



**FIRST  
ELITE  
CAPITAL  
MODARABA**

*Annual Report  
Two Thousand Eighteen*

Managed by  
**CRESCENT MODARABA MANAGEMENT  
COMPANY LIMITED**



## FIRST ELITE CAPITAL MODARABA

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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  
(Subject to approval of Registrar Modaraba Companies & Modarabas)

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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

Allied Bank Limited  
Bank Alfalah Limited  
BankIslami Pakistan 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, 2018, the Board's overall performance and effectiveness has been assessed as satisfactory. Improvements are an ongoing process leading to action plan.

Despite the changing Economic and Political environment in the country i.e. weakening of Pak Rupees, rising inflation, interest rates and volatile capital market and tough competition with other financial institutions, the Modaraba posted a net profit of Rs.4.72 (M) during the year as compared to last year's loss of Rs.2.77 (M).

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

The audit committee reviews the financial statements and ensures that the accounts fairly represent the financial position of the company and the HR committee overviews HR policy frame work.

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 28, 2018



## 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 27<sup>th</sup> annual audited accounts of the Modaraba for the year ended June 30, 2018.

#### **Financial Results**

Financial results for the year ended June 30, 2018 are summarized as under:

	<b>June 30, 2018 Rupees</b>	<b>June 30, 2017 Rupees</b>
Total Income of Modaraba	<b>69,305,012</b>	52,203,255
Depreciation of Assets Leased Out	<b>28,772,755</b>	27,620,067
Administrative & General Expenses	<b>35,267,605</b>	26,921,088
Financial Charges	<b>21,571</b>	15,231
Management Fee	<b>524,308</b>	-
Taxation	-	414,305
Profit/(Loss) after Taxation	<b>4,718,773</b>	(2,767,436)
Earnings/(Loss) per certificate-basic and diluted	<b>0.42</b>	(0.24)

#### **Profit Distribution**

The Board in its meeting held on September 28, 2018 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, 2018.

#### **Review of Operations**

During the financial year 2018, your Modaraba registered a net profit of Rs.4,718,773/= against loss of Rs.2,767,436/= in the corresponding period of last year.

During the period under review besides fresh financing to new customers, the management of the Modaraba remained to focus on recovery of classified assets. The Modaraba during the year extended fresh Ijarah facilities amounting to Rs.63,103,000/= to quality customers.

Total revenue of Rs.69,305,012/= as of June 30, 2018 was mostly derived from Ijarah, Murabahah, Investments and reversal of provisions. The expenses of the Modaraba mainly increased due to provisioning of doubtful debts under Murabahah arrangements amounting to Rs.14,097,647/= in pursuant to Prudential Regulations for Modarabas. The Management of the Modaraba has filed recovery suits against most of the defaulting customers and guarantors before the Banking Court, Lahore. Further the Modaraba has also filed a complaint for dishonor of cheque against the officers/Directors of the Company. The Management of the Modaraba is vigorously pursuing the cases and is hopeful for positive outcome in future.

In pursuant to Prudential Regulations for Modarabas the Management of the Modaraba has transferred Rs.943,754/= to statutory reserve.

The certificate holders equity of Modaraba stands at Rs.127,945,264/= and the Breakup value of certificate comes to Rs.11.28 as of June 30, 2018.

#### **ECONOMY**

High level of Government borrowings and its repayments, existence of power related circular debt, depleting foreign exchange reserves with constant Pak Rupees devaluation pressure, continuing fiscal slippages, the asymmetrical inflation are the continuing factors that constrained the Pakistan's Economy to recover and grow.

#### **Future Outlook**

In spite of the challenging business environment, the management of the Modaraba will continue to explore new avenues of business besides its core activities to benefit the valued certificate holders.



## FIRST ELITE CAPITAL MODARABA

The currency exchange volatility, interest rate fluctuation due to economic instability, political uncertainty, may effect the growth of Modaraba.

The management of the Modaraba is well aware of the above threats and take measures on timely basis to minimize the risk level.

### 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	5
V.	Mr. Muneeb Ahmed Dar	5
VI.	Mrs. Rukhsana Javed Amin	5
VII.	Mrs. Shahana Javed Amin	4

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, 2018 is annexed to this Report.

### Key Operating & Financial Data

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

### The Board of Directors

The total number of directors are 7 as per the following

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



## FIRST ELITE CAPITAL MODARABA

The composition of board is as follows:

<b>Name</b>	<b>Category</b>
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.

### CORPORATE SOCIAL RESPONSIBILITY

As a corporate social responsibility, we encourage graduates/under graduates to avail paid internships with us so as to enrich their knowledge of the financial sector and to develop their professional career.

### Auditors

The present auditors M/s Ilyas Saeed & Co. Chartered Accountants are due for retirement and not eligible for reappointment due to compulsory rotation of auditors as required by the Listed Companies (Code of Corporate Governance) Regulations, 2017. Therefore, on the recommendation of the audit committee, the Board of Directors has approved the appointment of M/s Naveed Zafar Ashfaq Jaffery & Co. Chartered Accountants for the year 2018-2019 subject to 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 28, 2018**

**MUNEEB AHMED DAR**  
**CHAIRMAN**



## FIRST ELITE CAPITAL MODARABA

کلیدی آپریٹنگ 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 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 غنیمت فرخ	نان ایگزیکٹو ڈائریکٹر
محترم محمد جاوید امین	نان ایگزیکٹو ڈائریکٹر
محترم مرخانہ جاوید امین	نان ایگزیکٹو ڈائریکٹر
محترمہ شہانہ 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 بینٹ ڈائریکٹرز کا مشاہرہ طے کرے۔ اس سلسلے میں بورڈ آف ڈائریکٹرز نے نان ایگزیکٹو اور انڈیپنڈنٹ بینٹ ڈائریکٹرز کیلئے مشاہرہ پالیسی تیار کی ہے۔

کارپوریٹ سماجی ذمہ داری: (Corporate Social Responsibility)

کمپنی اپنی سماجی ذمہ داریوں کا بھرپور احساس کرتے ہوئے Graduates / Under Graduates طالب علموں کو بمعاضہ انٹرنشپ حاصل کرنے کی حوصلہ افزائی کرتی ہے تاکہ طالب علم مالیاتی شعبے میں اپنی تعلیمی قابلیت میں اضافہ کر سکیں اور اپنا پیشہ وارانہ کیریئر بہتر بنا سکیں۔

آڈیٹرز: (Auditors)

موجودہ آڈیٹرز میسرز الیاس سعید اینڈ کمپنی (چارٹرڈ اکاؤنٹنٹس) اپنی مدت پوری کر چکے ہیں اور لسٹڈ کمپنیز کے کوڈ آف کارپوریٹ گورننس کے مطابق آڈیٹرز کی لازمی تبدیلی کی وجہ سے دوبارہ تقرری کے اہل نہیں ہیں۔ لہذا، آڈٹ کمیٹی کی تجویز پر، بورڈ نے میسرز نوید ظفر اشفاق جعفری اینڈ کمپنی (چارٹرڈ اکاؤنٹنٹس) کو، بشرط منظوری رجسٹر آف مضارب کمپنیز اینڈ مضارب، بطور آڈیٹرز برائے مالی سال 2018-2019 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  
چیئرمین

عامر افتخار خان  
چیف ایگزیکٹو

28 ستمبر 2018ء

☆☆☆☆



## FIRST ELITE CAPITAL MODARABA

### معیشت: (Economy)

حکومت کی جانب سے بڑے پیمانے پر قرضوں کی وصولی اور اسکی واپسی، انرجی سے متعلق گردش قرضے، مسلسل کم ہوتے زیرمبادلہ کے ذخائر اور پاکستانی روپے کی گرتی ہوئی قدر کا دباؤ، مسلسل مالیاتی انحطاط اور غیر یکساں شرح افراط زر پاکستان کی معیشت کے استحکام اور ترقی کی راہ میں رکاوٹ کی وجوہات ہیں۔

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

مشکل کاروباری ماحول کے باوجود مضاربہ کی انتظامیہ اپنے معزز سرٹیفکیٹ ہولڈرز کے مفاد میں بنیادی سرگرمیوں کے علاوہ کاروبار کے نئے مواقع تلاش کرے گی۔

روپے کی قدر میں اتار چڑھاؤ، غیر مستحکم معیشت کی وجہ سے شرح منافع میں کمی پیشی اور سیاسی عدم استحکام کی وجہ سے مضاربہ کی ترقی متاثر ہو سکتی ہے۔

