 to 2 years	<b>2,324,669</b>	<b>2,324,669</b>	1,915,618	1,915,618
Past due by 2 to 3 years	<b>475,392</b>	<b>475,392</b>	429,996	429,996
Past due by 3 years or more	<b>81,075,656</b>	<b>80,787,006</b>	81,633,333	81,211,687
	<u><b>121,008,625</b></u>	<u><b>86,310,104</b></u>	<u>92,900,515</u>	<u>88,103,456</u>

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

#### 35.1.4 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.

#### 35.1.5 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.



## FIRST ELITE CAPITAL MODARABA

### 35.2 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.

### 35.3 Market risk

#### 35.3.1 Currency risk

The Modaraba is not exposed to currency risk.

#### 35.3.2 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.

#### 35.3.3 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.

## 36 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.

## 37 REMUNERATION OF OFFICERS AND OTHER EMPLOYEES

The aggregate amount charged to profit or loss account and statement of comprehensive income in respect of all 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:

	2021		
	Officers	Other Employees	Total
	Rupees	Rupees	Rupees
Managerial remuneration	2,439,600	2,098,140	4,537,740
Allowances and perquisites	1,864,286	1,460,161	3,324,447
Post employment benefits	817,022	479,839	1,296,861
	<u>5,120,908</u>	<u>4,038,140</u>	<u>9,159,048</u>
Number of employees at year end	<u>3</u>	<u>10</u>	<u>13</u>
Average no. of employees during the year	<u>3</u>	<u>10</u>	<u>13</u>
2020			
	Officers	Other Employees	Total
	Rupees	Rupees	Rupees
Managerial remuneration	2,439,600	2,121,961	4,561,561
Allowances and perquisites	1,843,733	1,441,956	3,285,689
Post employment benefits	804,296	481,782	1,286,078
	<u>5,087,629</u>	<u>4,045,699</u>	<u>9,133,328</u>
Number of employees at year end	<u>3</u>	<u>10</u>	<u>13</u>
Average no. of employees during the year	<u>3</u>	<u>10</u>	<u>13</u>



## FIRST ELITE CAPITAL MODARABA

### 38 IMPACT OF COVID-19 ON FINANCIAL STATEMENTS

#### 38.1 Valuation of investment portfolio

Global as well as Pakistan stock market witnessed significant decline in the first quarter of 2020. The stock market volatility and declining share prices will adversely affect the valuation of the investment portfolio and profitability.

#### 38.2 Liquidity

The liquidity position stressed as a ramification of delayed recoveries and defaults.

#### 38.3 Impairment of credit portfolio

The forced shutdown and economic uncertainty will increase the credit risk. The delays and defaults of portfolios are expected to increase the receivables. Further, the impaired portfolio will also negatively impact earnings

#### 38.4 SECP defers the effective date of IFRS 9 for NBFCs

SECP, through, S.R.O. 273 (I)/2020 (dated March 30, 2020) has deferred the effective date of IFRS 9 for NBFCs. NBFCs previously were required to apply IFRS-9 for reporting period/year ending on or after June 30, 2021. Now IFRS 9 for NBFCs shall be applicable for reporting period/year ending on or after June 30, 2022.

#### 38.5 SECP grants relaxation to Lending NBFC from Restructuring/ Rescheduling of facilities

SECP, through circular No. 9 of 2020 (dated March 31, 2020) in order to facilitate the lending non-bank finance sector owing to outbreak of COVID-19 allowed the following relaxations to all lending NBFCs including Non-Banking Micro Finance Companies (NBMFCs):

- NBFC may defer the repayment of principal loan amount for one year on written request of borrower received before June 30, 2020 provided that markup will continue to be paid as per agreed terms and such deferment will not be reported as restructuring in ECIB;
- Where such borrower is unable to service markup amount or need deferment exceeding one year, facilities may be rescheduled/ restructured upon their request. If the rescheduling/ restructuring is done within 90 days of loans being overdue in case of microfinance and 180 days in any other finance facility. Such facilities will continue to be treated as regular and reported in the ECIB accordingly;
- NBFC shall not classify the financing facilities of such borrower who have requested deferment or rescheduling/ restructuring as mentioned above.

### 39 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the Management Company on September 30, 2021.

### 40 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.

### 41 GENERAL

Figures have been rounded off to the nearest rupee.

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

**For Crescent Modaraba Management Company Limited  
(Management Company of First Elite Capital Modaraba)**

Chairman

Chief Executive

Director

Chief Financial Officer





# FIRST ELITE CAPITAL MODARABA

## Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019 Year ended June 30, 2021

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.

