



Managed by B.R.R. Investments (Private) Limited

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## CORPORATE INFORMATION

Modaraba Company	B.R.R. Investments (Private) Limited
Chairman	Mr. Rafique Dawood
Chief Executive	Mr. Ayaz Dawood
Directors	Mr. Majid Dawood Mr Farouq Habib Rahimtoola
Audit Committee	Mr Farouq Habib Rahimtoola - Chairman Mr. Rafique Dawood - Member Mr. Majid Dawood - Member
Chief Operating Officer	Mr. Saeed Siddiqui
Chief Financial Officer	Syed Tariq Masood
Company Secretary	Mr Tahir Mahmood
Auditors	M. Yousuf Adil Saleem & Company Chartered Accountant
Legal Advisor	Rauf Ghaffar Law Associate Malik & Maliks
Bankers	Dawood Islamic Bank Silk Bank Limited MCB Bank Limited
Web-site	<a href="http://www.firstdawood.com/csm">www.firstdawood.com/csm</a>
Registered Office & Head Office	1500-A, Saima Trade Towers, I.I Chundrigar Road, Karachi-74000 UAN : 111-DAWOOD (111-329-663) Fax : 92-21-227-1913
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 curb interest based financial systems, thereby facilitating establishment of an equitable economic system.

# **CRESCENT STANDARD MODARABA**

(An Islamic Financial Institution)  
Managed by B.R.R. Investments (Pvt) Ltd.

## **NOTICE OF ANNUAL REVIEW MEETING (ARM)**

The Board of Directors of B.R.R Investments (Pvt.) Limited in their meeting held on October 5, 2010 have declared Final Profit Distribution of Crescent Standard Modaraba @ Rs.0.12 i.e. 1.20% per Modaraba Certificate of the par value of Rs.10/- each for the year ended June 30, 2010.

To determine the names of Certificate Holders entitled to receive Final Cash Profit and to attend the Annual Review Meeting, the Certificate Transfer Book will remain closed from October 24, 2010 to October 30, 2010 (both days inclusive). Transfers received in order at the Registrar Office, F.D. Registrar Services (SMC-Pvt) Ltd at 17<sup>th</sup> Floor, Saima Trade Tower – A, I.I. Chundrigar Road, Karachi, before the close of business hours on October 23, 2010 will be treated in time for the entitlement of dividend. Further Certificate Holders are advised to notify to the Registrar Office of any change in their address.

The Annual Review Meeting of Certificate Holders of Crescent Standard Modaraba will be held at 1500-A, Saima Trade Tower I.I. Chundrigar Road Karachi on Saturday October 30, 2010 at 9:30 a.m. to review the performance of the Modaraba for the year ended June 30, 2010.

October 8, 2010  
Karachi

BY ORDER OF THE BOARD

**Tahir Mehmood**  
Company Secretary



Directors' Report

## Crescent Standard Modaraba

Managed by B.R.R. Investments (Private) Limited

**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 ('BRRI' 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, 2010.

### **Profit for the Year**

During the period the Modaraba earned a profit of Rs 5.02 million as compared to Rs 1.76 million in the same period last year.

### **Recovery Position**

We are pleased to inform you that management has been able to recover a total of Rs 91.76 Million, including Rs 10.50 million in the current year from its debtors.

### **Profit Distribution**

Keeping in view the current year profit we are pleased to distribute 1.20% cash dividend, this is the first distribution since 1994. This will enable the modaraba to be removed from the defaulters counter of the Karachi Stock Exchange (Guarantee) Limited.

### **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, 2010. 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 on reasonable and prudent judgment.
- 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 68,000 in the provident scheme.

### **Post Balance Sheet Events**

No circumstances have arisen since the Balance Sheet date, which require adjustment to be disclosed 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 transaction are determined in accordance with "comparable uncontrolled price method" (CUP).

### **Auditors Observations**

In view of lack of information and documents available at the time of takeover by present management, 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.

### **Auditors**

The present Auditors M.Yousuf Adil Saleem & Co.,Chartered Accountants are due for retirement and not eligible for the reappointment for the reason of the compulsory requirement in rotation of Auditors as decreed by the Code of Corporate Governance. Therefore the Audit Committee has recommended and Board of Directors has approved the appointment of Ford Rhodes Sidat Hyder & Co. Chartered Accountants for the year ending June 30, 2010 subject to the approval of the Registrar Modaraba Companies and Modarabas.

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

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After taking over of the management, our main focus is the recovery from various debtors.

### **Board Meetings**

The status of the Board meetings during the current year is as follows:

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

### **Pattern of Shareholding**

The pattern of shareholding as on June 30, 2010 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 intends to improve the profitability next year.