مضاربہ کی انتظامیہ مندرجہ بالا خطرات سے بخوبی واقف ہے اور انہیں کم سے کم کرنے کیلئے بروقت اقدامات کرتی رہتی ہے۔

### کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک (Corporate & Financial Reporting Framework)

- 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 موثر 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 شے نہیں ہے۔

- ڈائریکٹرز، سی ای او، سی ایف او، کینیڈین سیکرٹری اور انکے شوہر/بیوی اور انکے چھوٹے بچے مضاربہ سرٹیفکیٹ میں کوئی دلچسپی (Interest) نہیں رکھتے، ماسوائے اسکے جن کا انکشاف پیئرن آف سرٹیفکیٹ ہولڈنگ میں موجود ہے۔

- زیر جائزہ سال کے دوران بورڈ آف ڈائریکٹرز کے پانچ (5) اجلاس منعقد کئے گئے تھے۔ ہر ڈائریکٹر کی حاضری درج ذیل ہے۔

#### اجلاس میں شرکت کی تعداد

#### ڈائریکٹر کا نام

5

i. محترم عامر افتخار خان

5

ii. ڈاکٹر سردار احمد خان

5

iii. محترم غففر فرخ

5

iv. محترم محمد جاوید امین

5

v. محترم منیب احمد ڈار

5

vi. محترمہ رخسانہ جاوید امین

4

vii. محترمہ شاہانہ جاوید امین

- زیر جائزہ سال کے دوران آڈٹ کمیٹی کے چار اجلاس منعقد ہوئے جن میں محترم غففر فرخ (چیئر مین)، محترم منیب احمد ڈار (ممبر)، اور محترمہ شاہانہ 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۔

### پیئرن آف سرٹیفکیٹ ہولڈنگ: (Pattern of Certificate Holding)

سرٹیفکیٹ ہولڈنگ کی ترتیب جو کہ 30 جون 2018ء کے مطابق ہے اس رپورٹ کے ساتھ منسلک ہے۔



## FIRST ELITE CAPITAL MODARABA

### ڈائریکٹرز رپورٹ برائے سرٹیفکیٹ ہولڈرز

معزز سرٹیفکیٹ ہولڈرز:-

فرسٹ ایلٹیل مڈارباہ زیر انتظام کریڈٹ مڈارباہ بینکنگ کمپنی لمیٹڈ کے بورڈ آف ڈائریکٹرز، مڈارباہ کے 30 جون 2018ء کو ختم ہونے والے مالی سال کے سالانہ سٹائٹیسوس (27th) آڈٹ شدہ اکاؤنٹس پیش کرتے ہیں۔

#### مالیاتی نتائج:- (Financial Results)

30 جون 2018ء کو ختم ہونے والے سال کے مختصر مالیاتی نتائج درج ذیل ہیں۔

30 جون 2017ء (روپے)	30 جون 2018ء (روپے)	
52,203,255	69,305,012	مڈارباہ کی کل آمدن
27,620,067	28,772,755	لیزڈ آؤٹ اثاثوں کی فرسودگی
26,921,088	35,267,605	انتظامی و عمومی اخراجات
15,231	21,571	مالی اخراجات (فنانس چارجز)
-	524,308	مڈارباہ کمپنی کی انتظامی فیس
414,305	-	ٹیکسیشن
(2,767,436)	4,718,773	منافع/(خسارہ) بعد از ٹیکسیشن
(0.24)	0.42	آمدنی/(خسارہ) فی سرٹیفکیٹ - بنیادی اور تحلیل شدہ

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

بورڈ نے 28 ستمبر 2018ء کو منعقدہ اجلاس میں 30 جون 2018ء کو ختم شدہ سال کیلئے 10 روپے والے سرٹیفکیٹ پر 0.30 روپے (3%) فی سرٹیفکیٹ کے حساب سے نقد منافع منقسمہ کی منظوری دے دی ہے۔ جو زکوٰۃ اور ٹیکس کی کٹوتیوں (جہاں لاگو ہوئیں) سے مشروط ہے۔

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

مالیاتی سال 2018ء کے دوران مڈارباہ کو -/4,718,773 روپے کا منافع ہوا جبکہ گزشتہ سال اسی مدت کے دوران -/2,767,436 روپے کا خسارہ تھا۔

زیر غور مدت کے دوران مڈارباہ کی انتظامیہ نے نئے گاہکوں کو فنانسنگ کے علاوہ اپنی توجہ خراب اثاثوں کی وصولی پر مرکوز کی۔ اسی سال کے دوران مڈارباہ نے معیاری گاہکوں کو -/63,103,000 روپے کی نئی اجارہ فنانسنگ کی۔

30 جون 2018ء کی کل آمدن -/69,305,012 روپے رہی جو کہ اجارہ، مراجمہ، سرمایہ کاری اور پروڈن کی

واپسی (Reversal of Provisions) سے حاصل کی گئی۔ مڈارباہ کے اخراجات میں اضافہ کی بنیادی وجہ پروڈنشل

ریگولیشنز برائے مڈارباہ کی تعمیل کرتے ہوئے -/14,097,647 روپے کی مراجمہ فنانسنگ میں مشکوک قرضہ جات (Doubtful

Debts) کی پروڈننگ ہے۔ مڈارباہ کی انتظامیہ نے پیشتر نادہندہ گاہکوں اور ضمانتیوں کے خلاف بینکنگ کورٹ لاہور میں

مقامات درج کروائے ہیں۔ مزید یہ کہ مڈارباہ نے ڈس آرڈر چیک کے حوالے سے کمپنی کے ڈائریکٹرز/آفیسرز کے خلاف شکایت بھی

درج کروائی ہے۔ مڈارباہ کی انتظامیہ بھرپور طریقے سے مقدمات کی پیروی کر رہی ہے اور مستقبل میں مثبت نتائج کیلئے پُر امید ہے۔

مڈارباہ کے پروڈنشل ریگولیشنز کی تعمیل کیلئے مڈارباہ کی انتظامیہ نے قانونی آمدنی (Statutory Reserves) کی مد

میں -/943,754 روپے منتقل کئے ہیں۔

30 جون 2018ء کو مڈارباہ کی ایکٹیوٹی -/127,945,264 روپے رہی اور بریک آپ ویلیو -/11.28 روپے فی سرٹیفکیٹ

ہے۔





## 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, 2018 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the 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 flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Modaraba 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, 2018 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).

**ILYAS SAEED & CO**

Chartered Accountants

**Engagement Partner:** Muhammad Ilyas

**Date:** September 28, 2018

**Place:** Lahore



## FIRST ELITE CAPITAL MODARABA

### BALANCE SHEET AS AT JUNE 30, 2018

	Note	June 30, 2018 Rupees	June 30, 2017 Rupees
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and bank balances	4	14,238,575	23,089,634
Short term investments	5	14,899,848	16,129,448
Short term finances under musharakah arrangements - Secured	6	747,244	938,504
Short term finances under murabahah arrangements - Secured	7	9,561,352	27,218,067
Ijarah rentals receivable - Secured	8	1,288,775	2,062,152
Profit receivable - Secured	9	36,181	157,540
Advances, deposits, prepayments and other receivables	10	6,214,860	6,285,897
Advance income tax	11	1,947,760	1,263,041
		<b>48,934,595</b>	<b>77,144,283</b>
<b>NON-CURRENT ASSETS</b>			
Assets leased out under ijarah contracts	12	113,844,945	105,391,575
Property and equipment	13	28,040,772	3,475,759
		<b>141,885,717</b>	<b>108,867,334</b>
<b>TOTAL ASSETS</b>		<b>190,820,312</b>	<b>186,011,617</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accrued and other liabilities	14	2,916,258	1,877,694
Security deposits	15	5,196,862	5,435,152
Unclaimed profit distribution		7,822,711	7,826,590
		<b>15,935,831</b>	<b>15,139,436</b>
<b>NON-CURRENT LIABILITIES</b>			
Security deposits	15	37,505,279	37,646,064
Employees retirement benefits	16	9,433,938	8,286,565
		<b>46,939,217</b>	<b>45,932,629</b>
Contingencies and commitments	17	-	-
<b>TOTAL LIABILITIES</b>		<b>62,875,048</b>	<b>61,072,065</b>
<b>NET ASSETS</b>		<b>127,945,264</b>	<b>124,939,552</b>
<b>REPRESENTED BY</b>			
Authorized certificate capital 20,000,000 (2017: 20,000,000) modaraba certificates of Rs. 10 each		<b>200,000,000</b>	<b>200,000,000</b>
Issued, subscribed and paid-up certificate capital	18	<b>113,400,000</b>	<b>113,400,000</b>
Unappropriated losses		<b>(16,224,713)</b>	<b>(20,082,712)</b>
Other reserves	19	<b>30,769,977</b>	<b>31,622,264</b>
		<b>127,945,264</b>	<b>124,939,552</b>

