



## Contents

## Page

Corporate Information .....	2
Mission & Vision Statement.....	3
Notice of Annual Review Meeting .....	4
Directors' Report .....	5
Statement of compliance with the Code of Corporate Governance .....	7
Auditors' Review Report.....	9
Auditors Report to the Certificate Holders.....	10
Balance Sheet.....	12
Profit and Loss Account .....	13
Cash Flow Statement .....	14
Statement of Changes in Equity.....	15
Notes to the Financial Statements .....	16
Pattern of Certificate Holding .....	32
Additional Information .....	33
Key Financial and Operating Data .....	34



MODARABA  
CRESCENT STANDARD MODARABA

### Corporate Information

Modaraba Company	B.R.R. Investments (Private) Limited
Chairman	Mr. Rafique Dawood
Chief Executive	Mr. Ayaz Dawood
Directors	Mrs. Farida Rokadia Mr. Majid Dawood Mr. Tauqir Shamshad
Audit Committee	Mrs. Farida Rokadia – Chairperson Mr. Majid Dawood – Member Mr. Tauqir Shamshad – Member
Chief Financial Officer	Mr. Syed Tariq Masood
Company Secretary	Mr. Tahir Mehmood
Auditors	M. Yousuf Adil Saleem & Company Chartered Accountants
Legal Advisor	Malik & Maliks
Bankers	Dawood Islamic Bank Ltd. Saudi Pak Commercial Bank Limited PICIC Commercial Bank Limited MCB Bank Limited
Web-site	<a href="http://www.firstdawood.com/brr">www.firstdawood.com/brr</a>
Registered Office & Head Office	1500-A, Saima Trade Towers, I.I. Chundrigar Road, Karachi-74000 UAN : 111-DAWOOD (111-329-663) Fax : 92-21-3227-1913
Registrars	F.D Registrar Services (SMC-Pvt.) Ltd 17th Floor, Saima Trade Tower-A I.I. Chundrigar Road, Karachi. Phone # 32271875
Branch Offices	Suite No. 210, 5th Floor, Siddiq Trade Centre, Main Boulevard, Gulberg – III, Lahore  Office No. 20 & 21, 1st Floor, Beverly Centre, 56-G7, Jinnah Avenue, Islamabad-44000



CRESCENT STANDARD MODARABA

## **MISSION**

To become a symbol for spreading a variety of Islamic modes of financing, thereby providing ample and profitable investment opportunities to the stake holders who demand Halal profits according to Sharia Laws, optimizing returns to the certificate holders, management and customers.

## **VISION**

To innovate and promote Islamic Financial Products, based on Sharia Principles and to curb interest based financial systems, thereby facilitating establishment of an equitable economic system.



CRESCENT STANDARD MODARABA

## NOTICE OF ANNUAL REVIEW MEETING (ARM)

Certificate holders of Crescent Standard Modaraba are hereby notified that ARM will be held at 1500-A, Saima Trade Tower I.I. Chundrigar Road Karachi on Saturday October 24, 2009 at 09:00 a. m.

The Certificate Transfer Book will remain closed from October 18, 2009 to October 24, 2009 (both days inclusive). Transfer received at the Registrar Office, F.D. Registrar Service (SMC-Pvt) Ltd at 17th Floor, Saima Trade Tower – A, I.I. Chundrigar Road, Karachi. Transfer request should reach before the close of business hours on October 17, 2009, Certificate Holders are advised to notify to the Registrar Office of any change in their address.

October 02, 2009  
**Karachi.**

BY ORDER OF THE BOARD

Tahir Mehmood  
**Company Secretary**



CRESCENT STANDARD MODARABA

## Directors' Report

IN THE NAME OF ALLAH, THE MOST COMPASSIONATE, THE MOST MERCIFUL.

Dear Certificate holders,

On behalf of the Board of Directors of B.R.R. Investments (Private) Limited ('BRR' or 'the company'), manager of Crescent Standard Modaraba ('CSM' or 'the Modaraba'), presents to certificate holders the Annual Report of CSM as of June 30, 2009.

### Recovery Position

We are pleased to inform you that your new management has been able to recover a total of Rs 81.26 Million, including current year 34.42 million from its debtors. This is a great achievement. We must appreciate the confidence of the Registrar Modaraba for ensuring the management of your company.

### Profit Distribution

Keeping in view the huge carried forward losses, your Modaraba is not in the position to distribute any dividend this year.

### Economic Scenario

The worldwide food oil and geo-political crises and the recent internal turmoil has effected the growth of our economy. The liquidity crunch has effected operations of every financial institution of Pakistan including Commercial Banks and DFIs. Due to non availability of fresh lines, the NBFC could not free do business during the The entire efforts of the Management team at the moment are focused to achieve maximum recoveries for lease and Musharila repayment from the clients.

### Compliance with the Best Practice of the Code of Corporate Governance

Your Management Company has implemented provisions of the code of corporate governance relevant for the year ended June 30, 2009. The external auditors review report on the statement of compliance with the code of corporate governance is annexed with this report.

As per directives of SECP/Karachi Stock Exchange, the Directors hereby confirm the following code of good governance and ethical business practices required by clause (xix) of the Code:

- The financial statements prepared by management present fairly Modaraba's state of affairs, the result of its operations, cash flows and changes in equity.
- Your Modaraba has maintained proper book of accounts.
- Appropriate accounting policies have been consistently applied in the preparation of financial statements
- Relevant International Accounting Standards, as applicable in Pakistan, provision of the Non-Banking Finance Companies (Establishment & Regulation) Rules, 2003, and directives of the Securities and Exchanges Commission of Pakistan have been followed in the preparation of financial statements.
- The system of internal controls is sound in design and has been effectively implemented and monitored.
- There are no significant doubts over the ability to continue as going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- There are no statutory payments on account of taxes, duties, levies and charges outstanding, except as disclosed in the financial statements.
- There has been no departure from the best practices of transfer pricing.

### Trading/Dealing in Shares of the Company

During the year, no trade in the certificates of the Modaraba was carried out by the Directors, CEO, CFO, Company Secretary, and their spouses or minor children of the new management company.

### Staff Retirement Benefits

First Dawood Group operates a provident scheme for all permanent employees. The value of investment to date is Rs 53,445 in the provident scheme for its only employee.



M O D A R A B A  
CRESCENT STANDARD MODARABA

#### **Post Balance Sheet Events**

No circumstances have arisen since the Balance Sheet date, which require adjustment to disclosure in the Financial Statements.