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

Karachi

October 05,2010

**Rafique Dawood**  
Chairman

# **Crescent Standard Modaraba**

(Managed by B.R.R Investments (Private) Limited)

## **STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2010.**

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 a 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 Crescent Standard 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.

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

1. The Management Company encourages representation of independent non-executive directors on its Board of Directors. At present, the Board includes three non-executive directors.
2. The directors of the Management Company have confirmed that none of them is serving as a director in more than ten listed companies.
3. All the directors of the Management Company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a Development Financial Institution, or a Non Banking Financial Institution and none of them is a member of a Stock Exchange.
4. A casual vacancy occurred in the Board on December 29, 2009 and was filled up by the directors on the same day.
5. The Management Company has prepared a “Statement of Ethics and Business Practices”, which has been signed by all the directors of the Management Company and employees of the Modaraba.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Modaraba. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board has been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of the Chief Executive Officer and other executive directors have been taken by the Board.
8. The related party transactions and pricing method have been placed before the audit committee and approved by the Board with necessary justification for terms and pricing methods for transactions that were made on terms equivalent to those prevail in the arm’s length transactions.
9. The meetings of the Board were presided over by the Chairman. The Board met at least once in 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.
10. Two directors from the Board has attended orientation courses during the year, however all the directors of the Management Company have been provided with copies of the Listing Regulations, Code of Corporate Governance, Modaraba Rules, Company’s Memorandum and Articles of Association, Modaraba Prospectus and all other relevant rules and regulations and hence are conversant of the relevant laws applicable to the Company and the Modaraba.



11. No new appointment of CFO or Company secretary has been made during the year. The Board has approved the appointment of Internal Auditors including its remuneration and terms and conditions of employment as determined by the Chief Executive Officer.
12. The directors' report 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 and signed by the Chief Executive Officer and Chief Financial Officer before the approval of Board.
14. The directors, Chief Executive Officer and executives do not hold any interest in the certificates of the Modaraba other than that disclosed in the pattern of certificate holdings.
15. The Modaraba has complied with all the corporate and financial reporting requirements of the Code.
16. The Board has formed an Audit Committee. It comprises of three members, of whom two are non executive directors including the Chairman of the Committee.
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 for compliance.
18. The Board has appointed a firm of Chartered Accountants, as Internal Auditors of the Modaraba and has also approved their terms and conditions for the period starting from July 01 2009. They are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Modaraba.
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 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 Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with 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.

October 5, 2010

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

**Ayaz Dawood**  
Chief Executive Officer

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 CERTIFICATE HOLDERS ON STATEMENT OF COMPLIANCE WITH THE 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. INVESTMENT (PRIVATE) LIMITED** (the management company) representing **CRESCENT STANDARD MODAABA** to comply with the Listing Regulations of 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 management company of the Modaraba. 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's personnel and review of various documents prepared by the Modaraba to comply with the Code.

As part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We 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.

Further, Listing Regulations of the Stock Exchange where the Modaraba is listed, require the Modaraba to place before the Board of Directors for their consideration and approval of related party transactions distinguishing 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 recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to enable us to express an opinion as to determine whether the related party transactions were under taken 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 Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2010.

**Chartered Accountants**

**Karachi**

**Date: October 05, 2010**

# 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

## AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We were engaged to audit the annexed balance sheet of **CRESCENT STANDARD MODARABA** as at June 30, 2010 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 October 01, 2009 on the financial statements of the Modaraba for the year ended June 30, 2009 mentioned below, 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 and effects of these matters remain same in the current year balances.
- I. 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 provision for doubtful receivable against it amounted to Rs 1.090 as disclosed in Note 13.1 to the financial statements.
  - II. No supporting documents have been made available to us to verify the advances, deposits and other receivable amounting to Rs. 101.653 against which full provision has been made in the financial statements as disclosed in Note 10 to the financial statements.
  - III. No credit files and supporting documents against financing of Rs.12.084 million were made available to us to verify the Musharaka and Morabaha financings against which full provision has been made in the financial statements (refer Note 6 and 7 to the financial statements).

- IV. 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 (refer Note 12 to the financial statements).
  - V. We were not provided with any supporting documents to verify the contingencies shown under Note 14.1, 14.2 and 14.3 to the financial statements.
- b) Further during the year an amount of Rs 12.162 million has been disbursed as unsecured Musharika facility, which is a non compliance of Modaraba Regulation part II of 7(4) which requires that no Modaraba shall allow unsecured facilities or facilities that are not backed by bank guarantees.