The annexed notes 1 to 38 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, 2018

	Note	June 30, 2018 Rupees	June 30, 2017 Rupees
<b>INCOME</b>			
Income from ijarah financing	20	43,365,304	44,513,656
Income from murabahah financing	21	1,544,727	1,693,368
Return on investments	22	940,947	3,651,627
Reversal of provision for doubtful Murabahah Finance		19,266,418	-
Reversal of provision for doubtful receivables		2,933,731	1,700,804
Other income	23	1,253,885	643,800
		<b>69,305,012</b>	<b>52,203,255</b>
<b>EXPENSES</b>			
Depreciation of assets leased out under ijarah contracts	12	(28,772,755)	(27,620,067)
Administrative and general expenses	24	(35,267,605)	(26,921,088)
Financial charges		(21,571)	(15,231)
		<b>(64,061,931)</b>	<b>(54,556,386)</b>
Management fee	25	5,243,081 (524,308)	(2,353,131) -
<b>Profit/ (loss) before taxation</b>		<b>4,718,773</b>	<b>(2,353,131)</b>
<b>Taxation</b>			
-Current	26	-	(414,305)
<b>Profit/ (loss) after taxation</b>		<b>4,718,773</b>	<b>(2,767,436)</b>
<b>Profit/ (loss) per certificate - basic and diluted</b>	27	<b>0.42</b>	<b>(0.24)</b>

The annexed notes 1 to 38 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, 2018

	Note	June 30, 2018 Rupees	June 30, 2017 Rupees
<b>Profit/ (loss) after taxation</b>		<b>4,718,773</b>	(2,767,436)
<b>Other comprehensive loss</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Changes in fair value of available for sale investments	5	(1,609,346)	(2,131,344)
Reclassification adjustments for (gain)/ loss included in profit or loss		(186,695)	(82,425)
		(1,796,041)	(2,213,769)
<b>Items that will not be reclassified to profit or loss</b>			
Remeasurements of defined benefit plan		82,980	(530,153)
<b>Total comprehensive income/ (loss)</b>		<b>3,005,712</b>	(5,511,358)

The annexed notes 1 to 38 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 FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2018

	Note	June 30, 2018 Rupees	June 30, 2017 Rupees
<b>CASH GENERATED FROM OPERATIONS</b>	<b>28</b>	<b>30,352,055</b>	48,271,876
(Payments) / receipts for:			
Income taxes		(684,719)	295,130
Purchase of Ijarah assets		(63,103,000)	(81,033,120)
Transfer of Ijarah assets		26,748,651	32,263,600
Management fee		-	-
Profit distribution		(3,879)	(8,309)
		<b>(37,042,947)</b>	(48,482,699)
<b>Net cash (used in)/ generated from operating activities</b>		<b>(6,690,892)</b>	(210,823)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of property and equipment		(3,334,673)	(2,240,491)
Proceeds from sale of property and equipment		800,000	-
Purchase of investments		(2,120,678)	(25,060,529)
Proceeds from sale of investments		1,617,093	27,927,881
Dividend received		878,091	982,790
<b>Net cash (used in)/ generated from investing activities</b>		<b>(2,160,167)</b>	1,609,651
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
<b>Net cash flow from financing activities</b>		-	-
<b>NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(8,851,059)</b>	1,398,828
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		<b>23,089,634</b>	21,690,807
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>29</b>	<b>14,238,575</b>	23,089,634

The annexed notes 1 to 38 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, 2018


Note	Paid-up Certificate Capital	Reserves				Total	Total equity
		Statutory reserve	Available for sale financial assets	Accumulated losses			
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as at June 30, 2016	113,400,000	31,074,260	2,761,773	(16,785,123)	17,050,910	130,450,910	
Comprehensive loss for the year ended June 30, 2017							
Loss after taxation	-	-	-	(2,767,436)	(2,767,436)	(2,767,436)	
Other comprehensive loss	-	-	(2,213,769)	(530,153)	(2,743,922)	(2,743,922)	
	-	-	(2,213,769)	(3,297,589)	(5,511,358)	(5,511,358)	
Transferred to statutory reserve	-	-	-	-	-	-	
Balance as at June 30, 2017	113,400,000	31,074,260	548,004	(20,082,712)	11,539,552	124,939,552	
<b>Comprehensive profit for the year ended June 30, 2018</b>							
<b>Profit after taxation</b>	-	-	-	4,718,773	4,718,773	4,718,773	
<b>Other comprehensive loss</b>	-	-	(1,796,041)	82,980	(1,713,061)	(1,713,061)	
	-	-	(1,796,041)	4,801,753	3,005,712	3,005,712	
<b>Transferred to statutory reserve</b>	-	943,754	-	(943,754)	-	-	
<b>Balance as at June 30, 2018</b>	113,400,000	32,018,014	(1,248,037)	(16,224,713)	14,545,264	127,945,264	

The annexed notes 1 to 38 form an integral part of these financial statements.

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

  
Chairman

  
Director

  
Chief Financial Officer



## FIRST ELITE CAPITAL MODARABA

### NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

#### 1 STATUS AND NATURE OF THE BUSINESS

First Elite Capital Modaraba ("the Modaraba") is a perpetual, multi-purpose and multi-dimensional non-trading modaraba formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Rules framed there under and is managed by Crescent Modaraba Management Company Limited ("the Management Company"), a company incorporated in Pakistan under the Companies Act, 2017, vide Registration No. L 01630 dated 30th May, 1989. The registered office of the Modaraba is situated at 50-A, Garden Block, New Garden Town, Lahore. The Modaraba was floated on September 26, 1991 and is listed on Pakistan Stock Exchange Limited. The Modaraba is primarily engaged in the business of ijarah, musharakah and murabahah financing, investment in marketable securities and other related businesses.

#### 2 BASIS OF PREPARATION

##### 2.1 Statement of compliance

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

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



## 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 7 – Statement of Cash Flows - Disclosure Initiative - (Amendment)

IAS 12 – Income Taxes – Recognition of Deferred Tax Assets for Unrealized losses (Amendments)

IFRS 12 – Disclosure of Interests in Other Entities – Annual Improvements to IFRS Standards 2014–2016 Cycle





## FIRST ELITE CAPITAL MODARABA

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	IASB Effective Date (annual periods beginning on or after)
IFRS 15 Revenue from Contracts with Customers	01 July 2018
IFRS 9 Financial Instruments – Classification and Measurement	01 July 2018
IFRS 2 Share-based Payment – Classification and Measurement of Share-based Payments Transactions (Amendments)	01 January 2018
IFRS 16 Leases	01 January 2019
IFRS 4 Insurance Contracts – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments)	01 January 2018
IAS 40 Investment Property – Transfers of Investment Property (Amendments)	01 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	01 January 2018
IFRIC 23 Uncertainty over Income Tax Treatments	01 January 2019
IAS 28 Investments in Associates and Joint Ventures – Annual Improvements to IFRS Standards 2014–2016 Cycle	01 January 2018
IFRS 9 Financial Instruments – Prepayment Features with Negative Compensation (Amendments)	01 January 2019
IAS 19 Employee Benefits – Plan Amendment, Curtailment or Settlement (Amendments)	01 January 2019
IAS 28 Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures (Amendments )	01 January 2019
IFRS 3 Business Combinations – Annual Improvements to IFRS Standards 2015–2017 Cycle	01 January 2019
IFRS 11 Joint Arrangements – Annual Improvements to IFRS Standards 2015–2017 Cycle	01 January 2019
IAS 12 Income Taxes – Annual Improvements to IFRS Standards 2015–2017 Cycle	01 January 2019
IAS 23 Borrowing Costs – Annual Improvements to IFRS Standards 2015–2017 Cycle	01 January 2019
Conceptual Framework for Financial Reporting	01 January 2020

**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.



# FIRST ELITE CAPITAL MODARABA

## Standards, amendments or Interpretation

## IASB Effective Date (annual periods beginning on or after)

IFRS-14	Regulatory Deferral accounts	01 January 2016
IFRS-17	Insurance Contracts	01 January 2021

The Company expects that the adoption of the above standards will have no material effect on the Company's financial statements, in the period of initial application, except for IFRS 15 and IFRS 16. The management is in the process of determining the effect of application of IFRS 15 and IFRS 16.

