

2007

Annual Report



M O D A R A B A

Managed by:

B.R.R. Investments (Private) Limited



MODARABA
CRESCENT STANDARD MODARABA

Contents

	Page
Corporate Information	2
Vision & Mission Statement	3
Notice of Annual Review Meeting	4
Directors' Report	5
Key Financial and Operating Data	7
Auditors Report to the Certificate Holders	8
Balance Sheet.....	10
Profit and Loss Account	11
Cash Flow Statement.....	12
Statement of Changes in Equity	13
Notes to the Financial Statements	14
Pattern of Share Holding.....	26



M O D A R A B A
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
Group Finance Director	Mr. Muhammad Shoab
Chief Financial Officer	Mr. Ghazanfar-ul- Islam
Company Secretary	Mr. Tahir Mahmood
Auditors	M. Yousuf Adil Saleem & Company Chartered Accountants
Legal Advisor	Malik & Maliks
Bankers	Saudi Pak Commercial Bank Limited PICIC Commercial Bank Limited MCB Bank Limited
Web-site	www.firstdawood.com/csm
Registered Office	1500-A, Saima Trade Towers, I.I Chundrigar Road, Karachi-74000 UAN : 111-DAWOOD (111-329-663) Fax : 92-21-227-1913
Registrars	F.D Registrar Services (SMC-Pvt.) Ltd 17th Floor, Saima Trade Tower-A I.I Chundrigar Road, Karachi Phone # 2271875
Branch Offices	Suit 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



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 crub interest based financial systems, thereby facilitating establishment of an equitable economic system.



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Notice of Annual Review Meeting

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 27, 2007 at 11:30 a. m.

The Certificate Transfer Book will remain closed from October 21, to October 27, 2007 (both days inclusive). Transfer received at the Registrar Office, FD 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 20, 2007, Certificate Holders are advised to notify to the Registrar Office of any change in their address.

October 6, 2007
Karachi

BY ORDER OF THE BOARD
COMPANY SECRETARY



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Director's 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 ('BRRRI' 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, 2007.

The Registrar Modaraba, Securities and Exchange Commission of Pakistan, cancelled the registration of Financial Links Limited on 19th January 2007 from the management of CSM in exercise of powers conferred under Section 19(1)(a) and 20(1)(iii) of the Modaraba Companies and Modaraba (Floatation & Control) Ordinance 1980. Simultaneously, Providence Modaraba Limited (PML) was instructed to take over the management of CSM. It was ordered by the Registrar Modarabas that PML shall henceforth be the management company of the CSM and the Chief Executive of PML will take immediate steps to protect the interest of the Modaraba and its certificate holders. Subsequently, Providence Modaraba Limited was merged with and into B.R.R. Investments (Private) Limited (BRRRI). Therefore, BRRRI is the current management company of CSM.

Profit Distribution

Keeping in view the huge carried forward losses, your Modaraba is not in a position to distribute any dividend this year. Please note that BRRRI has not charged any management fee to the Modaraba.

Compliance with the Best Practice of the Code of Corporate Governance

The Board of Directors of the new management company is not in a position to issue statement in compliance with the Code of Corporate Governance (COCG) for the whole year i.e. from July 1, 2006 to June 30, 2007. However, new management has applied the requirements of COCG to the Modaraba after takeover.

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 Fund Scheme for all permanent employees. The value of investment to date is Rs.52.47 million in the Provident Fund Scheme.

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

There is no transaction with connected/related parties during the year.

Auditors Observations

In view of lack of information and documents available, the auditors could not satisfy themselves on the opening balances, transactions carried out during the year and closing balances and considering the matters raised in the enquiry report of Inspectors appointed by Registrar Modaraba as mentioned in para (a) to (f) of 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, an 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 Deloitte M. Yousuf Adil Saleem & Co., Chartered Accountant, have expressed their willingness to continue in office for the year ending June 30, 2008. As required under the Code of Corporate Governance the Audit Committee has recommended the re-appointment of Deloitte M. Yousuf Adil Saleem & Co., Chartered Accountant, as auditor for the year ending June 30, 2008.