#### **Transaction with Connected Persons/Related Parties**

All transaction between CSM and connected person/related parties are carried out on an arm's length basis and the relevant terms of the transactions are determined in accordance with the "comparable uncontrolled price method" (CUP).

#### **Auditors Observations**

In view of lack of information and documents available, the auditors could not satisfy themselves on the opening balances as mentioned in their report they could not express any opinion on these financial statements.

The reservations/observations raised by the auditors in their report have been noted. Some of the points need further clarification.

On Paragraph (c) of the auditors report, we agree that these unsecured facilities were provided by the previous management. However, the agreement has been executed subsequent to the finalization of the audit and these are now good and recoverable, therefore, no provision has been made in this regard.

#### **Auditors**

The retiring auditors of M. Yousuf Adil Saleem & Co., Chartered Accountants, have expressed their willingness to continue in office for the year ending June 30, 2009. As required under the Code of Corporate Governance the Audit Committee has recommended the re-appointment of M. Yousuf Adil Saleem & Co., Chartered Accountant, as auditor for the year ending June 30, 2009.

#### **Focal Point for the New Management**

After taking over of the management, our main focus is the recovery from various debtors including previous associated and group companies of the Modaraba.

#### **Board Meetings**

Secretarial record or minutes of the previous management company of the Modaraba was not handed over to the new management. After take over by the new management, the status of the Board meetings is as follows:

S. No	Name	Designation	Entitlement to Attend Meeting	Meeting Attend	Leave of Absences
1	Mr. Rafique Dawood	Chairman	4	4	-
2	Mr. Ayaz Dawood	Chief Executive	4	4	-
3	Mrs. Farida Rokadia	Director	4	1	3
4	Mr. Majid Dawood	Director	4	-	4
5	Mr. Tauqir Shamshad	Director	4	4	-

#### **Pattern of Shareholding**

The pattern of shareholding as on June 30, 2009 along with disclosure as required under the Code of Corporate Governance is annexed.

#### **Future Outlook and Prospects**

At present Management has taken efforts to generate funds through recovery and intend to merge the Modaraba as soon as feasible.

On Behalf of the Board of Directors  
**B.R.R. Investments (Private) Limited**

Karachi  
October 01, 2009

**Ayaz Dawood**  
Chief Executive Officer



CRESCENT STANDARD MODARABA

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2009.

### Statement of Compliance with the Code of Governance (As Required by the Listing Regulations).

This Statement is being presented to comply with the Code of Corporate Governance (the "Code") contained in Regulation No. 35 of listing regulations of Karachi Stock Exchange (Guaranteed) Limited for the purpose of establishing framework of good governance, whereby a listed Modaraba is managed in compliance with the best practices of corporate governance.

Regardless of the fact that B.R.R Investments (Private) Limited the management company of B.R.R Guardian Modaraba (the Modaraba) is a Private Limited Company, the Board of Directors of the management company are pleased that the Code of Corporate Governance is being complied with in material respects. Beside Crescent Standard Modaraba, the Company also manages B.R.R Guardian Modaraba.

Modaraba Management Company (the Company) has applied the principles contained in the Code in the following manner.

1. The company encourages representation of independent non-executive directors on its Board of Directors, at present, the Board includes 3 non-executive directors.
2. The directors of the Company have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors of the Company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or a NBFC or, being a member of a stock exchange, has been declared as defaulter by that Stock Exchange.
4. No casual vacancy occurred in the Board of Management Company during the year.
5. The Company has prepared a "Statement of Ethics and Business Practices", which has been signed by all the directors and employees of the Modaraba.
6. The Board of Directors of the Company has approved a vision/mission statement and all the overall corporate strategy of the Modaraba and has also formulated significant policies as mentioned in the Code. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board has been duly exercised and decisions on material transactions, including determination of remuneration and terms and conditions of the Chief Executive Officer has been taken by the Board.
8. The related party transactions and pricing methods have been placed before the audit committee and approved by the board of directors with necessary justification for terms and pricing methods for transactions that were made on terms equivalent to those that prevail in the arm's length transactions.
9. The Board has approved the appointment of Chief Financial Officer (CFO) including remuneration as determined by the Chief Executive Officer (CEO) during the year.
10. The meetings of the Board of the Company were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board met at least once in



CRESCENT STANDARD MODARABA

every quarter. Written notices of the Board meetings, along with the agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

11. The Directors of the Company have been provided with copies of the Listing Regulations, Code of Corporate Governance, NBFC Rules, Company's Memorandum and Articles of Association and all other relevant rules and regulations and hence are conversant of the relevant laws applicable to the Company, its policies and procedures and provisions of memorandum and article of Associations and of their duties and responsibilities.
12. The directors' report of the Modaraba for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
13. The financial statements of the Modaraba were duly endorsed by the Chief Executive Officer and Chief Financial Officer before the approval of the Board.
14. The directors, Chief Executive Officer and executives of the Company do not hold any interest in the certificates of the Modaraba other than that disclosed in the pattern of certificate holding.
15. The Company has complied with all the corporate and financial reporting requirements of the Code in relation to Modaraba.
16. The Board of the Company has formed an Audit Committee. It comprises 3 members, all the members of the committee is Non-Executive Director.
17. The meetings of the Audit Committee were held at least once every quarter prior to approval of the interim and final results of the Modaraba and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
18. The Board of the Company has outsourced the internal audit function of the Modaraba to Anjum Asim Shahid Rahman, Chartered Accountants, Karachi, as Internal Auditors of the Modaraba for the period from January 01, 2009. They are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Modaraba. During the year, from July 01, 2008 Modaraba has set up its own internal audit function, which was discontinued on December 31, 2008.
19. The statutory auditors of the Modaraba have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold certificates of the Modaraba and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance to the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. We confirm that all other material principles contained in the Code have been complied.