Because of the significance of the matters discussed in the preceding paragraphs "a" and "b" above, we do not express an opinion on the attached financial statements of the Modaraba for the year ended June 30, 2010.

**Chartered Accountants**

**Engagement Partner**  
Mushtaq Ali Hirani

Karachi  
Date: October 05, 2010

**CRESCENT STANDARD MODARABA**  
**BALANCE SHEET**  
**AS AT JUNE 30, 2010**

	<i>Note</i>	<i>2010</i> <i>Rupees</i>	<i>2009</i> <i>Rupees</i>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Bank Balances	5	20,812,016	16,490,129
Musharaka Finance	6	23,629,162	6,500,000
Morabaha Finance	7	-	-
Short Term Investments	8	44,589,305	55,226,111
Trade Debts	9	40,210,401	50,710,401
Advances, Deposits and Other Receivables	10	5,408,589	4,524,794
		<u>134,649,473</u>	<u>133,451,435</u>
<b>Non Current Assets</b>			
Musharaka Finance	6	22,197,007	-
Property and Equipments - Ijarah	11	2,285,117	-
<b>TOTAL ASSETS</b>		<b><u>159,131,597</u></b>	<b><u>133,451,435</u></b>
<b>Current Liabilities</b>			
Musharaka Finance Under Markup Arrangements	12	40,454,094	22,454,094
Accrued Expenses and Other Liabilities		3,428,028	656,557
Unclaimed Dividend		69,014	69,014
		<b><u>43,951,136</u></b>	<b><u>23,179,665</u></b>
<b>Non Current Liabilities</b>			
Security Deposits		150,200	-
<b>Contingencies and Commitments</b>			
<b>Net Assets</b>	13	<b><u>115,030,261</u></b>	<b><u>110,271,770</u></b>
<b>REPRESENTED BY:</b>			
Certificate Capital	14	200,000,000	200,000,000
Statutory Reserve	15	7,949,958	5,437,852
Accumulated Loss		(92,023,894)	(94,536,000)
Unrealized Deficit on Revaluation of Investment		(895,803)	(630,083)
		<b><u>115,030,261</u></b>	<b><u>110,271,770</u></b>

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

**Chief Executive Officer**

**Director**

**Director**

B. R. R. Investments (Private) Limited

**CRESCENT STANDARD MODARABA**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	<i>Note</i>	<b>2010</b> <i>Rupees</i>	<b>2009</b> <i>Rupees</i>
<b>INCOME</b>			
Income on Musharka and Morabaha Finance		3,979,451	3,184,958
Ijarah Rentals		468,070	-
Income on Short term Investments - net	16	8,543,009	967,246
Income on Balances with Bank		2,035,047	66,284
Reversal of Provision against Doubtful Receivables		-	5,000
Other Income		42,611	-
		15,068,188	4,223,488
<b>EXPENDITURE</b>			
Amortization on Ijarah Assets		347,384	-
Operating Expenses	17	5,982,528	1,997,802
Financial Charges	18	1,615,609	7,161
		7,945,521	2,004,963
Loss on Remeasurement of Investments - Held for Trading		413,050	260,813
Impairment Loss on 'Available for Sale Investment		1,127,159	-
		9,485,730	2,265,776
		5,582,458	1,957,712
Modaraba's Company Management Fee		558,246	195,771
<b>PROFIT BEFORE TAXATION</b>		5,024,212	1,761,941
Provision for Taxation	19	-	-
<b>PROFIT FOR THE YEAR</b>		5,024,212	1,761,941
<b>OTHER COMPREHENSIVE INCOME</b>			
Unrealized (Deficit) / Surplus on Remeasurement of - Available for Sale Investments		(265,720)	680,770
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		5,289,932	1,081,171
<b>EARNINGS PER CERTIFICATE - BASIC AND DILUTED</b>	20	0.25	0.09