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. However the management company Board did meet as:

S. No	Name	Designation	Entitlement to Attend Meeting	Meeting Attend	Leave of Absences
1	Mr. Rafique Dawood	Chairman	7	6	1
2	Mr. Ayaz Dawood	Chief Executive	2	2	-
3	Mrs. Farida Rokadia (Alternate Director Miss. Tara Uzra Dawood)	Director	7	7	-
4	Mr. Majid Dawood	Director	7	1	6
5	Mr. Tauqir Shamshad	Director	4	4	-
6	Mr. Rizwan ul Haq	Director	3	3	-
7	Mr. Iqbal Hussain	Director	4	4	-

Pattern of Shareholding

The pattern of shareholding as on June 30, 2007 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 from trade debts advance and try to save the Modaraba from total collapse.

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

Rafique Dawood
Chairman



M O D A R A B A
CRESCENT STANDARD MODARABA

Key Financial and Operating Data

Particulars	2007	2006	2005	2004	2003	2002	2001
	(Rupees in thousand)						
Paid-up -Capital	200,000	200,000	100,000	100,000	100,000	100,000	100,000
Share Deposits Money	-	-	100,000	40,000	-	-	-
Equity	108,602	108,064	113,743	49,443	1,33	2,417	153
Current Liabilities	23,651	22,718	87,309	378,673	289	182	614
Fixed Assets	-	-	7	8	13	19	3
Current Assets	132,253	130,782	201,045	428,107	1,632	2,575	3,720
Operating (Loss) / Profit	(468)	(1,89)	21,900	20,734	(1,126)	83	(1,905)
Profit / (Loss) for the year	537	(5,678)	3,440	6,463	(1,054)	(736)	(1,888)
Earning per certificate	0.03	(0.28)	0.34	0.65	(0.11)	(0.07)	(0.19)



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

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AUDITORS REPORT TO THE CERTIFICATE HOLDERS

We were engaged to audit the annexed balance sheet of **CRESCENT STANDARD MODARABA** as at June 30, 2007 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 'n' in the auditors report dated June 18, 2007 on the financial statements of the Modaraba for the year ended June 30, 2006, auditors 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 12.2 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.117.595 million. Out of this amount provision for doubtful of receivables has been made for Rs.102.569 million in the accounts for the year ended June 30, 2006. As per the revised agreement dated March 31, 2007 with the party, out of the remaining amount of Rs.15.026 million, Rs.15 million is secured (refer Note 4 to the financial statements).
- 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.15.526 million, provision for doubtful recovery has been made for Rs.12.454 million, whereas the remaining balance of Rs.3.072 million representing Funds provided under Morabaha arrangements and considered good. This amount of Rs.3.072 million is unsecured, which is a violation of Regulation 7(4) of the Prudential Regulations for Modarabas. The amount, in our opinion, in doubtful of recovery against which no provision has been made.

A member firm of
Deloitte Touche Tohmatsu



- 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 10 to the financial statements).
- f) We were not provided with any supporting documents to verify the contingencies shown under Note 12.1 and 12.2 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, 2007.

Chartered Accountants

Karachi
September 8, 2007



MODARABA
CRESCENT STANDARD MODARABA

BALANCE SHEET AS AT JUNE 30, 2007

	Note	2007 Rupees	2006 Rupees
ASSETS			
Current Assets			
Cash and Bank Balances	3	286,242	316,324
Advances, Deposits and Other Receivables	4	15,026,099	15,025,000
Trade Debts	5	110,210,401	111,383,034
Funds Provided Under Musharaka Arrangements	6	-	-
Funds Provided Under Morabaha Arrangements	7	3,071,792	3,714,144
Short Term Equity Investments	8	3,659,383	343,726
TOTAL ASSETS		132,253,917	130,782,228
Current Liabilities			
Short Term Borrowings	9	-	-
Funds Received Under Musharaka Arrangements	10	22,454,094	22,454,094
Accrued Expense and Other Liabilities	11	1,128,720	195,000
Unclaimed Dividend		69,016	69,016
		23,651,830	22,718,110
Contingencies and Commitments	12		
Net Assets		108,602,087	108,064,118
REPRESENTED BY:			
Certificate Capital	13	200,000,000	200,000,000
Statutory Reserve	14	4,287,970	4,287,970
Accumulated Loss		(95,685,883)	(96,223,852)
		108,602,087	108,064,118