The Management Company of the Modaraba has complied with the requirements of the Regulations in the following manner:-

1. The total number of directors are 7 as per the following,
  - a. Male : 5
  - b. Female : 2
2. The composition of the board is as follows:
 

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 Director
Mr. Muhammad Javed Amin	Non-Executive Director
Mrs. Ruhana Javed Amin	Non-Executive Director
Mrs. Shahana Javed Amin	Non-Executive Director
- 2.1. Currently there are no independent directors but the company intends to appoint/elect the independent directors in due course of time.
3. The directors have confirmed that none of them is serving as a director on more than Seven listed companies, including this company;
4. The Management Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Management Company along with its supporting policies and procedures;
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company;
6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by the board of directors of the Management Company/certificate holders of the Modaraba, (where ever applicable), as empowered by the relevant provisions of the Companies Act, 2017 (the "Act") and these Regulations;
7. 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. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the board;
8. The board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations;
9. The Board has arranged Directors' Training program for the following:
  - a) Mr. Muneeb Ahmed Dar
  - b) Mr. Ghazanfar Farrokh
  - c) Mrs. Shahana Javed Amin
  - d) Mr. Aamir Iftikhar Khan
  - e) Mr. Muhammad Javed Amin
10. The board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;
11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the board;
12. The board has formed committees comprising of members given below.
  - a) **Audit Committee**

Mr. Ghazanfar Farrokh	Chairman
Mr. Muneeb Ahmed Dar	Member
Mrs. Shahana Javed Amin	Member
  - b) **HR and Remuneration Committee**

Mr. Muneeb Ahmed Dar	Chairman
Mr. Aamir Iftikhar Khan	Member
Mr. Ghazanfar Farrokh	Member
13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance;
14. The frequency of meetings of the committee were as per following,-
  - a) Audit Committee Quarterly
  - b) HR and Remuneration Committee Annually
15. The board has outsourced the internal audit function to M/S Rahman Sarfaraz Rahim Iqbal Rafiq Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Management Company;
16. The statutory auditors of the Modaraba have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company;
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard;
18. We confirm that all requirements of Regulations 3, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with; Currently there are no independent directors but the company intends to appoint/elect the independent directors in due course of time.
19. We confirm that all other requirements of the Regulations have been complied with except for the requirement that the position of Chief Financial officer and Company Secretary has been held by the same person, as the Listed Companies (Code of Corporate Governance) Regulations, 2019 ("Regulations") allowed the Companies to either comply or explain the reason otherwise. Therefore, the Modaraba has adopted explanation approach as the management is of the view, that the current CFO and Company Secretary is suitably qualified and professionally capable to act and fulfill the duties and responsibilities of both the roles. In addition, it is also a cost-effective measure that is in the better interest of the certificate holders of the Modaraba, therefore hiring a separate person for both position is not feasible.

**MUNEBAHMED DAR**  
CHAIRMAN

Date: September 30, 2021



## FIRST ELITE CAPITAL MODARABA

### PATTERN OF CERTIFICATE HOLDERS AS AT JUNE 30, 2021

NUMBER OF CERTIFICATE HOLDERS	CERTIFICATE HOLDINGS FROM	TO	TOTAL CERTIFICATE HELD
2,300	1	100	110,676
416	101	500	136,021
1,137	501	1,000	675,436
318	1,001	5,000	737,399
75	5,001	10,000	571,283
36	10,001	15,000	435,001
20	15,001	20,000	359,891
8	20,001	25,000	187,261
16	25,001	30,000	449,995
2	30,001	35,000	69,718
6	35,001	40,000	229,987
2	40,001	45,000	83,050
6	45,001	50,000	286,007
2	50,001	55,000	105,253
2	55,001	60,000	114,200
2	60,001	65,000	126,000
1	65,001	70,000	67,578
2	75,001	80,000	151,000
2	80,001	85,000	168,624
3	95,001	100,000	296,803
1	120,001	125,000	123,000
1	145,001	150,000	150,000
1	155,001	160,000	160,000
1	225,001	230,000	226,500
1	295,001	300,000	300,000
1	370,001	375,000	371,943
1	390,001	395,000	392,620
1	530,001	535,000	531,972
1	1,130,001	1,135,000	1,134,000
1	2,585,001	2,590,000	2,588,782
<b>4,366</b>			<b>11,340,000</b>



## FIRST ELITE CAPITAL MODARABA

### CATEGORIES OF CERTIFICATE HOLDING AS AT JUNE 30, 2021

CATEGORIES OF CERTIFICATE HOLDERS	NUMBERS	CERTIFICATE HELD	PERCENTAGE
<b>ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES</b>			
Crescent Modaraba Management Co. Ltd.	1	1,134,000	10.00
<b>NIT</b>			
CDC-Trustee National Investment (Unit) Trust	1	392,620	3.46
<b>DIRECTORS, CEO AND THEIR SPOUSES AND MINOR CHILDREN</b>			
	4	466,585	4.11
Mr. Muhammad Javed Amin		371,943	
Mrs. Shahana Javed Amin		71,000	
Mrs. Rukhsana Javed Amin		8,700	
Mr. Ghazanfar Farrokh		14,942	
<b>EXECUTIVE</b>			
	-	-	-
<b>PUBLIC SECTOR COMPANIES AND CORPORATIONS</b>			
State Life Insurance Corporation of Pakistan	1	531,972	4.69
<b>BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON BANKING FINANCE COMPANIES, INSURANCE COMPANIES, TAKAFUL, MODARABAS</b>			
	9	86,616	0.76
<b>JOINT STOCK COMPANIES</b>			
	19	245,795	2.18
<b>INDIVIDUALS</b>			
	4,331	8,482,412	74.80
<b>TOTAL:</b>	<b>4,366</b>	<b>11,340,000</b>	<b>100.00</b>