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

**Chief Executive Officer**

**Director**

**Director**

B. R. R. Investments (Private) Limited

**CRESCENT STANDARD MODARABA**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	<b>2010</b>	<b>2009</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit Before Taxation	5,024,212	1,761,941
Adjustments for Non-cash Items:		
Amortization on Ijarah Assets	347,384	-
Loss on Remeasurement of Investment - Held for Sale	413,050	(260,813)
Impairment Loss on 'Available for Sale Investment	1,127,159	-
Depreciation - Owned	-	46,667
Income on Asset Repossessed	-	91,497
Profit on Disposal of Propert, Plant and Equipment - Ijarah	(17,111)	-
Profit on Musharaka Under Mark up Arrangement	1,596,329	-
	3,466,811	(122,649)
(Increase) / Decrease in Current Assets		
Trade Debts	10,500,000	34,000,000
Advances, Deposits and Other Receivables	(883,795)	(4,493,287)
	9,616,205	29,506,713
Increase / (Decrease) in Current Liabilities		
Accrued Expenses and Other Liabilities	1,175,142	71,678
	1,175,142	71,678
Net Cash Flows Generated from Operating Activities	19,282,370	31,217,683
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Short Term Investments	8,830,877	(32,279,947)
Investment made Under Musharaka Finance	(39,326,169)	762,738
Property and Equipment - Ijarah	(4,242,000)	-
Security Deposits	150,200	-
Proceeds on Disposal of Property and Equipment - Ijarah	1,626,610	180,000
Net Cash Flows Used in Investing Activities	(32,960,482)	(31,337,209)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Musharaka Finance Under Markup Arrangement	18,000,000	-
Net Cash Flows Generated from Financing Activities	18,000,000	-
Net Increase in Cash and Cash Equivalents (A + B+ C)	4,321,888	402,100
Cash and Cash Equivalents at Beginning of the Year	16,490,129	16,088,029
Cash and Cash Equivalents at End of the Year	20,812,017	16,490,129

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

**Chief Executive Officer**

**Director**

**Director**

B. R. R. Investments (Private) Limited

**CRESCENT STANDARD MODARABA**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	<i>Certificate capital</i>	<i>* Statutory reserve</i>	<i>Surplus on revaluation of Investments</i>	<i>Accumulated loss</i>	<i>Total</i>
	-----Rupees-----				
<b>Balance at July 01, 2008</b>	200,000,000	4,556,882	(1,310,853)	(95,416,970)	107,829,059
Profit for the Year Ended June 30, 2009	-	-	-	1,761,941	1,761,941
<b>Other Comprehensive Income</b>					
Unrealized Surplus on Remeasurement of Available for Sale Investment	-	-	680,770	-	680,770
Transfer to Statutory Reserve for the Year Ended June 30, 2009	-	880,970	-	(880,970)	-
<b>Balance at June 30, 2009</b>	200,000,000	5,437,852	(630,083)	(94,536,000)	110,271,770
Profit for the Year Ended June 30, 2010	-	-	-	5,024,212	5,024,212
<b>Other Comprehensive Income</b>					
Unrealized Deficit on Remeasurement of Available for Sale Investment	-	-	(265,720)	-	(265,720)
Transfer to Statutory Reserve for the Year Ended June 30, 2010	-	2,512,106	-	(2,512,106)	-
<b>Balance at June 30, 2010</b>	200,000,000	7,949,958	(895,803)	(92,023,894)	115,030,262

\* Statutory reserve represents profit set aside to comply with the Prudential Regulation for Modaraba issued by Securities Exchange Commission of Pakistan.

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

**Chief Executive Officer**

**Director**

**Director**

B. R. R. Investments (Private) Limited



**CRESCENT STANDARD MODARABA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010**

**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 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 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, musharaka & morabaha finance, 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) 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.

The 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 Adoption of new International Financial Reporting Standards**

In the current period, the Modaraba has adopted all new Standards issued by the IASB and as notified by the Securities and Exchange Commission of Pakistan that are relevant to its operations and effective for Moradabad's accounting period beginning on July 01, 2009.

**Standards affecting presentation and disclosure**

**Effective for accounting period  
beginning on or after**

*IAS 1 (revised) - Presentation of Financial Statements*

*January 01, 2009*

IAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity. It requires non-owner changes in equity to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the profit and loss account and statement of comprehensive income). Where entities restate or reclassify comparative information, they are required to present a restated statement of financial position as at the beginning of comparative period, in addition to the current requirement to present statements of financial position at the end of the current period and comparative period. The Modaraba has applied IAS 1 (revised) from July 1, 2009, and has elected to present one statements( profit and loss).

Comparative information has been re- presented so that it is also in confirmity with the revised standard.

*IFRS 8 - Operating Segments*

*January 01, 2009*

IFRS 8 replaces IAS 14 and requires a ‘management approach’, under which segment information is presented on the same basis as that used for internal reporting purposes. The modaraba considers itself as a single operating segment modaraba and the modaraba’s performance is evaluated on an overall basis. The adoption of this standard has no impact on the modaraba’s financial statement.

*Improving Disclosures about Financial Instruments (Amendments to IFRS 7  
Financial Instruments: Disclosures)*

*January 01, 2009*

The amendments to IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The modaraba has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional reliefs offered in these amendments.