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

Chief Executive Officer

Director

Director



M O D A R A B A
CRESCENT STANDARD MODARABA

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2007

	Note	2007 Rupees	2006 Rupees
INCOME			
Income from Funds Provided Under Morabaha Arrangements		178,180	113,750
Dividend Income		-	9,630
		<u>178,180</u>	<u>123,380</u>
OPERATING EXPENSES			
Administrative and general expenses	15	<u>646,989</u>	<u>2,014,044</u>
OPERATING LOSS		(468,809)	(1,890,664)
Gain on remeasurement of short term equity investments		<u>515,657</u>	<u>1,377</u>
		46,848	(1,889,287)
Financial charges	16	<u>274</u>	<u>8,540,555</u>
		46,574	(10,429,842)
Reversal / (provision) for doubtful receivables - net	17	491,395	(27,433,203)
Liabilities no longer payable - written back	18	-	32,184,412
PROFIT / (LOSS) BEFORE TAXATION		537,969	(5,678,633)
Provision for taxation	19	-	-
PROFIT / (LOSS) FOR THE YEAR		537,969	(5,678,633)
EARNINGS PER CERTIFICATE - BASIC AND DILUTED			
	20	<u>0.03</u>	<u>(0.28)</u>

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

Chief Executive Officer

Director

Director



M O D A R A B A
CRESCENT STANDARD MODARABA

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2007

	2007 Rupees	2006 Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	537,969	(5,678,633)
Adjustments for non-cash items:		
Gain on remeasurement of investment	(515,657)	(1,377)
Depreciation	-	6,560
Provision for doubtful receivables	-	116,113,203
Liabilities no longer payable - written back	-	(120,864,412)
	22,312	(10,424,659)
(Increase) / decrease in current assets		
Advances, deposits and other receivables	(1,099)	(53,998,242)
Trade debts	1,172,633	7,500,000
Funds provided under musharaka arrangements	-	(945,027)
Funds provided under morabaha arrangements	642,352	706,560
	1,813,886	(46,736,709)
Increase/(Decrease) in current liabilities		
Short term borrowings	-	67,159,221
Profit payable on fund received under musharaka arrangements	-	4,031,067
Accrued expenses and other liabilities	933,720	(14,916,910)
	933,720	56,273,378
	2,747,606	9,536,669
Net cash flow from / (used in) operating activities	2,769,918	(887,990)
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Short term equity investments	(2,800,000)	-
Net cash flow used in investing activities	(2,800,000)	-
Net decrease in cash and cash equivalents (A + B)	(30,082)	(887,990)
Cash and cash equivalents at the beginning of the year	316,324	1,204,314
Cash and cash equivalents at the end of the year	286,242	316,324

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

Chief Executive Officer

Director

Director



M O D A R A B A
CRESCENT STANDARD MODARABA

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2007

	Certificate capital	Statutory reserve	Deposit against Accumulated loss	issue of modaraba certificates	Total
	-----Rupees-----				
Balance as at July 01, 2005	100,000,000	100,000,000	4,287,970	(90,545,219)	113,742,751
Loss for the year	-	-	-	(5,678,633)	(5,678,633)
Certificates issued during the year	100,000,000	(100,000,000)	-	-	-
Balance as at June 30, 2006	200,000,000	-	4,287,970	(96,223,852)	108,064,118
Profit for the year	-	-	-	537,969	537,969
Balance as at June 30, 2007	<u>200,000,000</u>	<u>-</u>	<u>4,287,970</u>	<u>(95,685,883)</u>	<u>108,602,087</u>

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

Chief Executive Officer

Director

Director



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

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 vide order No. SC/M/RW/CSM2006-32 dated January 19, 2007 from Deputy Registrar, Modaraba Wing, SECP, management of Modaraba was transferred to Providence Modaraba Limited with immediate effect. Subsequent to the year end, Providence Modaraba Limited merged in B.R.R. Investments (Private) Limited, and thereafter the Modaraba is under management of B.R.R. Investments (Private) Limited.