On Behalf of the Board of Directors  
**B.R.R Investments (Private) Limited**

Karachi  
October 1, 2009

**Ayaz Dawood**  
Chief Executive Officer





MODARABA  
CRESCENT STANDARD MODARABA

# Deloitte.

M. Yousuf Adil Saleem & Co  
Chartered Accountants  
Cavish Court, A-35, Block 7 & 8  
KCHSU, Sharea Faisal,  
Karachi-75350  
Pakistan

UAN : +92 (0) 21 111-55-2626  
Fax : +92 (0) 21-3454 1314  
Web : www.deloitte.com

## REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **B.R.R Investments (Private) Limited (the Modaraba Company)** representing **Crescent Standard Modaraba (Islamic Financial Institution) [The Modaraba]** to comply with the relevant Listing Regulations of the Karachi Stock Exchange where the Modaraba is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

The Code of Corporate Governance requires Board of Directors to approve related party transactions bifurcating between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price. In this connection we are only required and have ensured compliance of requirement to the extent of Board of Directors approving the related party transactions in the aforesaid manner. We have not carried out any procedures to enable us to express an opinion as to whether the related party transactions were carried out at arm's length price.

Based on our review, nothing has come to our attention, which causes us to believe that the statement of Compliance does not appropriately reflect the Modaraba's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Modaraba for the year ended June 30, 2009.

Chartered Accountants

**Karachi**

Date : 01 October, 2009

Member of  
Deloitte Touche Tohmatsu



CRESCENT STANDARD MODARABA

# Deloitte.

M. Yousuf Adil Saleem & Co  
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## AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have engaged to audit the annexed balance sheet of **CRESCENT STANDARD MODARABA** as at June 30, 2009 and the related profit and loss account, 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.

These financial statements are the Modaraba Company's [B.R.R. Investments (Private) 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.

- a) Due to the significance of the matters mentioned in para 'a' to 'f' in the auditor's report dated September 22, 2008 on the financial statements of the Modaraba for the year ended June 30, 2008, we had issued a disclaimer as such we do not provide any opinion on the comparative figures of the balance sheet in the annexed financial statements and accordingly opening balances remains unverified.
- b) We have not been provided with the bank statements and details of a MCB bank account and a Dividend account as such we could not verify the total closing balance of Rs.1.159 million and the transactions in these accounts during the period, if any. Provision for doubtful receivable has been made for Rs.1.090 million in the accounts for the year ended June 30, 2006 in respect of amount in MCB bank account frozen at the request of United Bank Limited against the dispute referred to in Note 13.1 to the financial statements.
- c) No supporting documents have been made available to us to verify the advances, deposits and other receivable amounting to Rs.102.103 million. Out of this amount provision for doubtful receivables has been made for Rs.101.653 million in the accounts for the year ended June 30, 2006. (refer Note 6 to the financial statements).

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MODARABA  
CRESCENT STANDARD MODARABA

# Deloitte.

M. Yousuf Adil Saleem & Co  
Chartered Accountants

- d) No credit files and supporting documents were made available to us to verify the Funds provided under Musharaka and Morabaha arrangements. Out of total amount of Rs.18.584 million, provision for doubtful recovery has been made for Rs.12.084 million, whereas the remaining balance of Rs.6.5 million representing Funds provided under Musharaka arrangements is considered good. This amount of Rs. 6.5 million is unsecured, which is a violation of Regulation 7(4) of the Prudential Regulations for Modarabas. The amount, in our opinion, is doubtful of recovery against which no provision has been made.
- e) No supporting documents were made available to us in respect of opening balance of "Funds received under Musharaka arrangements" amounting to Rs.22.454 million. There is no movement during the year under this head (refer Note 12 to the financial statements).
- f) We were not provided with any supporting documents to verify the contingencies shown under Note 13.2 and 13.3 to the financial statements.

Because of the significance of the matters discussed in the preceding paragraphs "a" to "f" above, we do not express an opinion on the attached financial statements of the Modaraba for the year ended June 30, 2009.

**Chartered Accountants**

**Engagement Partner**  
**Mushtaq Ali Hirani**

**Karachi**

Date : 01 Octobr, 2009

Member of  
Deloitte Touche Tohmatsu



CRESCENT STANDARD MODARABA

## BALANCE SHEET AS AT JUNE 30, 2009

	Note	2009 Rupees	2008 Rupees
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Bank Balances	5	16,490,129	16,088,029
Advances, Deposits and Other Receivables	6	4,524,794	31,509
Trade Debts	7	50,710,401	84,710,401
Funds Provided Under Musharaka Arrangements	8	6,500,000	-
Funds Provided Under Morabaha Arrangements	9	-	762,738
Short Term Investments	10	55,226,111	29,026,207
		<b>133,451,435</b>	130,618,884
<b>Non-Current Assets</b>			
Tangible Fixed Assets	11	-	318,164
		<b>133,451,435</b>	130,937,048
<b>TOTAL ASSETS</b>			
<b>Current Liabilities</b>			
Funds Received Under Musharaka Arrangements	12	22,454,094	22,454,094
Accrued Expenses and Other Liabilities		656,556	584,879
Unclaimed Dividend		69,016	69,016
		<b>23,179,666</b>	23,107,989
<b>Contingencies and Commitments</b>			
	13		
<b>Net Assets</b>			
		<b>110,271,769</b>	107,829,059
<b>REPRESENTED BY:</b>			
Certificate Capital	14	200,000,000	200,000,000
Statutory Reserve	15	5,437,852	4,556,882
Accumulated Loss		(94,536,000)	(95,416,970)
Deficit on Revaluation of Investment		(630,083)	(1,310,853)
		<b>110,271,769</b>	107,829,059

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

Chief Executive Officer

Director

Director



CRESCENT STANDARD MODARABA

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2009

	Note	2009 Rupees	2008 Rupees
<b>INCOME</b>			
Income from Funds Provided Under Morabaha and Musharaka Arrangements		<b>3,184,958</b>	85,506
Income on Investments	16	<b>967,246</b>	1,331,949
Income on Balances with Bank		<b>66,284</b>	-
		<b>4,218,488</b>	1,417,455
Administrative and General Expenses	17	<b>1,918,587</b>	1,822,539
		<b>2,299,901</b>	(405,084)
Unrealized Loss on Remeasurement of Investments Held for Trading		<b>(260,813)</b>	(32,562)
Reversal of Provision against Doubtful Receivables	18	<b>5,000</b>	365,000
Other Income		<b>(86,376)</b>	670,229
		<b>1,957,712</b>	597,583
Modaraba's Company Management Fee		<b>195,771</b>	59,758
PROFIT BEFORE TAXATION		<b>1,761,941</b>	537,825
Provision for Taxation	19	-	-
PROFIT FOR THE YEAR		<b>1,761,941</b>	537,825
<b>EARNINGS PER CERTIFICATE - BASIC AND DILUTED</b>	20	<b>0.09</b>	0.03