### 3 SIGNIFICANT ACCOUNTING POLICIES

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

#### 3.1 Property and equipment

These comprise operating fixed assets of the Modaraba.

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

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

"The Modaraba recognizes depreciation in profit or loss by applying reducing balance method over the useful life of each operating fixed asset using rates specified in note 13 to the financial statements."

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

#### 3.2 Assets leased out under ijarah contracts

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

#### 3.3 Certificate capital

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

#### 3.4 Employees retirement benefits

##### 3.4.1 Short term employee benefits

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

##### 3.4.2 Post employment benefits

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

#### 3.5 Financial instruments

##### 3.5.1 Recognition

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



## FIRST ELITE CAPITAL MODARABA

### 3.5.2 Classification

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

#### 3.5.2(a) Loans and receivables

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

#### 3.5.2(b) Available for sale financial assets

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

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

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

### 3.5.3 Measurement

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

### 3.5.4 De-recognition

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

### 3.5.5 Off-setting

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

### 3.5.6 "Regular way" purchases and sales of financial assets

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

## 3.6 Investments in 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.



## FIRST ELITE CAPITAL MODARABA

### 3.7 Accrued and other liabilities

#### 3.7.1 Financial liabilities

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

#### 3.7.2 Non-financial liabilities

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

### 3.8 Advances and other receivables

#### 3.8.1 Financial assets

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

#### 3.8.2 Non-financial assets

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

### 3.9 Cash and cash equivalents

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

### 3.10 Revenue

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

#### Revenue from different sources is recognized as follows:

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

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

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

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

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

### 3.11 Related party transactions

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

### 3.12 Comprehensive income

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

### 3.13 Income tax

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



## FIRST ELITE CAPITAL MODARABA

### 3.13.1 Current taxation

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

### 3.13.2 Deferred taxation

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

### 3.14 Earnings per certificate (EPC)

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

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

### 3.15 Impairment

#### 3.15.1 Financial assets

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

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

#### 3.15.2 Non-financial assets

The carrying amount of the Modaraba's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset



## FIRST ELITE CAPITAL MODARABA

or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

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

### 3.16 Provisions and contingencies

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

### 3.17 Profit distribution to certificate holders

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

	Note	June 30, 2018 Rupees	June 30, 2017 Rupees
<b>4 CASH AND BANK BALANCES</b>			
Cash in hand		79,305	223,381
Cash at bank in			
Current accounts		46,478	52,816
Saving / deposit accounts	4.1	14,112,792	22,813,437
		14,159,270	22,866,253
		14,238,575	23,089,634

**4.1** Effective rate of return on deposit/saving accounts, for the year, ranges from 4% to 7% (2017: 4% to 7%).

### 5 SHORT TERM INVESTMENTS

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

Cost	5.1	19,884,275	19,317,834
Accumulated impairment	5.1	(3,736,390)	(3,736,390)
Accumulated changes in fair value	5.1	(1,248,237)	548,004
		14,899,848	16,129,448



### 5.1 Particulars of investments

#### Oil and Gas Producers

Pakistan Petroleum Limited

#### Fertilizer

Fauji Fertilizer Bin Qasim Limited  
Fauji Fertilizer Company Limited

#### Chemicals

Nimir Resins Limited

#### Cements

Gharibwal Cement Company Limited  
Fauji Cement Company Limited

#### Textile Composite

Sunrise Textiles Limited

#### Technology & Communication

Callmate Telips Telecom Limited  
Pakistan Telecommunication Company Limited  
Pak Electron Limited

#### Power Generation

Hub Power Company Limited

#### Oil & Gas marketing Co.

Sui Northern Gas Pipelines Limited  
Pakistan State Oil Company Limited  
Sui Southern Gas Pipelines Limited

#### Investment Banks/Co.

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

#### Food and personal care

Treet Corporation Limited

#### TOTAL



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No. Of Shares/ Certificates		Average Cost		Fair Value	
June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
		Rupees		Rupees	
500	-	105,985	-	107,450	-
17,000	17,000	972,425	972,425	656,200	728,280
51,450	51,450	2,789,754	2,789,754	5,087,891	4,251,828
-	50,000	-	631,933	-	471,500
35,000	15,000	1,540,691	993,085	732,200	683,100
1,000	-	27,796	-	22,850	-
153,900	153,900	2,023,076	2,023,076	-	-
5,100	5,100	530,323	530,323	-	-
85,000	85,000	4,200,073	4,200,073	972,399	1,326,850
17,000	20,000	2,024,271	2,381,481	602,820	2,206,400
5,000	5,000	329,560	329,560	460,800	587,150
8,500	5,000	1,239,756	878,748	851,870	744,600
16,031	13,200	2,571,028	2,387,665	5,102,828	5,113,020
3,500	-	115,651	-	114,870	-
1,000	1,000	9,000	9,000	-	-
2,000	2,000	26,100	26,100	-	-
8,800	8,800	1,164,611	1,164,611	16,720	16,720
5,000	-	214,175	-	170,950	-
415,781	432,450	19,884,275	19,317,834	14,899,848	16,129,448





## FIRST ELITE CAPITAL MODARABA

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

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

	Note	June 30, 2018 Rupees	June 30, 2017 Rupees
Considered good		-	-
Considered doubtful		1,384,744	1,576,004
		<b>1,384,744</b>	1,576,004
Accumulated impairment	6.1	(637,500)	(637,500)
		<b>747,244</b>	938,504
<b>6.1</b> Movement in accumulated impairment is as follows:			
As at beginning of the year		637,500	637,500
Recognized during the year		-	-
As at end of the year		<b>637,500</b>	637,500

### 7 SHORT TERM FINANCES UNDER MURABAHAH ARRANGEMENTS - SECURED

Considered good		9,561,352	27,218,067
Considered doubtful		55,382,573	60,551,344
		<b>64,943,925</b>	87,769,411
Accumulated impairment	7.1	(55,382,573)	(60,551,344)
		<b>9,561,352</b>	27,218,067

These represent receivable against murbahaha transactions on deferred payment basis at a specified margin. These are secured against pledge of marketable securities, mortgage of property, vehicles, hypothecation of stocks, demand promissory notes and personal guarantees. Profit margin on murabahah transactions ranges from 13% to 20% (2017: 15% to 20%) per annum receivable on monthly basis.

#### 7.1 Movement in accumulated impairment is as follows:

As at beginning of the year		60,551,344	52,074,751
Recognized during the year	24	14,097,647	8,476,593
Reversed during the year		(19,266,418)	-
		<b>(5,168,771)</b>	8,476,593
As at end of the year	7.1.1	<b>55,382,573</b>	60,551,344

**7.1.1** The Modaraba has filed execution petitions with the Modaraba Tribunal Punjab and suit with Banking Court, Lahore against various parties for recoveries, also claims has been filed against one (2017 : one) company, with official liquidator appointed by Lahore High Court.