The amended standard requires additional disclosures about the fair value measurement and liquidity risk. Fair value measurement related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance of level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in Note 23.4. The liquidity risk disclosures are presented in Note 23.1.

As the change in accounting policies above only results in additional disclosures, there is no impact on earnings per share.

**2.2 Standards and Interpretations adopted with no effect on the financial statements**

*IAS 20 - Accounting for Government Grants and Disclosure of Government Assistance*

*January 01, 2009*

*IAS 23 - Borrowing Costs*

*January 01, 2009*

*IFRS 2 - Share-based Payment : Vesting Conditions and Cancellations*

*January 01, 2009*

*IFRS 3 - Business Combinations (Revised) and IAS 27 - Consolidated and Separate Financial Statements (Amended) includong consequential amendments to IFRS 7, IAS 21, IAS 28, IAS 31 and IAS 39*

*July 01, 2009*

*IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations*

*July 01, 2009*

*IAS 32- Financial Instruments : Presentation and IAS 1 Puttable Financial Instruments and Obligations arising on Liquidation*

*January 01, 2009*

*IAS 38 - Intangible Assets*

*January 01, 2009*

*IAS 39 - Financial Instruments : Recognition and Measurement - Eligible Hedged Items*

*July 01, 2009*

*IFRIC 9 - Remeasurement of Embedded derivatives and IAS 39 Financial Instruments : Recognition and Measurement*

*July 01, 2009*

*IFRIC 15 - Agreements for the Construction of Real Estate*

*January 01, 2009*

<i>IFRIC 17 - Distribution of Non-cash Assets to Owners</i>	<i>January 01, 2009</i>
<i>IFRIC 18 - Transfers of Assets from Customers</i>	<i>July 01, 2009</i>
<b>2.3 New accounting standards and IFRS interpretations that are not yet effective</b>	
<i>IFRS 9 - Financial Instruments</i>	<i>January 01, 2009</i>
<i>Amendments to IFRS 2 - Share based Payment</i>	<i>January 01, 2010</i>
<i>Amendments to IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations</i>	<i>January 01, 2010</i>
<i>Amendments to IAS 7 - Statement of Cash Flows</i>	<i>January 01, 2010</i>
<i>Amendments to IAS 24 - Related Party Disclosures</i>	<i>January 01, 2010</i>

### **3. BASIS OF PREPARATION**

#### **3.1 Accounting Conventions**

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.

#### **3.2 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 follow:

- i) classification of investments (Note 8)
- ii) provision for doubtful receivables (Note 6 and 7)
- iii) amortization of property and equipment - Ijarah (Note 11)
- iv) impairment of investments (Note 8)

### **4. SIGNIFICANT ACCOUNTING POLICIES**

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

#### **4.1 Property and equipment under Ijarah arrangements**

##### **4.1.1 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.

#### **4.1.2 Property and Equipment under Ijarah arrangements**

The assets subject to Ijarah are stated at cost less accumulated amortisation and impairment losses, if any. Amortisation is charged on these assets using straight line method over the Ijarah period which is from date of delivery of respective assets to mustajir upto the date of maturity / termination of Ijarah agreement . In respect of the addition or deletion during the year, amortisation is charged proportionately to the period of ijarah.

Allowance for non-performing leases is made in accordance with Prudential Regulations for Modarabas issued by the Securities and Exchange Commission of Pakistan (SECP) and is charged to the profit and loss account currently.

#### **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 Modaraba 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.

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 the period.

### *(ii) Ijarah rental income*

Modaraba adopt IFAS 'Ijarah' for all lease disbursements. Under this method the unearned income i.e. the excess of aggregate Ijarah rentals (including residual value) over the cost of the asset under Ijarah facility is deferred and then amortised over the term of the Ijarah, so as to produce a constant rate of return on net investment in the Ijarah.

**(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.

**(iv) Gain/losses on sale of investment**

Gains and losses on sale of investments are accounted for when their commitment (trade date) for sale of security is made.

**(v) Income on balance with bank**

Income on balances with bank are accounted when they are credit by the bank in the bank account.

**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. The charge for current taxation is based on taxable income at the current rates of taxation after taking into account tax credit and tax rebates realizable, if any. Under clause 100 of Part I of the Second Schedule to the Income Tax Ordinance, 2001, the non-trading income of modarabas is exempt from income tax, provided not less than 90% of its profits {after appropriation to statutory(mandatory) reserves as required under Modaraba Regulations} are distributed to the certificate holders.

***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.

**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 Staff provident fund

The Modaraba contributes to an approved group fund scheme covering all its employees who are eligible under the scheme. Equal monthly contributions are made by the Modaraba and the employees to the fund at 6.67% of the basic salary.