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

Chief Executive Officer

Director

Director



CRESCENT STANDARD MODARABA

## CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2009

	2009 Rupees	2008 Rupees
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit Before Taxation	1,761,941	537,825
Adjustments for Non-cash Items:		
Unrealized Loss on Remeasurement of Investment	260,813	32,562
Depreciation	46,667	31,836
Income Against Asset Repossessed	91,497	(350,000)
	<b>398,977</b>	(285,602)
Increase / (Decrease) in Current Assets		
Advances, Deposits and Other Receivables	(4,493,287)	14,994,591
Trade Debts	34,000,000	25,500,000
Funds Provided Under Morabaha Arrangements	762,738	2,309,054
	<b>30,269,451</b>	42,803,645
Increase / (Decrease) in Current Liabilities		
Accrued Expenses and Other Liabilities	71,678	(543,841)
Net Cash Flow Generated from Operating Activities	<b>32,502,047</b>	42,512,027
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investments	(32,279,947)	(26,710,239)
Sale Proceeds on Disposal of Fixed Assets	180,000	-
Net Cash Used in Investing Activities	<b>(32,099,947)</b>	(26,710,239)
Net Increase in Cash and Cash Equivalents (A + B)	<b>402,100</b>	15,801,788
Cash and Cash Equivalents at Beginning of the Year	<b>16,088,029</b>	286,242
Cash and Cash Equivalents at End of the Year	<b>16,490,129</b>	16,088,029

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

Chief Executive Officer

Director

Director



CRESCENT STANDARD MODARABA

### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2009

	Certificate Capital	Statutory Reserve	Surplus on Revaluation of Investments	Accumulated Loss	Total
	Rupees				
<b>Balance at July 01, 2007</b>	200,000,000	4,287,970	-	(95,685,883)	108,602,087
Profit for The Year	-	-	-	537,825	537,825
Unrealized Loss on Revaluation of Investment	-	-	(1,310,853)	-	(1,310,853)
Transfer to Statutory Reserve for The Year Ended June 30, 2008	-	268,912	-	(268,912)	-
<b>Balance at June 30, 2008</b>	200,000,000	4,556,882	(1,310,853)	(95,416,970)	107,829,059
Profit for The Year	-	-	-	1,761,941	1,761,941
Unrealized Gain on Revaluation of Investment	-	-	680,770	-	680,770
Transfer to Statutory Reserve for the Year Ended June 30, 2009	-	880,970	-	(880,971)	-
<b>Balance at June 30, 2009</b>	200,000,000	5,437,852	(630,083)	(94,536,000)	110,271,769

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

Chief Executive Officer

Director

Director



CRESCENT STANDARD MODARABA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

### 1. LEGAL STATUS AND NATURE OF THE BUSINESS

- 1.1 Crescent Standard Modaraba (the Modaraba) was formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Rules framed there under. Modaraba was managed by Financial Link Limited upto January 19, 2007 however, the Deputy Registrar, Modaraba Wing, SECP, vide order No. SC/M/RW/CSM2006-32 dated January 19, 2007 from transferred management of Modaraba to Providence Modaraba Limited. During the year 2008 Providence Modaraba Limited merged in B.R.R. Investments (Private) Limited, and since the the Modaraba is under management of B.R.R. Investments (Private) Limited.

It is a perpetual and multipurpose Modaraba. It is engaged in investments in equity and debt securities, morabaha financing arrangements, etc. The certificates of the Modaraba are quoted on Karachi Stock Exchange.

- 1.2 The financial statements are presented in Pak Rupees, which is the company's functional and presentation currency.

### 2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the Modaraba Companies & Modaraba Rules, 1981 Trust Deed and directives issued by the Securities and Exchange Commission of Pakistan (SECP) ['the Modaraba Regulations'] together with approved accounting standards as applicable in Pakistan to Modarabas. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS's) and Islamic Financial Accounting Standards (IFAS) as notified under the provisions of the Companies Ordinance, 1984 and made applicable to Modarabas under 'the Modaraba Regulations'. Wherever the requirements of 'the Modaraba Regulations' differ from the requirements of these standards, the requirements of 'the Modaraba Regulations' take precedence.

SECP has deferred the application of IAS 17 "Leases" and specific requirements of IAS 39 "Financial Instruments, Recognition and Measurement" for recognition of unrealized gain on "held for trading" investments for Modarabas.

- 2.1 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following standards and interpretations of approved accounting standards, effective for accounting periods beginning on or after January 1, 2009 are either not relevant to Company's operations or are not expected to have significant impact on the Company's financial statements other than increased disclosures in certain cases:-





CRESCENT STANDARD MODARABA

IFRS 7 - Financial Instruments: Disclosures	Effective from accounting period beginning on or after April 28, 2008
IFRIC 13 - Customer Loyalty Programs	Effective for accounting period beginning on or after July 1, 2008.
IFRIC 14 - The limit on Defined Benefit Assets, Minimum Funding Requirements and their interaction	Effective from accounting period beginning on or after January 1, 2008

## 2.2 New accounting standards and IFRS interpretations that are not yet effective

The following International Financial Reporting Standards and Interpretations as notified by the Securities and Exchange Commission of Pakistan are not yet effective;

IFRS 8 - Operating Segments	Effective from accounting period beginning on or after January 1, 2009
IFRIC 15 - Agreements for the Construction of Real Estate	Effective from accounting period beginning on or after January 1, 2009
IFRIC 16 - Hedges of a Net Investment in a Foreign Operation	Effective from accounting period beginning on or after October 1, 2008
IFRIC 17 - Distributions of Non-cash Assets to Owners	Effective from accounting period beginning on or after July 1, 2009
IFRIC 18 - Transfer of Assets from Customers	Effective from accounting period beginning on or after July 1, 2009

## 3. BASIS OF PREPARATION

These financial statements have been prepared under the historical cost convention, except for certain investments held for trading and available for sale which are stated at fair value.

## 4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are set below.

### 4.1 Tangible fixed assets

#### Assets in own use

Fixed assets are stated at cost less accumulated depreciation and impairment loss (if any). Depreciation is charged to profit and loss account applying the straight-line method whereby the cost of an asset is written off over its estimated useful life. In respect of additions and disposal during the year, depreciation is charged proportionately to the period of use.

Major renewals and improvements are capitalised were as normal repairs and maintenance is charged to income as and when incurred.

Gain and losses, if any, on disposal of fixed assets are taken to the profit and loss account.