### 8 IJARAH RENTALS RECEIVABLE - SECURED

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

Considered good		1,288,775	2,062,152
Considered doubtful		2,484,652	3,152,120
		<b>3,773,427</b>	5,214,272
Accumulated impairment	8.1	(2,484,652)	(3,152,120)
		<b>1,288,775</b>	2,062,152

#### 8.1 Movement in accumulated impairment is as follows:

As at beginning of the year		3,152,120	6,665,226
Recognized during the year		2,892,801	2,936,649
Reserved during the year		(3,560,269)	(6,449,755)
	20	<b>(667,468)</b>	(3,513,106)
As at end of the year	8.1.1	<b>2,484,652</b>	3,152,120

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



## FIRST ELITE CAPITAL MODARABA

	Note	June 30, 2018 Rupees	June 30, 2017 Rupees
<b>9 PROFIT RECEIVABLE - SECURED</b>			
This represents profit receivable on murabahah finance.			
Considered good		36,181	157,540
Considered doubtful		21,700,043	36,760,724
		21,736,224	36,918,264
Accumulated impairment	9.1	(21,700,043)	(36,760,724)
		36,181	157,540
<b>9.1</b>	Movement in accumulated impairment is as follows:		
As at beginning of the year		36,760,724	36,762,782
Recognized during the year		-	-
Reversed during the year		(15,060,681)	(2,058)
		(15,060,681)	(2,058)
As at end of the year		21,700,043	36,760,724
<b>10 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>			
Advances to employees-considered good			
against salaries		590,423	437,643
against retirement benefits	10.1	2,192,218	2,500,846
Advances to suppliers - unsecured		1,114,000	800,000
Security deposits		60,450	60,450
Prepayments		2,144,062	2,376,580
Accrued profit on bank deposits		-	55,562
Other receivables - unsecured	10.2	113,707	54,816
		6,214,860	6,285,897
<b>10.1</b>	These include advances to officers of the Modaraba amounting to Rs. 2,192,218/- (2017: 2,500,846/-).		
<b>10.2</b>	These mainly include amounts recoverable from customers in respect of expenses incurred by the Modaraba on their behalf. Particulars of other receivables are as follows:		
Considered good		113,707	54,816
Considered doubtful		2,765,941	5,699,672
		2,879,648	5,754,488
Accumulated impairment	10.2.1	(2,765,941)	(5,699,672)
		113,707	54,816
<b>10.2.1</b>	Movement in accumulated impairment is as follows:		
As at beginning of the year		5,699,672	7,400,476
Recognized during the year		-	-
Reversed during the year		(2,933,731)	(1,700,804)
As at end of the year	10.2.1.1	2,765,941	5,699,672
<b>10.2.1.1</b>	The Modaraba has filed execution petitions against one party with the Modaraba Tribunal Punjab, Lahore for recovery.		
<b>11. ADVANCE INCOME TAX</b>			
Opening balance		1,263,041	1,558,171
Add: tax deducted / paid during the year		684,719	119,175
Less: Provision for the year	11.1	-	(414,305)
As at end of the year		1,947,760	1,263,041
<b>11.1</b>	The income of non-trading modarabas is exempt from tax provided that not less than 90% of their profits are distributed to the certificate holders. As the management company of modaraba, subsequent to the year end, has approved the required distribution as detailed in note 35, no provision for taxation has been made in these financial statements during the current year.		



## FIRST ELITE CAPITAL MODARABA

### 12 ASSETS LEASED OUT UNDER IJARAH CONTRACTS

Year ended June 30, 2018

PARTICULARS	COST			DEPRECIATION			Carrying Value
	As at July 01, 2017	Additions	Disposals	As at June 30, 2018	For the year	Adjustment	As at June 30, 2018
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Vehicles	129,662,316	63,103,000	(50,787,000)	141,978,316	36,808,622	23,831,952	(25,600,210) 35,040,364
Office equipment	-	-	-	-	-	-	-
Machinery	19,154,197	-	(4,532,194)	14,622,003	6,616,316	4,940,803	(3,842,109) 7,715,010
	148,816,513	63,103,000	(55,319,194)	156,600,319	43,424,938	28,772,755	(29,442,319) 42,755,374
							113,844,945

Year ended June 30, 2017

PARTICULARS	COST			DEPRECIATION			Carrying Value
	As at July 01, 2016	Additions	Disposals	As at June 30, 2017	For the year	Adjustment	As at June 30, 2017
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Vehicles	113,016,716	67,448,120	(50,802,520)	129,662,316	36,958,921	21,708,126	(21,858,427) 36,808,622
Office equipment	938,300	-	(938,300)	-	565,688	176,027	(741,715) -
Machinery	13,364,197	13,585,000	(7,795,000)	19,154,197	6,325,854	5,735,914	(5,445,452) 6,616,316
	127,319,213	81,033,120	(59,535,820)	148,816,513	43,850,463	27,620,067	(28,045,594) 43,424,938
							105,391,575

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



**13 PROPERTY AND EQUIPMENT**

**Year ended June 30, 2018**

PARTICULARS	COST			DEPRECIATION				Net book value as at June 30, 2018
	As at July 01, 2017	Additions	Disposals	As at June 30, 2018	Rate %age	As at July 01, 2017	For the year	As at June 30, 2018
	Rupees	Rupees	Rupees	Rupees		Rupees	Rupees	Rupees
Land - Freehold	-	23,533,287	-	23,533,287	-	-	-	23,533,287
Furniture and fixtures	264,280	18,535	-	282,815	10	165,933	10,234	176,167
Office equipment	2,276,264	110,000	-	2,386,264	10	1,470,363	90,415	1,560,778
Vehicles	4,935,835	1,873,000	(930,500)	5,878,335	20	2,364,324	798,751	2,302,984
	<b>7,476,379</b>	<b>25,534,822</b>	<b>(930,500)</b>	<b>32,080,701</b>		<b>4,000,620</b>	<b>899,400</b>	<b>4,039,929</b>
								<b>28,040,772</b>

**Year ended June 30, 2017**

PARTICULARS	COST			DEPRECIATION				Net book value as at June 30, 2017
	As at July 01, 2016	Additions	Disposals	As at June 30, 2017	Rate %age	As at July 01, 2016	For the year	As at June 30, 2017
	Rupees	Rupees	Rupees	Rupees		Rupees	Rupees	Rupees
Furniture and fixtures	253,280	11,000	-	264,280	10	155,729	10,204	165,933
Office equipment	2,240,138	36,126	-	2,276,264	10	1,383,480	86,883	1,470,363
Vehicles	2,788,470	2,193,365	(46,000)	4,935,835	20	2,157,992	251,482	2,364,324
	<b>5,281,888</b>	<b>2,240,491</b>	<b>(46,000)</b>	<b>7,476,379</b>		<b>3,697,201</b>	<b>348,569</b>	<b>4,000,620</b>
								<b>3,475,759</b>



## FIRST ELITE CAPITAL MODARABA

	Note	June 30, 2018 Rupees	June 30, 2017 Rupees
<b>14 ACCRUED AND OTHER LIABILITIES</b>			
Management fee payable		524,308	-
Accrued expenses		1,574,928	1,305,109
Advance ijarah rentals - secured		109,206	76,433
Security deposit		334,200	-
Withholding tax payable		20,166	97,776
Charity payable		5,328	1,130
Other payables - unsecured		348,122	397,246
		<b>2,916,258</b>	<b>1,877,694</b>
<b>15 SECURITY DEPOSITS</b>			
Security deposits under ijarah contracts		42,702,141	43,081,216
Current maturity presented under current liabilities		(5,196,862)	(5,435,152)
		<b>37,505,279</b>	<b>37,646,064</b>
<b>16 EMPLOYEES RETIREMENT BENEFITS</b>			
The amounts recognized on balance sheet are as follows:			
Present value of defined benefit obligation	16.1	9,433,938	8,286,565
<b>16.1 Movement in present value of defined benefit obligation</b>			
As at beginning of the year		8,286,565	6,754,166
Current service cost	16.2	588,144	512,569
Interest cost on defined benefit obligation	16.2	642,209	489,677
		<b>9,516,918</b>	<b>7,756,412</b>
Remeasurements:			
Actuarial (gains)/losses from changes in demographic assumptions		-	-
Actuarial (gains)/losses from changes in financial assumptions		24,241	9,344
Experience adjustments		(107,221)	520,809
	16.3	<b>(82,980)</b>	<b>530,153</b>
As at the close of the year		<b>9,433,938</b>	<b>8,286,565</b>
<b>16.2 Expenses to be charged to P&amp;L</b>			
Current service cost		588,144	512,569
Interest cost on defined benefit obligation		642,209	489,677
		<b>1,230,353</b>	<b>1,002,246</b>
<b>16.3 Remeasurements recognized in other comprehensive income</b>			
Actuarial (gains) / losses from changes in demographic assumptions		-	-
Actuarial (gains) / losses from changes in financial assumptions		24,241	9,344
Experience adjustments		(107,221)	520,809
		<b>(82,980)</b>	<b>530,153</b>



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### 16.4 Significant actuarial assumptions

Discount rate used for interest cost charged in P&L	<b>7.75%</b>	7.25%
Discount rate used for year end obligation	<b>9.00%</b>	7.75%
Salary increase used for year end obligation		
Salary increase FY 2018	<b>N/A</b>	5.75%
Salary increase FY 2019	<b>7.00%</b>	5.75%
Salary increase FY 2020	<b>7.00%</b>	5.75%
Salary increase FY 2021	<b>7.00%</b>	5.75%
Salary increase FY 2022	<b>7.00%</b>	5.75%
Salary increase FY 2023	<b>7.00%</b>	5.75%
Salary increase FY 2024 onwards	<b>7.00%</b>	5.75%
Next salary is increased at	<b>July 01, 2018</b>	July 01, 2017
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) Age 60
Retirement assumption		

### 16.5 Historical information

	<b>June 30, 2018</b>	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Present value of defined benefit obligation Rupees	<b>9,433,938</b>	8,286,565	6,754,166	5,689,317	4,798,851
Actuarial adjustment arising during the year %	<b>6.81</b>	5.91	0.27	0.27	8.93

### 16.6 Future expectation

The estimated expenses to be charged to P & L during the year ending June 30, 2019 amounts to Rs.1.31 million. The actual cost will be determined after valuation of the Fund as at June 30, 2019 when the actuarial gains and losses arising during the year ending June 30, 2019 will be available.