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

Crescent Modaraba Management Company Limited	1,134,000	10.00
Mr. Nauman Rathore	2,588,782	22.83



## FIRST ELITE CAPITAL MODARABA

### KEY OPERATING AND FINANCIAL DATA

YEAR	2021	2020	2019	2018	2017	2016
	Rupees in million					
Revenues	<b>48.22</b>	38.37	45.42	69.31	52.20	49.77
Profit/(Loss) after Management Fee & Taxation	<b>4.26</b>	(5.27)	(4.37)	4.72	(2.77)	(3.02)
Paid up Capital	<b>113.40</b>	113.40	113.40	113.40	113.40	113.40
Certificate Holder's Equity	<b>113.39</b>	106.90	113.25	127.95	124.94	130.45
Current Liabilities	<b>28.06</b>	17.45	16.44	15.94	15.14	17.31
Fixed Assets	<b>118.52</b>	134.71	145.61	141.88	108.87	85.05
Current Assets	<b>67.30</b>	46.39	36.66	48.93	77.15	96.73
Dividend (%)	<b>3.00</b>	-	-	3.00	-	-
Earning/(Loss) per Certificate	<b>0.38</b>	(0.46)	(0.39)	0.42	(0.24)	(0.27)
Break up Value	<b>10.00</b>	9.43	9.99	11.28	11.02	11.50



## FIRST ELITE CAPITAL MODARABA

### INDEPENDENT AUDITORS' REVIEW REPORT

To the Certificate Holders of First Elite Capital Modaraba

#### Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of **Crescent Modaraba Management Company Limited**, the management company of **First Elite Capital Modaraba** for the year ended June 30, 2021 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the 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 of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and up on recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

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 Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2021.

**Naveed Zafar Ashfaq Jaffery & Co.**

Chartered Accountants

**Engagement Partner:** Shahid Mohsin Shaikh - FCA

**Date:** September 30, 2021

**Place:** Lahore



### Shariah Advisor's Report

I have conducted the Shariah review of **First Elite Capital Modaraba** managed by **Crescent Modaraba Management Company Limited** for the year ended June 30, 2021 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.
  - The Modaraba has introduced a mechanism for trading under the Shariah Principles with the guidance of Shariah Advisor.
  - Staff training sessions of concerned staff have been conducted by Shariah Advisor to follow the steps of Shariah Principles about Ijarah and trading.
- 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.

### Recommendation(s)

- A few remaining Non Shariah Non Tradable equity instruments will be disposed off when they would be tradable equity instruments.



## FIRST ELITE CAPITAL MODARABA

- Non Shariah Compliant shares of Fauji Fertilizers Bin Qasim Limited and Hascol Petroleum Limited should be disposed off at the earliest.
- 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 Muhammad Umar**  
Shariah Advisor

**Date: September 30, 2021**



## **FIRST ELITE CAPITAL MODARABA**

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

Notice is hereby given that 22<sup>nd</sup> Annual Review Meeting of certificate holders of First Elite Capital Modaraba will be held on Tuesday, October 26, 2021 at 2:30 p.m. at 50-A, Garden Block, New Garden Town, Lahore to review the performance of the Modaraba for the year ended June 30, 2021. The Certificate Holders whose names appear on the Register of Certificate Holders of the Modaraba as on October 18, 2021 will be eligible to attend the Meeting.

**Muhammad Arif Hilal**

Company Secretary

**Crescent Modaraba Management Company Limited**

**Manager of First Elite Capital Modaraba**

**Date: October 05, 2021**

**Place: LAHORE**

#### **Note:**

1. The Certificate Transfer Books shall remain closed from October 19, 2021 to October 26, 2021 (both days inclusive.) Transfers received in order at the office of our Registrar M/s Corptec Associates (Pvt) Limited, 503-E, Johar Town, Lahore, before the close of business on October 18, 2021 will be treated in time for the purpose of entitlement of dividend and to attend the Annual Review Meeting.
2. CDC certificate holders desiring to attend the meeting are requested to bring their original CNIC, Account and participant's ID number for identification purpose.





## FIRST ELITE CAPITAL MODARABA

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# **BOOK POST**

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**FIRST ELITE CAPITAL MODARABA**

Managed By

Crescent Modaraba Management Company Limited

PRINCIPAL & REGISTERED OFFICE  
50-A, Garden Block,  
New Garden Town, Lahore - Pakistan  
Tel: 35442735-37  
Fax: 35442738  
E-mail: [info@fecm.com.pk](mailto:info@fecm.com.pk)  
Web: [www.fecm.com.pk](http://www.fecm.com.pk)