#### **4.2 Investments**

##### **i) Held for trading at fair value through profit and loss**

These include investments held for trading and those that are designated at fair value through profit or loss at inception. Investments are classified as held for trading if they are acquired for the purpose of selling in the near term. They are initially measured at fair value and changes on re-measurement are taken to profit and loss account.

##### **ii) Held to maturity**

These are investments with fixed or determinable payments and fixed maturity, and in which, the Modaraba has positive intent and ability to hold till maturity. Held to maturity investments are initially recognized at fair value plus transaction cost and are subsequently measured at amortized cost using effective interest rate method, less any impairment loss recognized to reflect irrecoverable amounts.

##### **iii) Available for sale**

Investment securities held by the Modaraba which may be sold in response to needs for liquidity or changes in interest rates or equity prices are classified as available for sale. These investments are initially recognized at fair value plus transaction cost and subsequently re-measured at fair value. The investments for which quoted market price is not available, are measured at costs as it is not possible to apply any other valuation methodology. Gains and losses arising from re-measurement at fair value is recognized directly in the equity under fair value reserve until sold, collected, or otherwise disposed off, at which time the cumulative gain or loss previously recognized in equity is included in profit and loss account

##### **iv) Derecognition**

All investments are de-recognized when the rights to receive cash flows from the investments have expired or have been transferred and the Modaraba has transferred substantially all risks and rewards of ownership.

#### **4.3 Rentals receivables under morabahas and musharakas**

Receivables considered doubtful are provided for in accordance with the requirement of Prudential Regulations for Modarabas. Specific provision has also been made for receivables considered doubtful.

#### 4.4 Provisions

Provisions are recognised when the Modaraba has a present, legal or constructive obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. However, provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

#### 4.5 Impairment

##### Financial Assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. 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 that asset. 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.

##### Available-for-sale financial investments

For available-for-sale financial investments, the company assesses at each balance sheet date whether there is objective evidence that an investment or a group of investments is impaired.

In case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. Interest continues to be accrued at the original effective interest rate on the carrying amount of the asset and is recorded as part of 'Interest and similar income'. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the profit and loss account.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

##### Non-financial assets

The modaraba assesses at each balance sheet date whether there is any indication that assets except deferred tax assets and investment property may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.



CRESCENT STANDARD MODARABA

Where impairment loss for asset subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of initial cost of the asset. Reversal of impairment loss is recognised as income.

#### **4.6 Revenue recognition**

##### **(i) Morabaha and musharaka transactions**

Income from morabaha and Musharaka transactions is recognized on the basis of pro rata accrual of the profit estimated for the transaction over period.

##### **(ii) Dividend income**

Dividend income is recognised as income when the right of receipt is established.

##### **(iii) Income on Debt Securities**

Income on debt securities is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

#### **4.7 Taxation**

##### **Current**

Provision for taxation is made on taxable income if any, at the prevailing rates of tax after taking into account any tax credit available.

##### **Deferred**

Deferred income tax is provided using the liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax asset is recognized for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilized.

Deferred income tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

#### **4.8 Foreign currencies translation**

Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange approximating to those prevalent on the balance sheet date. Foreign currency transactions are converted into Rupees at the rate of exchange prevailing on the date of transactions. Exchange gains and losses on translation are taken to income currently.



CRESCENT STANDARD MODARABA

#### **4.9 Financial assets**

Financial assets comprise of investments, musharaka and morabaha finances, trade debts, deposits, other receivables, excluding taxation and bank balances. Musharaka, morabaha, trade debts, deposits and other receivables are stated at cost as reduced by appropriate allowances for estimated irrecoverable amounts.

#### **4.10 Financial liabilities**

Financial liabilities are classified according to the substance of contractual arrangements entered into. Significant financial liabilities are short term borrowings, musharaka arrangements, finance under mark up arrangements and accrued and other liabilities.

#### **4.11 Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash with banks on current, savings and deposit accounts.

#### **4.12 Offsetting of financial assets and financial liabilities**

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

#### **4.13 Critical Accounting Estimates and Judgments**

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Modaraba's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Modaraba's financial statements or where judgment was exercised in application of accounting policies for making provision against doubtful receivables (Note 5, 6, 8 & 9)



CRESCENT STANDARD MODARABA

	Note	2009 Rupees	2008 Rupees
<b>5. CASH AND BANK BALANCES</b>			
Cash in hand		4,098	1,617
With banks on:			
Current accounts		120,806	16,086,412
Deposit accounts		17,455,458	1,090,233
Provision for doubtful receivables	5.1	(1,090,233)	(1,090,233)
		16,365,225	-
		<u>16,490,129</u>	<u>16,088,029</u>

5.1 This represents the balance with a commercial bank frozen at the request of United Bank Limited against the dispute referred to in Note 13.1.

**6. ADVANCES, DEPOSITS AND OTHER RECEIVABLES**

Advance for purchases		90,387,701	90,387,701
Security deposit		25,000	25,000
Accrued profit		12,207,295	7,715,387
Advance income tax		169,708	162,634
Sales tax receivable		3,350,922	3,350,922
Other receivables		37,592	467,049
		106,178,218	102,108,693
Less: provision for doubtful receivables		(101,653,424)	(102,077,185)
Considered good		<u>4,524,794</u>	<u>31,508</u>

**7. TRADE DEBTS**

Local sale - secured and considered good	7.1	<u>50,710,401</u>	<u>84,710,401</u>
--	-----	-------------------	-------------------

7.1 It is secured against pledge of jute stock valuing Rs 36.113 million.

**8. FUNDS PROVIDED UNDER MUSHARAKA ARRANGEMENTS - UNSECURED**

The Modaraba has entered into musharaka investment agreements with different parties on profit and loss sharing basis: -



CRESCENT STANDARD MODARABA

	Note	2009 Rupees	2008 Rupees
Fund provided under musharaka arrangements	8.1	<b>16,682,339</b>	10,182,339
Less: provision for doubtful receivables		<b>(10,182,339)</b>	(10,182,339)
		<b><u>6,500,000</u></b>	<u>-</u>

8.1 These are provided at profit rates ranging from 17% to 19%

## 9. FUNDS PROVIDED UNDER MORABAHA ARRANGEMENTS

These are placed under morabaha investment agreements at provisional profit rates ranging from 15% to 18.70% (2008 : 15% to 18.70%) per annum.