### 16.7 Additional disclosure items

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

Discount rate + 100 bps	<b>9,016,762</b>	7,895,367
Discount rate - 100 bps	<b>9,893,351</b>	8,719,496
Salary increase + 100 bps	<b>9,909,341</b>	8,735,050
Salary increase - 100 bps	<b>8,994,802</b>	7,874,246
Average duration of the defined benefit obligation	<b>5 years</b>	5 years

## 17 CONTINGENCIES AND COMMITMENTS

### 17.1 Contingencies

**17.1.1** 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



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"Excess Perquisites" whereby the disallowances are 2,781,440/-, 87,290/- and 323,113/- respectively. No further correspondence has been received till date in this regard.

- 17.1.2** Proceedings under section 161(1A)/205 of the Income Tax Ordinance, 2001 for the Tax Year 2014 were initiated by the Assistant Commissioner Inland Revenue (ACIR), E & C, WHT Unit-07, Corporate Regional Tax Office, Lahore through its Notice no. 539495-1 dated 09-01-2017. The Modaraba through its AR has made compliance of this notice by submitting all the required reconciliations alongwith supporting data/documents, etc. The last reply was submitted on 25-06-2018. No further correspondence has been received till date in this regard.
- 17.1.3** The Modaraba has filed seven (2017: 7) execution petitions for recovery of receivables amounting to Rs. 86,862,791/- (2017: 86,862,791/-) against different parties in Modaraba Tribunal Punjab, Lahore. The management is hotly pursuing its cases in the Court of law. There are almost no chances of any unfavorable decision(s) against First Elite Capital Modaraba.
- 17.1.4** The Modaraba has filed a claim for Rs. 22,063,889/- against Sunrise Textile Limited (under liquidation) in High Court, Lahore. The Modaraba has applied to the official liquidators, appointed by the honourable Lahore High Court in C.O.No. 10/1995 for recovery of its dues. The management is hotly pursuing its case in the Court of law. There are almost no chance of any unfavorable decision against First Elite Capital Modaraba.
- 17.1.5** The Modaraba has filed eleven (2017: 7) suits for recovery of receivables amounting to Rs. 20,417,620 (Rs: 8,430,510/-) against different parties in Banking Court, Lahore. The management is hotly pursuing its cases in the Court of law. There are almost no chances of any unfavorable decision(s) against First Elite Capital Modaraba.
- 17.1.6** The Modaraba has filed one (2017: Nil) criminal complaint against a party in Banking Court, Lahore. The management is actively pursuing its case in the Court of law. There are almost no chance of any unfavorable decision against First Elite Capital Modaraba.

The Modaraba has made adequate provisions in respect of the balances mentioned in Notes 17.1.3, 17.1.4, 17.1.5 and 17.1.6 as required by the regulations.

### 17.2 Commitments

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

	Note	June 30, 2018 Rupees	June 30, 2017 Rupees
<b>Future Ijarah rentals receivable</b>			
Not later than one year		<b>4,825,599</b>	34,616,651
Later than one year but not later than five years		<b>105,113,963</b>	49,846,107
Later than five years		-	-
		<b>109,939,562</b>	84,462,758
<b>18 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>			
Modaraba certificates of Rs. 10 each 10,000,000 (2017: 10,000,000) certificates issued for cash		<b>100,000,000</b>	100,000,000
1,340,000 (2017: 1,340,000) certificates issued as full paid bonus certificates		<b>13,400,000</b>	13,400,000
		<b>113,400,000</b>	113,400,000



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### 19 OTHER RESERVES

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. 943,754 (2017: Rs. Nil) which represents 20% (2017: Nil) of the profit after taxation for the year.

	Note	June 30, 2018 Rupees	June 30, 2017 Rupees
<b>20 INCOME FROM IJARAH FINANCING</b>			
Income from ijarah rental		42,697,836	41,000,550
Ijarah income recovered / (suspended) - net	8.1 & 20.1	667,468	3,513,106
		<b>43,365,304</b>	<b>44,513,656</b>
<b>20.1</b> This represents ijarah income recovered/suspended in accordance with the prudential regulations applicable to the Modaraba.			
<b>21 INCOME FROM MURABAHAH FINANCING</b>			
Income from murabahah		1,544,727	1,691,310
Murabahah income suspended/reversed profit - net	9.1 & 21.1	-	2,058
		<b>1,544,727</b>	<b>1,693,368</b>
<b>21.1</b> This represents murabahah income suspended/reversed in accordance with the prudential regulations applicable to the Modaraba.			
<b>22 RETURN ON INVESTMENTS</b>			
Dividend income		878,091	982,790
Gain on sale of investments		62,856	2,668,837
		<b>940,947</b>	<b>3,651,627</b>
<b>23 OTHER INCOME</b>			
<b>Gain on financial instruments</b>			
Gain on disposal of property and equipment		729,591	5,150
Return on bank deposits		524,294	638,650
		<b>1,253,885</b>	<b>643,800</b>
<b>24 ADMINISTRATIVE AND GENERAL EXPENSES</b>			
Salaries and benefits	24.1	10,155,249	9,424,118
Rent, rates and taxes		96,950	20,315
Utilities		341,401	215,412
Repair and maintenance		399,733	539,550
Printing and stationery		603,606	501,231
Communication		256,117	251,247
Postage		130,783	109,445
Travelling and conveyance		608,902	754,105
Insurance		3,941,737	3,271,871
Provision for doubtful debts under murabahah arrangements	7.1	14,097,647	8,476,593
Advertisement		13,460	33,013
Fee and subscription		489,361	445,947
Newspapers, books and periodicals		7,935	7,915
Entertainment		80,425	98,452
Auditors' remuneration	24.2	362,500	362,500
Legal and professional charges		2,530,996	1,781,000





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	Note	June 30, 2018 Rupees	June 30, 2017 Rupees
Depreciation	13	899,400	348,569
Zakat and charity		5,328	1,963
Others		246,075	277,842
		<b>35,267,605</b>	<b>26,921,088</b>

**24.1** These include charge in respect of employees retirement benefits amounting to Rs. 1,230,353/- (2017: Rs. 1,002,246/-).

### 24.2 Auditors' remuneration

Annual statutory Audit	250,000	250,000
Half yearly review	52,500	52,500
Review report under Code of Corporate Governance	45,000	45,000
Out of pocket expenses	15,000	15,000
	<b>362,500</b>	<b>362,500</b>

### 25 MANAGEMENT FEE

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. The fee for the year ended 30 June 2018 has been recognised at 10% (2017: nil) of the profit for the year before charging such fee.