	<i>Note</i>	<i>2010 Rupees</i>	<i>2009 Rupees</i>
<b>5. CASH AND BANK BALANCES</b>			
Cash in hand		5,000	4,098
With banks in:			
Current accounts		80,845	120,806
PLS saving accounts	5.1	21,816,404	17,455,458
Provision for doubtful receivables	5.2	(1,090,233)	(1,090,233)
		<u>20,726,171</u>	<u>16,365,225</u>
		<u>20,812,016</u>	<u>16,490,129</u>

5.1 Effective mark-up rate in respect of PLS accounts ranges from 3% to 11% (2009: 2.5% to 5.5%) per annum.

5.2 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. MUSHARAKA FINANCE

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

	<i>Note</i>	<i>2010 Rupees</i>	<i>2009 Rupees</i>
Considered good	6.1	45,826,169	6,500,000
Considered doubtful		10,182,339	10,182,339
		<u>56,008,508</u>	<u>16,682,339</u>
Less: provision for doubtful receivables		(10,182,339)	(10,182,339)
Less: long term portion of Musharaka finance		(22,197,007)	-
		<u>23,629,162</u>	<u>6,500,000</u>

6.1 The expected profit receivable on these arrangements ranging from 14% to 17.41% (2009: 14.5% to 19%). The arrangement is secured against hypothecation charge on all stocks and receivables of the company and lien on cash deposited with a financial institution. These finance are receivable on various dates up to December 31, 2014.

## 7. MORABAHA FINANCE

These are placed under morabaha investment agreements at provisional profit rates ranging from 15% to 18.70% (2009 : 15% to 18.70%) per annum.

	<i>Note</i>	<i>2010</i> <i>Rupees</i>	<i>2009</i> <i>Rupees</i>
Considered doubtful - unsecured		1,902,053	1,902,053
Less: provision for doubtful receivables		(1,902,053)	(1,902,053)
		<u>-</u>	<u>-</u>

### 7.1 Movement of Provision

Opening balance	1,902,053	1,907,053
Reversals during the year	-	(5,000)
Closing balance	<u>1,902,053</u>	<u>1,902,053</u>

## 8. SHORT TERM INVESTMENTS

- Held for trading at fair value through profit or loss	8.1	1,589,238	234,994
- Available for sale	8.2	43,000,067	54,991,117
		<u>44,589,305</u>	<u>55,226,111</u>

### 8.1 Held for trading at fair value through Profit or Loss

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

<i>2010</i> <i>No. of Shares / Units</i>	<i>2009</i> <i>No. of Shares / Units</i>	<i>Name of Investee</i>	<i>2010</i> <i>Rupees</i>	<i>2009</i> <i>Rupees</i>
<b>Financial Services</b>				
5,000	-	Arif Habib Securities Limited	166,050	-
<b>Banks</b>				
97	15,197	NIB Bank Limited	290	72,185
-	9,308	Standard Chartered Bank (Pakistan) Limited	-	79,025
<b>Personal Goods</b>				
462	462	Kohinoor Textile Mills Limited	2,596	2,042
15,027	27	Nishat Mills Limited	647,964	1,021
140	140	Saif Textile Mills Limited	346	560
<b>Construction and Material</b>				
25	25	D.G. Khan Cement Limited	590	742
300	300	Lucky Cement Limited	18,642	17,559
<b>Chemicals</b>				
5,000	-	ICI Pakistan Limited	592,800	-
10,664	6,000	United Distributors Pakistan Limited	159,960	61,860
			<u>1,589,238</u>	<u>234,994</u>

### 8.2 Available For Sale



2010 No. of Shares / Units	2009 No. of Shares / Units	Name of Investee	2010 Rupees	2009 Rupees
<b>Investment in debt securities</b>				
1,900	1,900	Haq Bahoo Suger Mills Limited - Sukuk	7,125,000	9,500,000
1,400	1,400	Eden Housing Limited - Sukuk	4,429,091	6,808,200
1,013	1,013	Avari Hotel Limited - TFC	4,697,135	5,065,000
1,000	1,000	Trust Investment Bank Limited- TFC	3,946,902	4,771,360
-	1,600	Al-Zamin Leasing Modaraba Limited	-	3,060,969
400	400	Al-Zamin Leasing Corporation Limited	1,600,000	2,000,000
2,999	2,999	Pace Pakistan Limited	14,245,957	12,445,850
908	908	Worldcall Telecom Limited	2,227,854	3,884,312
1,499	1,499	Escort Investment Bank Limited	4,728,128	7,455,426
			43,000,067	54,991,117

<b>8.2.1</b> Cost of investment - Available for sale	45,023,029	55,621,200
Market value of investment	43,000,067	54,991,117
Difference of cost and market value	2,022,962	630,083
Represented by:		
Unrealized deficit charged to statement of changes in equity	895,803	630,083
Impairment loss charged to profit and loss account	1,127,159	-
	2,022,962	630,083

## 9. TRADE DEBTS

Local sale - secured - considered good	9.1	40,210,401	50,710,401
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9.1 It is secured against pledge of jute stock valuing Rs 41.267 million.