The Modaraba is perpetual and multipurpose. It was engaged in venture capital, trading, equity investment, musharaka / morabaha financing arrangements and financial advisory services. The certificates of the Modaraba are quoted on Karachi Stock Exchange.

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

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below: -

2.1 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 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 Accounting Standards (IASs) 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' have been followed.

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

The following standards, amendments and interpretations of approved accounting standards, effective for accounting periods beginning on or after January 1, 2007 are either not relevant to the Modaraba's operations or are not expected to have significant impact on the Modaraba's financial statements other than increased disclosures in certain cases: -

IAS 1 - Presentation of financial statements - amendments relating to capital disclosures	Effective from accounting period beginning on or after January 1, 2007
IFRS 2 - Share based payment	Effective from accounting period beginning on or after January 1, 2007
IFRS 3 - Business combinations	Effective from accounting period beginning on or after January 1, 2007
IFRS 5 - Non-current assets held for sale and discontinued operations	Effective from accounting period beginning on or after January 1, 2007
IFRS 6 - Exploration for and evaluation of mineral resources	Effective from accounting period beginning on or after January 1, 2007
IFRIC 10 - Interim financial reporting and impairment	Effective from accounting period beginning on or after November 1, 2006
IFRIC 11 - Group and treasury share transactions	Effective from accounting period beginning on or after March 1, 2007
IFRIC 12 - Services concession arrangements	Effective from accounting period beginning on or after January 1, 2008
IFRIC 13 - Customer loyalty programmes	Effective from accounting period beginning on or after July 1, 2008

2.3 Accounting convention

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

2.4 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. Full year's depreciation is charged on additions while no depreciation is charged on assets disposed during the year.

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.

2.5 Investments

i) Held for trading

Investments held for trading are acquired principally for the purpose of generating profit from short term fluctuations in prices. These are initially recognised at fair value and subsequently, these are remeasured at fair value, which is the quoted bid price at stock exchange at the balance sheet date. The resultant gain or loss on remeasurement of value of investments is recognised in the profit and loss account.

ii) Held for 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 recognised 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 recognised 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 recognised directly in the equity under fair value reserve until sold, collected, or otherwise disposed off, at which time the cumulative gain or loss previously recognised in equity is included in profit and loss account.

iv) Derecognition

All investments are de-recognised 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.

2.6 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.

2.7 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.

2.8 Impairment

The Modaraba assesses at each balance sheet date whether there is any indication that assets 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.

Where impairment loss 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.

2.9 Revenue recognition

(i) Morabaha and musharaka transactions

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

(ii) Dividend income

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

2.10 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.

2.11 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.

2.12 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 and other receivables are stated at cost as reduced by appropriate allowances for estimated irrecoverable amounts.

2.13 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.

2.14 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.

2.15 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.

2.16 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 are as follows: -

- i) Provision for doubtful receivables (Note 3, 4, 6 & 7)

Note	2007 Rupees	2006 Rupees
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3. CASH AND BANK BALANCES

Cash in hand	1,000	-
With banks on:		
Current accounts	285,242	316,324
Deposit account (Note 3.1)	1,090,233	1,090,233
Provision for doubtful receivables	(1,090,233)	(1,090,233)
	-	-
	<u>286,242</u>	<u>316,324</u>



3.1 This represents the balance with a commercial bank being frozen at the request of United Bank Limited against the dispute referred to in Note 12.2.

4. ADVANCES, DEPOSIT AND OTHER RECEIVABLES

Note	2007 Rupees	2006 Rupees
Advance for purchases (Note 5.1)	105,387,701	105,387,701
Advances to staff	1,099	-
Security deposit	25,000	25,000
Profit receivable on fund provided under musharaka/ morabaha arrangements	7,715,387	8,206,782
Advance income tax	161,820	161,820
Sales tax receivable	3,350,922	3,350,922
Other receivables	461,353	461,353
	<u>117,103,282</u>	<u>117,593,578</u>
Less: provision for doubtful receivables	(102,077,183)	(102,568,578)
Considered good	<u>15,026,099</u>	<u>15,025,000</u>

5. TRADE DEBTS

Local sale - secured and considered good	<u>110,210,401</u>	<u>111,383,034</u>
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5.1 It is secured against pledge of jute stock which also covers the advance for purchases amounting to Rs.15,000,000/- (Refer note 4).