<b>524,308</b>	<b>-</b>
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### 26 TAXATION

Current taxation		
For the year	-	500,750
Prior years	-	(86,445)
	-	414,305
Deferred taxation	26.1	-
	-	414,305

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

	Unit	June 30, 2018 Rupees	June 30, 2017 Rupees
<b>27 PROFIT/(LOSS) PER CERTIFICATE - BASIC AND DILUTED</b>			
Profit/(loss) attributable to certificate holders	Rupees	<b>4,718,773</b>	(2,767,436)
Weighted average number of certificates outstanding during the year	No. of certificates	<b>11,340,000</b>	11,340,000
Profit/(loss) per certificate	Rupees	<b>0.42</b>	(0.24)

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



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	June 30, 2018 Rupees	June 30, 2017 Rupees
<b>28 CASH GENERATED FROM OPERATIONS</b>		
<b>Profit/ (loss) before taxation</b>	<b>4,718,773</b>	(2,353,131)
<b>Adjustments for non-cash and other items</b>		
Depreciation of assets under own use	<b>899,400</b>	348,570
Depreciation of assets leased out under ijarah contracts	<b>28,772,755</b>	27,620,067
Gain on sale of investments	<b>(62,856)</b>	(2,668,837)
Dividend income	<b>(878,091)</b>	(982,790)
Gain on transfer of assets leased out	<b>(871,776)</b>	(773,374)
Gain on sale of property and equipment	<b>(729,591)</b>	-
Provision for doubtful debts under murabahah arrangements	<b>14,097,647</b>	8,476,593
Provision for taxation	-	(414,305)
Provision for employees retirement benefits	<b>1,230,353</b>	1,002,246
Reversal of provision for doubtful murabahah receivables	<b>(19,266,418)</b>	-
Reversal of provision for doubtful receivables	<b>(2,933,731)</b>	-
	<b>20,257,692</b>	32,608,165
<b>Operating profit before changes in working capital</b>	<b>24,976,465</b>	30,255,034
<b>Changes in working capital</b>		
Finances under murabahah arrangements	<b>3,559,068</b>	10,642,772
Finances under musharakah arrangements	<b>191,260</b>	141,526
Ijarah rentals receivable	<b>773,377</b>	(863,380)
Profit receivable	<b>121,359</b>	(64,390)
Advances, deposits, prepayments and other receivables	<b>71,037</b>	(56,218)
Security deposits	<b>(379,075)</b>	7,923,142
Accrued and other liabilities	<b>1,038,564</b>	293,390
	<b>5,375,590</b>	18,016,842
<b>Cash generated from operations</b>	<b>30,352,055</b>	48,271,876
<b>29 CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b>4 14,238,575</b>	23,089,634

### 30 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 have been appropriately disclosed in the relevant notes to the financial statements.

	2018		2017	
Note	Loans and receivables Rupees	Available for sale financial assets Rupees	Loans and receivables Rupees	Available for sale financial assets Rupees
<b>31 FINANCIAL INSTRUMENTS</b>				
<b>31.1 Financial instruments by class and category</b>				
Financial assets				
Cash and bank balances	<b>4 14,238,575</b>	-	23,089,634	-
Short term investments	<b>5 -</b>	<b>14,899,848</b>	-	16,129,448
Finances under musharakah arrangements	<b>6 747,244</b>	-	938,504	-
Finances under murabahah arrangements	<b>7 9,561,352</b>	-	27,218,067	-
Ijarah rentals receivable	<b>8 1,288,775</b>	-	2,062,152	-
Profit receivable	<b>9 36,181</b>	-	157,540	-
Advances to employees	<b>10 2,782,641</b>	-	2,938,489	-
Security deposits	<b>10 60,450</b>	-	60,450	-
Other receivables	<b>10 113,707</b>	-	54,816	-
	<b>28,828,925</b>	<b>14,899,848</b>	<b>56,519,652</b>	<b>16,129,448</b>



## FIRST ELITE CAPITAL MODARABA

	Note	2018 Financial liabilities at Amortized cost Rupees	2017 Financial liabilities at amortized cost Rupees
<b>Financial liabilities</b>			
Accrued expenses	14	1,574,928	1,305,109
Other payables	14	348,122	370,727
		<b>1,923,050</b>	<b>1,675,836</b>

### 31.2 Fair values of financial instruments

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

#### 31.2.1 Methods of determining fair values

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

#### 31.2.2 Discount/interest rates used for determining fair values

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

## 32 FINANCIAL RISK EXPOSURE AND MANAGEMENT

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

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

### 32.1 Credit risk

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

	Note	June 30, 2018 Rupees	June 30, 2017 Rupees
<b>32.1.1 Maximum exposure to credit risk</b>			
The maximum exposure to credit risk as at the reporting date is as follows:			
<b>Loans and receivables</b>			
Cash at bank	4	14,159,270	22,866,253
Finances under musharakah arrangements	6	1,384,744	1,576,004
Finances under murabahah arrangements	7	64,943,925	87,769,411
Ijarah rentals receivable	8	3,773,427	5,214,272
Profit receivable	9	21,736,224	36,918,264
Other receivables	10	2,879,648	5,754,488
		<b>108,877,238</b>	<b>160,098,692</b>



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### 32.1.2 Concentration of credit risk

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

	June 30, 2018 Rupees	June 30, 2017 Rupees
Customers	94,717,968	137,232,439
Banking companies and financial institutions	14,159,270	22,866,253
	<b>108,877,238</b>	<b>160,098,692</b>

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

2018						
	Ijarah rentals Receivable	Finances under Murabahah arrangements	Finances under Musharakah arrangements	Profit receivables	Others receivables	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Services	40,520	65,500	-	533,301	192,985	832,306
Textile	133,162	23,911,156	-	14,288,302	476,036	38,808,656
Transport	-	-	1,384,744	923,610	1,623,804	3,932,158
Fuel and energy	-	-	-	-	-	-
Electrical and engineering	-	2,044,949	-	291,064	-	2,336,013
Packaging	-	3,180,619	-	3,013,864	132,928	6,327,411
Individuals	3,546,102	35,741,705	-	2,686,083	1,497,312	43,471,202
	<b>3,719,784</b>	<b>64,943,929</b>	<b>1,384,744</b>	<b>21,736,224</b>	<b>3,923,065</b>	<b>95,707,746</b>

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

### 32.1.3 Credit quality and impairment

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

#### 32.1.3(a) Counterparties with external credit ratings

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

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

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



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	2018		2017	
	Gross Carrying Amount	Accumulated Impairment	Gross carrying Amount	Accumulated Impairment
	Rupees	Rupees	Rupees	Rupees
Neither past due nor impaired	10,363,991	-	13,876,153	-
Past due by upto 90 days	1,271,314	-	2,219,693	2,219,693
Past due by 90 to 180 days	390,241	390,241	828,915	828,915
Past due by 180 days to 1 year	583,046	583,046	766,111	766,111
Past due by 1 to 2 years	3,213,708	3,213,708	31,659,201	17,515,147
Past due by 2 to 3 years	28,901,462	28,901,462	79,862	79,862
Past due by 3 years or more	50,983,984	49,882,252	88,549,823	87,611,320
	<b>95,707,746</b>	<b>82,970,709</b>	<b>137,979,758</b>	<b>109,021,048</b>

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

### 32.1.4 Collateral held

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

### 32.1.5 Credit risk management

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

### 32.2 Liquidity risk

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

### 32.3 Market risk

#### 32.3.1 Currency risk

The Modaraba is not exposed to currency risk.

#### 32.3.2 Profit rate risk

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

#### 32.3.3 Price risk

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

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



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### 33 CAPITAL MANAGEMENT

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

### 34 REMUNERATION OF OFFICERS AND OTHER EMPLOYEES

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

	2018		
	Officers	Other Employees	Total
	Rupees	Rupees	Rupees
Managerial remuneration	3,176,000	2,374,978	5,550,978
Allowances and perquisites	1,966,320	1,407,598	3,373,918
Post employment benefits	734,319	413,054	1,147,373
	<b>5,876,639</b>	<b>4,195,630</b>	<b>10,072,269</b>
Number of persons	<b>5</b>	<b>11</b>	<b>16</b>

	2017		
	Officers	Other Employees	Total
	Rupees	Rupees	Rupees
Managerial remuneration	3,159,950	1,780,700	4,940,650
Allowances and perquisites	2,246,544	1,234,678	3,481,222
Post employment benefits	980,735	551,664	1,532,399
	<b>6,387,229</b>	<b>3,567,042</b>	<b>9,954,271</b>
Number of persons	<b>5</b>	<b>11</b>	<b>16</b>

### 35 EVENT AFTER THE REPORTING DATE

The Board of Directors of the Management Company has approved the payment of dividend of Re. 0.30 per certificate. (2017: Nil) on the certificate capital of the modaraba in their meeting held on September 28, 2018.