## 10. ADVANCES, DEPOSITS AND OTHER RECEIVABLES

### Considered Good

Accrued profit	5,151,420	4,491,908
Dividend receivable	20,240	-
Advance income tax	236,929	32,886
	5,408,589	4,524,794

### Considered Doubtful

Advance for purchases	90,387,701	90,387,701
Security deposit	25,000	25,000
Accrued profit	7,715,387	7,715,387
Advance income tax	136,822	136,822
Sales tax receivable	3,350,922	3,350,922
Other receivables	37,592	37,592
	101,653,424	101,653,424

Less: provision for doubtful receivables	(101,653,424)	(101,653,424)
	5,408,589	4,524,794

<i>Note</i>	<b>2010</b>	<b>2009</b>
	<b>Rupees</b>	<b>Rupees</b>

**11. PROPERTY AND EQUIPMENT - IJARAH**

	<i>Cost</i>		<i>Depreciation</i>			<i>Book Value as at June 30, 2010</i>	
	<i>As at July 1, 2009</i>	<i>Additions / (Disposals)</i>	<i>As at June 30, 2010</i>	<i>Accumulated as at July 1, 2009</i>	<i>For the year</i>		<i>Accumulated as at June 30, 2010</i>
<i>&lt; ----- Rupees ----- &gt;</i>							
Machinery	-	835,000	835,000	-	83,500	83,500	751,500
Vehicle	-	3,407,000	1,667,000	-	263,884	133,383	1,533,617
		(1,740,000)			(130,501)		
		4,242,000			347,384		
<b><i>Rupees June 30, 2010</i></b>	-	(1,740,000)	2,502,000	-	(130,501)	216,883	2,285,117
<b><i>Rupees June 30, 2009</i></b>	-	-	-	-	-	-	-

**11.1 Disposal of tangible fixed assets**

	<i>Cost</i>	<i>Accumulated Depreciation</i>	<i>Written down Value</i>	<i>Disposal proceed</i>	<i>Profit</i>	<i>Mode of Disposal</i>	<i>Particulars of Purchaser</i>
Vehicle	1,740,000	130,501	1,609,499	1,626,610	17,111	Negotiation	Mr. Muhammad Ali Bukhari

## 12. MUSHARAKA FINANCE UNDER MARKUP ARRANGEMENTS

Opening balance	12.1	22,454,094	22,454,094
Add: funds obtained during the year	12.2	18,000,000	-
		<u>40,454,094</u>	<u>22,454,094</u>

**12.1** These represents funds received under musharaka arrangements on profit and loss sharing basis. Pending complete information and documents, no accrual for profit payable, if any has been made on this amount.

**12.2** The Modaraba has entered into Musharaka agreement with the Financial Institution. These Musharaka arrangements are on profit sharing basis and payable upto October 23, 2010. The expected profit payable on this arrangement is 13%.

## 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 Innovative Investment Bank Limited (formally 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.171,143,350/- along with the mark up thereon on or before February 10, 2007. During the year plaintiff - Innovative Investment Bank Limited has sent all the agreements and supporting documents relating to above matter. Further plaintiff has also filed a petition against the modaraba.

**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

### *Authorised*

25,000,000 Certificates of Rs.10/- each	<u>250,000,000</u>	<u>250,000,000</u>
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### *Issued, subscribed and paid-up*

2010                      2009

### *Number of Certificates*

20,000,000      20,000,000	Modaraba certificates of Rs.10/- each issued as fully paid in cash	<u>200,000,000</u>	<u>200,000,000</u>
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## 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:

- a) 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
- b) 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>2010</b>	<b>2009</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>16. INCOME ON INVESTMENT - NET</b>		
Loss on sale of investment - held for trading at fair value through profit and loss	(70,957)	(4,271,477)
Income from Investment in unlisted debt securities	8,551,226	5,238,723
Dividend income	62,740	-
	<u>8,543,009</u>	<u>967,246</u>