Unsecured considered good		-	762,738
Considered doubtful		<b>1,902,053</b>	1,907,053
		<b><u>1,902,053</u></b>	<u>2,669,791</u>
Less: provision for doubtful receivables		<b>(1,902,053)</b>	(1,907,053)
		<b><u>-</u></b>	<u>762,738</u>

### 9.1 Movement of Provision

Opening Balance		<b>1,907,053</b>	2,272,053
Reversals during the Year		<b>(5,000)</b>	(365,000)
Closing Balance		<b><u>1,902,053</u></b>	<u>1,907,053</u>

## 10. SHORT TERM INVESTMENTS

Held for trading at fair value through Profit and Loss	10.1	<b>234,994</b>	18,302,453
Available for sale			
- Investment in Unlisted Debt Securities	10.2	<b>54,991,117</b>	-
- Investment in Mutual Fund		-	10,723,754
		<b><u>55,226,111</u></b>	<u>29,026,207</u>



CRESCENT STANDARD MODARABA

### 10.1 Held for trading at fair value through Profit and Loss

Unless stated otherwise, the holdings are in the fully paid ordinary shares / units of Rs.10/- each.

2009 No. of Shares / Unites	2008	Name of Investee	2009 Rupees	2008 Rupees
-	280,450	<i>Open-End Mutual Fund</i>	-	3,022,382
-	276,817	NAFA Cash Fund	-	14,784,264
		POBOP Advantage Plus Fund		
		<i>Commercial Banks</i>		
9,308	9,308	Standard Chartered Bank (Pakistan) Limited	79,025	218,831
15,197	7,155	NIB Bank Limited	72,185	81,351
		<i>Textile Spinning</i>		
140	140	Saif Textile Mills Limited	560	1,399
		<i>Textile Composite</i>		
462	462	Kohinoor Textile Mills Limited	2,042	6,408
27	27	Nishat Mills Limited	1,021	2,321
		<i>Cement</i>		
300	300	Lucky Cement Limited	17,559	29,379
25	25	D.G. Khan Cement Limited	742	1,678
		<i>Miscellaneous</i>		
6,000	6,000	United Distributors Pakistan Limited	61,860	154,440
			<u>234,994</u>	<u>18,302,453</u>
<b>10.2 Available For Sale</b>				
		<i>Open-end Mutual Fund</i>		
-	122,020	Askari Asset Allocation Fund (per value of Rs. 100 per unit)	-	10,723,754
		<i>Investment in unlisted debt securities</i>		
1,900	-	Haq Bahoo Suger Mills Limited - Sukuk	9,500,000	-
1,400	-	Eden Housing Limited - Sukuk	6,808,200	-
1,013	-	Avari Hotel Limited - TFC	5,065,000	-
1,000	-	Trust Investment Bank Limited- TFC	4,771,360	-
1,600	-	Al-Zamin Leasing Modaraba Limited	3,060,969	-
400	-	Al-Zamin Leasing Corporation Limited	2,000,000	-
2,999	-	Pace Pakistan Limited	12,445,850	-
908	-	Worldcall Telecom Limited	3,884,312	-
1,499	-	Escort Investment Bank Limited	7,455,426	-
			<u>54,991,117</u>	<u>10,723,754</u>





CRESCENT STANDARD MODARABA

## 11. TANGIBLE FIXED ASSETS

	Cost		Depreciation				Book Value as at June 30, 2009	Rate %
	As at July 1, 2008	Additions / (Disposals)	As at June 30, 2009	Accumulated as at July 1, 2008	For the year / Disposals	Accumulated as at June 30, 2009		
<----- Rupees ----->								
<b>Owned</b>								
Vehicle	350,000	(350,000)	-	31,836	46,667	-	-	20
					(78,503)			
<b>Rupees June 30, 2009</b>	<b>350,000</b>	<b>350,000</b>	<b>-</b>	<b>31,836</b>	<b>(31,836)</b>	<b>-</b>	<b>-</b>	

	Cost		Depreciation				Book Value as at June 30, 2008	Rate %
	As at July 1, 2007	Additions / (Disposals)	As at June 30, 2008	Accumulated as at July 1, 2007	For the year	Accumulated as at June 30, 2008		
<----- Rupees ----->								
<b>Owned</b>								
Vechile	-	350,00	350,000	-	31,836	31,836	318,164	20
<i>Rupees June 30, 2008</i>	<i>-</i>	<i>350,00</i>	<i>350,000</i>	<i>-</i>	<i>31,836</i>	<i>31,836</i>	<i>318,164</i>	

### 11.1 Disposal of tanible fixed assets

Cost	Accumulated Depreciation	Written down Value	Disposal Proceed	Loss	Mode of Disposal	Particulars of Purchase
350,000	78,503	271,497	180,000	(91,497)	Nagotiation	Mr. Amjad Hussain House # 18, Sector 8-E, New Saedabad, Baldia Town, Karachi.



CRESCENT STANDARD MODARABA

## 12. FUNDS RECEIVED UNDER MUSHARAKA ARRANGEMENTS

These represent funds received under musharaka arrangements on profit and loss sharing basis. Pending complete information and documents in the arrangement, no provision for profit payable, if any has been made.

## 13. CONTINGENCIES

Following contingencies are related to period before the management of the Modaraba was transferred to the present management.

**13.1** United Bank Limited has lodged a claim of Rs.1,090,000/- on account of excess markup paid to the Modaraba for previous years which is not accepted by the Modaraba. The Modaraba has also lodged a claim before the banking tribunal against United Bank Limited for short payment of mark up to the Modaraba to the extent of Rs.2,497,867. The proceeding under both cases are pending to-date.

**13.2** The Modaraba had received a legal notice from Crescent Standard Investment Bank Limited which was addressed to previous Management Company (Financial Link Limited) of the Modaraba, whereby they have asked Modaraba to settle an outstanding balance of Short Term Borrowing amounting to Rs.171,930,350/- along with the mark up thereon on or before February 10, 2007. After new management has took the charge, they asked the plaintiff - Crescent Standard Investment Bank Limited to send all the agreements and supporting documents but the plaintiff did not respond. Therefore, in the absence of any substance in the claim, management of the Modaraba is confident that no liability will arise.

**13.3** The Modaraba filed a recovery suit for Rs. 3,421,740/- against Sheikh Abdul Ghafoor and another, before the Chairman Modaraba Tribunal Punjab, at Lahore. After dismissal of defendants' application for seeking leave to appear and defend the suit, the Tribunal passed a judgment and decree for an amount of Rs. 1,415,640/-. The execution petition is filed and recovery proceedings are under process.