### 36 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the Management Company on September 28, 2018.

### 37 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.

### 38 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, 2017 Year ended June 30, 2018

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 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. Rukhsana Javed Amin	Non-Executive Director
Mrs. Shahana Javed Amin	Non-Executive Director
- 2.1 Currently there are no independent directors but the company proposes to elect the independent directors in the next election of directors which are due in Year 2020 as relaxed in Section 6(1) of the Regulations.
3. The directors have confirmed that none of them is serving as a director on more than five 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 Management Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board of directors of the Management Company/certificate holders of the Modaraba, (where ever applicable), as empowered by the relevant provisions of 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 board.
8. The board of directors 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
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 committees 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 ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold certificates of the Modaraba and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP
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 other requirements of the Regulations have been complied with.

On behalf of the board

**Muneeb Ahmed Dar**  
Chairman

Date: September 28, 2018



## FIRST ELITE CAPITAL MODARABA

### PATTERN OF CERTIFICATE HOLDERS AS AT JUNE 30, 2018

NUMBER OF CERTIFICATE HOLDERS	CERTIFICATE HOLDINGS FROM	TO	TOTAL CERTIFICATE HELD
2,304	1	100	110,877
449	101	500	150,410
1,174	501	1,000	704,324
362	1,001	5,000	888,313
114	5,001	10,000	920,680
45	10,001	15,000	548,381
29	15,001	20,000	535,391
17	20,001	25,000	404,711
19	25,001	30,000	532,670
7	30,001	35,000	237,218
6	35,001	40,000	231,987
5	40,001	45,000	219,550
11	45,001	50,000	537,000
2	50,001	55,000	105,253
4	55,001	60,000	227,700
1	65,001	70,000	68,000
2	75,001	80,000	158,000
2	80,001	85,000	165,427
3	95,001	100,000	297,500
1	100,001	105,000	105,000
2	105,001	110,000	215,000
1	115,001	120,000	119,500
1	120,001	125,000	123,000
1	135,001	140,000	140,000
1	180,001	185,000	182,000
1	190,001	195,000	190,443
1	195,001	200,000	200,000
1	200,001	205,000	202,073
1	225,001	230,000	225,500
1	235,001	240,000	235,500
1	295,001	300,000	300,000
1	390,001	395,000	392,620
1	530,001	535,000	531,972
1	1,130,001	1,135,000	1,134,000
<b>4,572</b>			<b>11,340,000</b>





## FIRST ELITE CAPITAL MODARABA

### CATEGORIES OF CERTIFICATE HOLDING AS AT JUNE 30, 2018

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>			
	3	244,143	2.15
Mr. Muhammad Javed Amin		190,443	
Mrs. Shahana Javed Amin		45,000	
Mrs. Rukhsana Javed Amin		8,700	
<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 AND PENSION FUNDS</b>			
	8	128,320	1.13
<b>MUTUAL FUNDS</b>			
Golden Arrow Selected Stocks Fund Ltd.	1	5,000	0.04
Prudential Stock Fund Ltd.	1	37,920	0.33
<b>JOINT STOCK COMPANIES</b>	21	162,438	1.44
<b>INDIVIDUALS</b>	4,535	8,703,587	76.76
<b>TOTAL:</b>	<b>4,572</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
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## FIRST ELITE CAPITAL MODARABA

### KEY OPERATING AND FINANCIAL DATA

YEAR	2018	2017	2016	2015	2014	2013
Rupees in million						
Revenues	<b>69.31</b>	52.20	49.77	58.55	62.54	61.78
Profit/(Loss) after Management Fee & Taxation	<b>4.72</b>	(2.77)	(3.02)	8.58	9.07	9.04
Paid up Capital	<b>113.40</b>	113.40	113.40	113.40	113.40	113.40
Certificate Holder's Equity	<b>127.95</b>	124.94	130.45	142.19	138.16	133.69
Current Liabilities	<b>15.94</b>	15.14	17.31	27.50	22.44	19.25
Fixed Assets	<b>141.88</b>	108.87	85.05	103.83	107.24	119.23
Current Assets	<b>48.93</b>	77.15	96.73	99.52	88.87	74.24
Dividend (%)	<b>3.00</b>	-	-	5.50	5.50	5.50
Earning/(Loss) per Certificate	<b>0.42</b>	(0.24)	(0.27)	0.76	0.80	0.80
Break up Value	<b>11.28</b>	11.02	11.50	12.54	12.18	11.79



## FIRST ELITE CAPITAL MODARABA

### INDEPENDENT AUDITOR'S REVIEW REPORT

#### To the members of First Elite Capital Modaraba

#### **Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (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, 2018 in accordance with the requirements of regulation 40 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 upon 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, 2018.

**ILYAS SAEED & CO**

Chartered Accountants

**Engagement Partner:** Muhammad Ilyas

**Date:** September 28, 2018

**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, 2018 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. No major developments took place during the period.
- 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)

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



## FIRST ELITE CAPITAL MODARABA

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### 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 28, 2018



## FIRST ELITE CAPITAL MODARABA

### NOTICE OF ANNUAL REVIEW MEETING

Notice is hereby given that 19th Annual Review Meeting of certificate holders of First Elite Capital Modaraba will be held on Friday, October 26, 2018 at 11:30 a.m. at 50-A, Garden Block, New Garden Town, Lahore to review the performance of the Modaraba for the year ended June 30, 2018. The Certificate Holders whose names appear on the Register of Certificate Holders of the Modaraba as on October 18, 2018 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, 2018**

**Place: LAHORE**

#### **Note:**

1. The Certificate Transfer Books shall remain closed from October 19, 2018 to October 26, 2018 (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, 2018 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

### Dividend Mandate Form

Date:

I hereby wish to communicate my desire to receive my dividends directly in my bank account as detailed below:

1. Name of shareholder/certificate holder: \_\_\_\_\_
2. Folio number: \_\_\_\_\_
3. Postal Address: \_\_\_\_\_
4. Contact number: \_\_\_\_\_
5. Name of Bank: \_\_\_\_\_
6. Bank Branch & full mailing address: \_\_\_\_\_
7. Title of Bank Account: \_\_\_\_\_
8. Bank Account No. (complete with code): \_\_\_\_\_
9. IBAN Number (complete with code): \_\_\_\_\_
10. CNIC No. (attach copy): \_\_\_\_\_
11. NTN (in case of corporate entity, attach copy): \_\_\_\_\_

It is stated that the above particulars given by me are correct to the best of my knowledge and I shall keep the Company informed in case of any changes in the said particulars in future.

### INDIVIDUAL CERTIFICATE HOLDER(S)

\_\_\_\_\_  
Signature

CNIC NO. \_\_\_\_\_  
(copy attached)

### CORPORATE ENTITY

\_\_\_\_\_  
Authorized Signatory(ies)

NTN No. \_\_\_\_\_  
(copy attached)

(In case Certificate held in CDC, then please inform concerned Participant/CDC Investor Account Services).



## FIRST ELITE CAPITAL MODARABA

Dear Certificate Holder,

### **ELECTRONIC PAYMENT OF CASH DIVIDENDS INSTEAD OF PHYSICAL DIVIDEND WARRANTS**

Pursuant to Section 242 of the Companies Act-2017 and notification issued by the Securities and Exchange Commission of Pakistan (SECP) that all listed companies/Modaraba's must pay cash dividends through electronic mode into the bank accounts of certificate holders instead of issuing physical dividend warrants.

In this connection, it is necessary to provide complete bank mandate detail including IBAN number to credit the proceeds of the dividends either RTGS or through direct instruction to the bank for credit of proceed into your bank account. You are therefore required to provide complete bank mandate details with IBANs otherwise dividend will be withheld as per the section 242 and directives of SECP.

Certificate holders holding physical shares are requested to submit bank mandate by filling the attached format and send it to Company's Share Registrar at the following address:

**M/s. Corptec Associates (Pvt.) Limited**

Shares Registrar,  
503-E, Johar Town, Lahore  
Tel:042-35170336-7  
Fax: 042-35170338  
Email:[info@corptec.com.pk](mailto:info@corptec.com.pk)

The CDC certificate holders must submit their bank mandate details to their investor account services or to their brokers where certificate are placed electronically.

Your information should reach us on or before October 25, 2018.

For any query/problem/information, the investors may contact the company's Share Registrar at the above phone Numbers, email address.

Yours faithfully,

**Muhammad Arif Hilal**

Company Secretary  
**Crescent Modaraba Management Company Limited**  
**Manager of First Elite Capital Modaraba**





## FIRST ELITE CAPITAL MODARABA

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# **BOOK POST**

UNDER POSTAL CERTIFICATE



IF UNDELIVERED PLEASE RETURN TO

**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)