6. FUNDS PROVIDED UNDER MUSHARAKA ARRANGEMENTS

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

Considered doubtful:		
Fund provided under musharaka arrangements	10,182,339	10,182,339
Less: provision for doubtful receivables	(10,182,339)	(10,182,339)
	<u>-</u>	<u>-</u>

7. FUNDS PROVIDED UNDER MORABAHA ARRANGEMENTS

These are placed under morabaha investment agreements at provisional profit rates ranging from 15% to 18.70% (2006 : 15% to 18.70%) per annum.

Unsecured but considered good	3,071,792	3,714,144
Considered doubtful	2,272,053	2,272,053
	<u>5,343,845</u>	<u>5,986,197</u>
Less: provision for doubtful receivables	(2,272,053)	(2,272,053)
	<u>3,071,792</u>	<u>3,714,144</u>



8. SHORT TERM INVESTMENTS

- Held for trading

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

2007 No. of Shares	2006		2007 Rupees	2006 Rupees
		Open-End Mutual Fund		
25,540	-	AMZ Plus Income Fund (par value of Rs.100 per unit)	2,864,108	-
		Investment Bank		
2,423	2,423	Pakistan Industrial Credit and Investment Corporation Limited	198,928	95,625
		Commercial Banks		
9,308	-	Standard Chartered Bank (Pakistan) Limited	492,832	-
-	2,347	Union Bank Limited	-	157,916
		Textile Spinning		
140	140	Saif Textile Mills Limited	2,246	2,772
		Textile Composite		
416	416	Kohinoor Textile Mills Limited	11,128	14,668
27	27	Nishat Mills Limited	3,523	2,830
		Cement		
322	322	Lucky Cement Limited	44,356	31,065
28	28	D.G. Khan Cement Limited	3,262	2,250
		Miscellaneous		
6,000	6,000	United Distributors Pakistan Limited	39,000	36,600
			<u>3,659,383</u>	<u>343,726</u>

9. SHORT TERM BORROWINGS

Short term borrowings	-	25,000,000
Liabilities no longer payable - written back	-	25,000,000
	-	(25,000,000)
	-	-

10. FUNDS RECEIVED UNDER MUSHARAKA ARRANGEMENTS

These represent funds received under musharaka arrangements on profit and loss sharing basis.



Note	2007 Rupees	2006 Rupees
11. ACCRUED EXPENSES AND OTHER LIABILITIES		
Management fee payable	-	2,529,098
Profit payable on borrowings / musharaka arrangements	-	4,031,067
Auditors' remuneration	230,000	195,000
Accrued liabilities	-	624,247
Other liabilities	898,720	88,680,000
	<u>1,128,720</u>	<u>96,059,412</u>
Liabilities no longer payable written back:		
Management fee payable	-	(2,529,098)
Profit payable on borrowings / musharaka arrangements	-	(4,031,067)
Accrued liabilities	-	(624,247)
Other liabilities	-	(88,680,000)
	-	(95,864,412)
	<u>1,128,720</u>	<u>195,000</u>
12. CONTINGENCIES		
12.1	United Bank Limited has lodged a claim of Rs.1,090,000/- on account of excess markup paid to the Modaraba for previous year 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.	
12.2	The Modaraba has 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 taken the charge, they asked plaintiff to send all the agreements and supporting documents but plaintiff did not respond. Therefore, in the absence of any substance in the claim, management of the Modaraba is confident that no liability will accrue.	
13. CERTIFICATE CAPITAL		
Authorised		
25,000,000 Certificates of Rs.10/- each	<u>250,000,000</u>	<u>250,000,000</u>
Issued, subscribed and paid-up		
2007	2006	
Number of Certificates		
Modaraba certificates of Rs.10/- each		
20,000,000	20,000,000	issued as fully paid in cash
	<u>200,000,000</u>	<u>200,000,000</u>
	<u>200,000,000</u>	<u>200,000,000</u>
14. STATUTORY RESERVE		

This represents reserve maintained in accordance with prudential regulations for modaraba.