## 14. CERTIFICATE CAPITAL

<i>Authorised</i>		
25,000,000 Certificates of Rs.10/- each		
	<b>250,000,000</b>	<b>250,000,000</b>
<b>Issued, subscribed and paid-up</b>		
<b>2009                      2008</b>		
<b>Number of Certificates</b>		
Modaraba certificates of Rs.10/- each		
20,000,000	20,000,000	issued as fully paid in cash
	<b>200,000,000</b>	<b>200,000,000</b>



CRESCENT STANDARD MODARABA

## 15. STATUTORY RESERVE

Prudential Regulations for Modarabas issued by Securities and Exchange Commission of Pakistan requires creation of reserve fund to which shall be credited:

- an amount not less than 20% and not more than 50% of its after tax profits till such time the reserve fund equals the amount of the paid up capital; and
- thereafter a sum not less than 5% of its after tax profits.

During the year Modaraba has credited 50% of the profit to this reserve.

	<b>2009</b>	2008
	<b>Rupees</b>	Rupees
<b>16. INCOME ON INVESTMENT</b>		
(Loss) / Gain on sale of investment - Held for Trading at fair value through profit and loss	<b>(4,271,477)</b>	1,329,602
Income from Investment in Unlisted Debt Securities	<b>5,238,723</b>	-
Dividend Income	-	2,347
	<u><b>967,246</b></u>	<u>1,331,949</u>

## 17. ADMINISTRATIVE AND GENERAL EXPENSES

Salaries, Allowances and Benefits	21	<b>1,119,430</b>	912,205
Freight & Charges		-	182,400
Printing and Stationery		<b>63,809</b>	77,188
Subscription		<b>104,750</b>	147,450
Commission & Brokrage		<b>26,602</b>	-
Insurance		<b>14,072</b>	-
Advertisement		<b>12,000</b>	5,000
Auditors' Remuneration (Note 17.1)		<b>315,000</b>	204,500
Legal and Professional		<b>199,000</b>	243,400
Depreciation		<b>46,667</b>	31,836
Others		<b>10,096</b>	17,360
Bank Charges		<b>7,161</b>	1,200
		<u><b>1,918,587</b></u>	<u>1,822,539</u>

### 17.1 Auditors' remuneration

Statutory Audit Fee	<b>250,000</b>	150,000
Half Yearly Review Fee	<b>50,000</b>	35,000
Out of Pocket Expenses	<b>15,000</b>	19,500
	<u><b>315,000</b></u>	<u>204,500</u>

## 18. REVERSAL OF PROVISION AGAINST DOUBTFUL RECEIVABLES

Reversal of provision against receivable on placements / musharaka / morabaha	<b>5,000</b>	365,000
	<u><b>5,000</b></u>	<u>365,000</u>



## 19. PROVISION FOR TAXATION

No provision is required on non trading income due to available tax losses of Rs.8,993,291/- (2008 : Rs.10,712,579/-). These tax losses result in deferred tax asset of Rs.2,248,323/- (2008 : Rs.2,678,145/-) however Modaraba has not accounted for deferred tax asset as there is no evidence of generation of enough profits in future to take benefit of available tax losses.

## 20. EARNINGS PER CERTIFICATE

### - Basic / Diluted

		2009 Rupees	2008 Rupees
Profit for the year	Rs.	1,761,941	537,825
Weighted average number of certificates		20,000,000	20,000,000
Earnings per certificate	Rs.	0.09	0.03

20.1 There were no convertible dilutive potential ordinary certificates outstanding on June 30, 2009 and 2008.

## 21. REMUNERATION OF OFFICERS AND OTHER EMPLOYEES

	Officers		Other Employees	
	2009	2008	2009	2008
	----- Rupees -----			
Remuneration	-	-	755,271	624,000
Allowances	-	-	314,179	259,573
Medical	-	-	36,000	15,000
Provident fund contribution	-	-	13,980	13,632
	-	-	1,119,430	912,205
Number of Employees at the End of the Year			<u>3</u>	<u>3</u>

## 22. CAPITAL RISK MANAGEMENT

The modaraba manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders by spreading a variety of Islamic modes of financing.

The capital structure of the modaraba consists of debts as disclosed in note 12, cash and cash equivalents as disclosed in note 5 and equity attributable to equity holders, reserves and accumulated loss as disclosed in statement of changes in equity.



CRESCENT STANDARD MODARABA

The gearing ratio of the modaraba at year end was as follows: -

	<b>2009</b> <b>Rupees</b>	<b>2008</b> <b>Rupees</b>
Debts	<b>22,454,094</b>	22,454,094
Cash and cash equivalents	<b>16,490,129</b>	16,088,029
Net Debt	<b><u>5,963,965</u></b>	<u>6,366,065</u>
Equity	<b><u>110,271,770</u></b>	<u>107,829,059</u>
Net Debt to Equity Ratio	<b>5:95</b>	6:94

### 23. FINANCIAL RISK MANAGEMENT

The Modaraba's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk and price risk), credit risk and liquidity risk.

The Modarabas overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the modaraba's financial performance.

The Modaraba's principal financial liability comprise of funds received under musharaka arrangements and accrued expenses and other liabilities. The Modaraba has musharaka and murabaha finance, trade debts, advance, deposits and other receivables and cash and deposits that arrive directly from its operations. The Modaraba also holds held for trading and available-for-sale investments.

After change of the magement, Modaraba is not carrying out any planned and long term operational and financing activities. Surplus cash received from old financings is invested in short term investment in debt and equity securities. Management has no planing to obtain any new credit or financing facilities.

#### 23.1 Liquidity Risk Management

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding.

##### 23.1.1 Liquidity and Interest Risk

As disclosed in note 12 Modaraba has only one contractual liability amounting Rs 22 million which has maturity of undetermined period.

#### 23.2 Credit Risk and Concentration of Credit

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Modaraba control credit risk by monitoring credit exposure, limiting transactions with specific counter parties and continually assessing the credit worthiness of counter parties.

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Modaraba control credit risk by monitoring credit exposure, limiting transactions with specific counter parties and continually assessing the credit worthiness of counter parties.



CRESCENT STANDARD MODARABA

The Modaraba is exposed to credit risk from its financing activities (murabaha and musharaka finance), investment in debt securities and deposits with bank and financial institutions.

Credit risk represents the accounting loss that would be recognized at the reporting date if counter party to the financial instrument fails to perform as contracted. Out of the total financial assets of Rs.129 (2008 : Rs.130.5) million, the financial assets which are subject to credit risk amounted to Rs.112 (2008 : Rs.96) million.

### **23.3 Market Risk**

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Modaraba's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing returns.

#### **23.3.1 Interest Rate Risk Management**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Modarabas's exposure to the risk of changes in market interest rates relates primarily to the Modarabas's long-term debt obligations with floating interest rates.

Sensitivity to the interest rate risk arises from mismatches or gaps in the amount of interest based assets and liabilities that mature or reprice in a given period.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Modaraba's profit for the year ended June 30, 2009 would decrease by Rs.251,186. This is mainly attributable to the Modaraba's exposure to interest rates on its variable rate borrowings and interest rates on TFCs

#### **23.3.2 Foreign exchange risk management**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Modaraba is not exposed to foreign currency risk.

#### **23.3.2 Equity Price Risk Management**

The Modaraba's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Modaraba manages the equity price risk through diversification and placing limits on individual and total equity instruments.

At the balance sheet date, the exposure to listed equity securities at fair value was reduced to only Rs 0.234 from Rs 18.302 million in 2009.

### **23.4 Fair Value Risk**

#### **Fair value of financial instruments**

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction other than in a forced or liquidation sale.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.



MODARABA  
CRESCENT STANDARD MODARABA

## 24. 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 a subsidiary company, associated companies with or without common directors, directors, and key management personnel.

The modaraba has related party relationship with its Management Company, Associated Undertakings and its Key Management Personnel.

A number of transactions are entered into with related parties in the normal course of business. These transactions are executed on the same terms as those prevailing at the time for comparable transactions with unrelated parties.

The detail of transactions with related parties and balances with them, apart from compensation to executives as disclosed in Note 22, is given below: -

Relationship with the Company	Nature of Transactions	2009 Rupees	2008 Rupees
Management Company	Management Fee	195,771	59,758
First Dawood Investment Bank Limited	Purchase of Unlisted Debt Securities	37,214,799	-
BRR Guardian Modaraba	Purchase of Unlisted Debt Securities Payment of Sharing Expenses	12,087,883 861,330	- -
Dawood Islamic Bank Limited	Deposits Made Balance in Deposit Deposits Withdrawn Profit on Deposits	 106,829,933 90,483,039 59,325	 - - -

## 25. DATE OF ISSUE

These financial statements were authorised for issue on 1st October, 2009 by the Board of Directors of the B.R.R. Investments (Private) Limited.

## 26. GENERAL

Figures have been rounded of nearest to Rupee.

Chief Executive Officer

Director

Director



CRESCENT STANDARD MODARABA

**Pattern of Certificate holding As On 30-June-2009**

Number of Certificate holders	Certificate Holding		Total Certificate Held
	From	To	
43	1	- 100	4,022
1,189	101	- 500	583,038
88	501	- 1,000	85,400
149	1,001	- 5,000	458,400
67	5,001	- 10,000	590,700
12	10,001	- 15,000	157,400
15	15,001	- 20,000	250,300
7	20,001	- 25,000	164,000
4	25,001	- 30,000	117,900
2	30,001	- 35,000	67,000
2	35,001	- 40,000	80,000
9	45,001	- 50,000	440,700
1	50,001	- 55,000	51,000
1	55,001	- 60,000	55,200
1	60,001	- 65,000	61,500
1	90,001	- 95,000	91,500
1	95,001	- 100,000	100,000
1	100,001	- 105,000	101,000
1	120,001	- 125,000	123,500
1	150,001	- 155,000	153,500
1	185,001	- 190,000	375,214
1	190,001	- 195,000	190,786
1	300,001	- 305,000	300,500
1	340,001	- 345,000	345,000
1	355,001	- 360,000	357,000
1	445,001	- 450,000	445,500
1	630,001	- 635,000	634,500
1	680,001	- 685,000	684,500
1	1,650,001	- 1,655,000	1,650,500
1	1,695,001	- 1,700,000	1,700,000
1	6,720,001	9,000,000	9,580,440
<b>1,606</b>			<b>20,000,000</b>

Categories of Certificate Holders	Number of Certificate holder	Certificate Held	Percentage
Individuals	1,572	16,351,100	81.76
Investment Companies	10	794,200	3.97
Joint Stock Companies	13	108,700	0.54
Financial Institution	6	2,031,900	10.16
Mutual Fund	1	634,500	3.17
Insurance Companies	2	31,900	0.16
Modaraba Companies	2	47,700	0.24
	<b>1,606</b>	<b>20,000,000</b>	<b>100.00</b>





MODARABA  
CRESCENT STANDARD MODARABA

#### ADDITIONAL INFORMATION

S. No.	Categories of Certificates Holders	Number	Certificates Held	% Age
1	<b>NIT &amp; ICP</b>	2	<b>376,000</b>	<b>1.94</b>
	National Bank of Pakistan Trustee Deptt. Investment Corporation of Pakistan		376,000 12,000	1.88 0.06
2	<b>Banks, DFIs, NBFIs, Insurance Companies, Modarabas and Mutual Funds</b>	36	<b>10,336,500</b>	<b>51.68</b>
3	<b>Certificate Holders holding ten percent or more in the Modaraba</b>		<b>6,724,600</b>	<b>33.62</b>
	Innovative Investment Bank Limited		6,724,600	33.62



MODARABA  
CRESCENT STANDARD MODARABA

### Key Financial and Operating Data

Particulars	2009	2008	2007	2006	2005	2004
(Rupees in thousand)						
Paid up Capital	200,000	200,000	200,000	200,000	100,000	100,000
Share Deposit money	-	-	-	-	100,000	40,000
Equity	110,271	107,829	108,602	108,064	113,743	49,443
Current Liabilities	23,179	23,107	23,651	22,718	87,309	378,673
Fixed Assets	-	318	-	-	7	8
Current Assets	133,451	130,618	132,253	130,782	201,045	428,107
Operating (Loss) Profit	2,299	(405)	(469)	(189)	21,900	20,734
Profit/(Loss) for the year	1,762	537	537	(5,678)	3,440	6,463
Earning per Certificate	0.09	0.03	0.03	(0.28)	0.34	0.65