	Note	2007 Rupees	2006 Rupees
15. OPERATING EXPENSES			
Salaries, allowances and benefits		348,516	192,939
Printing and stationery		10,780	88,637
Subscription		69,250	130,000
Advertisement		12,000	10,150
Auditors' remuneration (Note 15.1)		145,500	100,000
Legal and professional		45,000	61,500
Depreciation		-	6,560
Service charges		-	1,212,000
Others		15,943	212,258
		<u>646,989</u>	<u>2,014,044</u>
15.1 Auditors' remuneration			
Statutory audit		100,000	100,000
Half yearly review		35,000	-
Out of pocket expenses		10,500	-
		<u>145,500</u>	<u>100,000</u>
16. FINANCIAL CHARGES			
Short term borrowings		-	8,488,700
Bank charges		274	51,855
		<u>274</u>	<u>8,540,555</u>
17. (REVERSAL) / PROVISION FOR DOUBTFUL RECEIVABLES - NET			
Provision against frozen bank account		-	1,090,233
Provision against advance for purchases - net		-	90,387,701
Liabilities no longer payable written back - other liabilities		-	(88,680,000)
		-	1,707,701
(Reversal) / provision for profit receivable on placements / musharaka / morabaha		(491,395)	8,206,782
Provision against sales tax receivable		-	3,350,922
Provision against advance tax		-	161,820
Provision against others		-	461,353
Provision against funds provided under musharaka arrangements		-	10,182,339
Provision against funds provided under morabaha arrangements		-	2,272,053
		<u>(491,395)</u>	<u>27,433,203</u>
18. LIABILITIES NO LONGER PAYABLE - Written back			
Short term borrowings		-	25,000,000
Management fee payable		-	2,529,098
Markup payable on borrowings / funds received under musharaka arrangements		-	4,031,067
Accrued Liabilities		-	624,247
		<u>-</u>	<u>32,184,412</u>



19. PROVISION FOR TAXATION

No provision is required on non trading income due to available tax losses of Rs.4,021,725/- (2006 : Rs.895,031/-). These tax losses result in deferred tax asset of Rs.1,005,431/- (2006 : Rs.223,758/-) but Modaraba has not accounted for deferred tax asset because there is no evidence of generation of enough profits in future to take benefit of available tax losses.

20. EARNINGS PER CERTIFICATE

	2007	2006
- Basic / Diluted		
Profit / (loss) for the year	Rs. 537,969	(5,678,633)
Weighted average number of certificates	20,000,000	20,000,000
Earnings per certificate	Re. 0.03	(0.28)

21. REMUNERATION OF OFFICERS AND OTHER EMPLOYEES

	2007			2006		
	Officers	Employees	Total	Officers	Employees	Total
	<----- Rupees ----->					
Remuneration	-	250,545	250,545	-	132,318	132,318
Allowances	-	75,866	75,866	-	44,549	44,549
Medical	-	6,650	6,650	-	8,249	8,249
Provident fund contribution	-	15,455	15,455	-	7,823	7,823
	-	348,516	348,516	-	192,939	192,939
Number of Persons	0	3	3	0	2	2

22. RISK MANAGEMENT

Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities.

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.

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

Currency Risk

Currency risk is the risk that value of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Modaraba is not exposed to any material currency risk.



Market Risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The risk is minimised through investing in as appropriate mix of high and low risk securities and other portfolio diversification techniques.

Fair Value Risk

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

The operations of the Modaraba was suspended. The new management is formulating the policies for 'Risk Management' which will be implemented while full operations will commence.

22.1 Profit Rate Risk

	2007						Non Profit / Non Mark up bearing	Total
	Profit / Mark up bearing							
Effective markup rate %	Up to one month	Over one month to three months	Over there month to one year	One year to five year	Above five years	Sub total		
Rupees								
Financial Assets								
Cash and bank balances	-	-	-	-	-	-	286,242	286,242
Advances, deposits and other receivable	-	-	-	-	-	-	8,202,839	8,202,839
Trade debts	-	-	-	-	-	-	110,210,401	110,210,401
Funds provided under morabaha arrangements	15 - 18.7	-	-	3,071,792	-	3,071,792	-	3,071,792
Short term equity investments	-	-	-	-	-	-	3,659,383	3,659,383
	-	-	-	3,071,792	-	3,071,792	122,358,865	125,430,657
Financial Liabilities								
Funds received under musharaka arrangements	P & L sharing	-	-	-	-	-	22,454,094	22,454,094
Accrued expenses and other liabilities	-	-	-	-	-	-	1,128,720	1,128,720
Unclaimed dividend	-	-	-	-	-	-	69,016	69,016
	-	-	-	-	-	-	23,651,830	23,651,830
	-	-	-	3,071,792	-	3,071,792	98,707,035	101,778,827

	2006						Non Profit / Non Mark up bearing	Total
	Profit / Mark up bearing							
Effective markup rate %	Up to one month	Over one month to three months	Over there month to one year	One year to five year	Above five years	Sub total		
Rupees								
Financial Assets								
Cash and bank balances	-	-	-	-	-	-	316,324	316,324
Advances, deposits and other receivable	-	-	-	-	-	-	8,693,135	8,693,135
Trade debts	-	-	-	-	-	-	111,383,034	111,383,034
Funds provided under morabaha arrangements	15 - 18.7	-	-	3,714,144	-	3,714,144	-	3,714,144
Short term equity investments	-	-	-	-	-	-	343,726	343,726
	-	-	-	3,714,144	-	3,714,144	120,736,219	124,450,363
Financial Liabilities								
Funds received under musharaka arrangements	P & L sharing	-	-	-	-	-	22,454,094	22,454,094
Accrued expenses and other liabilities	-	-	-	-	-	-	195,000	195,000
Unclaimed dividend	-	-	-	-	-	-	69,016	69,016
	-	-	-	-	-	-	22,718,110	22,718,110
	-	-	-	3,714,144	-	3,714,144	98,018,109	101,732,253



23. RELATED PARTY TRANSACTIONS

The key related parties relationships maintained by the Modaraba are those with the Management Company and its group companies / persons.

There are no transactions with related parties during the year.

24. DATE OF ISSUE

These financial statements were authorised for issue on 8th september 2007 by the Board of Directors of the B.R.R. Investments (Private) Limited.

25. GENERAL

Figures have been rounded off nearest to Rupee.



M O D A R A B A
CRESCENT STANDARD MODARABA

Pattern of Shareholding as at June 30, 2007

Number of Shareholders	Shareholding			Total Shares Held
	From	To		
39	1	100	3,900	0.02%
1136	101	500	558,400	2.79%
39	501	1000	36,700	0.18%
35	1001	5000	97,400	0.49%
20	5001	10000	188,000	0.94%
7	10001	15000	89,600	0.45%
5	15001	20000	89,800	0.45%
1	20001	25000	21,500	0.11%
1	25001	30000	29,200	0.15%
1	40001	45000	40,500	0.20%
1	45001	50000	46,700	0.23%
1	95001	100000	100,000	0.50%
1	300001	305000	300,500	1.50%
1	340001	345000	345,000	1.73%
1	1995001	2000000	2,000,000	10.00%
1	16050001	16055000	16,052,800	80.26%
1290			20,000,000	100%

S NO.	CATEGORIES OF SHAREHOLDERS	NO. OF SHAREHOLDERS	SHARES HELD	%
1	Financial Institutions	5	32,400	0.16%
2	Individual	1268	17,095,000	85.48%
3	Insurance Companies	1	2,700	0.01%
4	Investment Companies	10	801,200	4.01%
5	Joint-Stock Companies	3	21,000	0.11%
6	Modaraba Companies	3	2,047,700	10.24%
		1290	20,000,000	100.00%

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