**17. OPERATING EXPENSES**

Salaries, allowances and benefits	3,871,505	1,119,430
Printing and stationery	65,412	63,809
Subscription	185,847	104,750
Commission or brokage	-	26,602
Insurance	24,000	14,072
Advertisement	10,000	12,000
Auditors' remuneration (Note 17.1)	419,300	315,000
Legal and Professional (Note 17.2)	1,240,000	199,000
Depreciation	-	46,667
Workers' welfare fund	154,901	-
Others	11,563	96,472
	<u>5,982,528</u>	<u>1,997,802</u>

**17.1 Auditors' remuneration**

Statutory Audit Fee	250,000	250,000
Half Yearly Review Fee	50,000	50,000
Sundry Advisory Services	50,000	-
Out of Pocket Expenses	69,300	15,000
	<u>419,300</u>	<u>315,000</u>

**17.2** This includes professional fee paid to Lawyer to contest Innovative Investment Bank Limited case (Refer note 13.2)

**18. FINANCIAL CHARGES**

Profit on Finance Under Musharak Arrangement	1,596,329	-
Bank Charges	19,280	7,161
	<u>1,615,609</u>	<u>7,161</u>

**19. PROVISION FOR TAXATION**

The income of non-trading modarabas is exempt from tax under clause 100 of the second schedule of the Income Tax Ordinance 2001, provided not less than 90% of its profits {after appropriation to statutory(mandatory) reserves as

required under Modaraba Regulations} are distributed to the certificate holders. Return of income for the tax year 2009 has duly been filed and assessment up to the tax year 2009 is deemed to be finalised in term of section 120 of the

Deferred tax assets due to brought forward losses is not accounted for as management of the modaraba has intention to avail this tax exemption under the said clause.

## 20. EARNINGS PER CERTIFICATE

### - Basic / Diluted

		<b>2010</b>	<b>2009</b>
Profit for the year	<b>Rs.</b>	5,024,212	1,761,941
Weighted average number of certificates		20,000,000	20,000,000
Earnings per certificate	<b>Rs.</b>	0.25	0.09

20.1 There were no convertible dilutive potential ordinary certificates outstanding on June 30, 2010 and 2009.

## 21. REMUNERATION OF OFFICERS AND OTHER EMPLOYEES

	<i>Officers</i>		<i>Other Employees</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	<----- Rupees ----->			
Remuneration	1,180,144	-	1,321,924	755,271
Allowances	482,031	-	549,897	314,179
Medical	15,000	-	185,305	36,000
Provident fund contribution	63,996	-	73,208	13,980
	<u>1,741,171</u>	<u>-</u>	<u>2,130,334</u>	<u>1,119,430</u>
Number of Employees at the end of the year	<u>1</u>		<u>3</u>	<u>3</u>

## 22. FUTURE MINIMUM LEASE RENTALS RECEIVABLE

Future minimum lease rentals receivable on the basis of lease agreements executed up to June 30, 2010 are as follows: -

	<b>2010</b>	<b>2009</b>
	<b>Rupees</b>	<b>Rupees</b>
Receivable - Not Later than One Year	859,740	-
Receivable - Later than One Year and Not Later than Five Years	<u>1,987,010</u>	
	<u>2,846,750</u>	<u>-</u>

## 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 management, Modaraba is not carrying out any significant 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.

	<i>2010</i>	<i>2009</i>
	<i>Rupees</i>	<i>Rupees</i>
<b>Financial instruments by Category</b>		
<b>Financial assets as per balance sheet</b>		
<b>Available for sale</b>		
Short Term Investments	43,000,067	54,991,117
<b>Held for trading</b>		
Short Term Investments	1,589,238	234,994
<b>Loans and receivables</b>		
Musharaka Finance	45,826,169	6,500,000
Morabaha Finance	-	-
Trade Debts	40,210,401	50,710,401
Advances, Deposits and Other Receivables	5,408,589	4,524,794
	<u>136,034,464</u>	<u>116,961,306</u>
<b>Financial liabilities as per balance sheet</b>		
Musharaka Finance Under Markup Arrangements	40,454,094	22,454,094
Accrued Expenses and Other Liabilities	3,428,028	656,557
Security Deposits	150,200	-
Unclaimed Dividend	69,014	69,014
	<u>44,101,336</u>	<u>23,179,665</u>

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

### 23.1 Liquidity Risk Management

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Modaraba has minimal liquidity risk as it maintains sufficient cash and short-term investments for operations through prudent liquidity risk management.

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

#### 23.1.1 Liquidity and Interest Risk

The following tables detail the Modarabas's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Modaraba can be required to pay. The table includes both interest and principal cash flows.

<i>Less than 6 months</i>	<i>6 months - 1 year</i>	<i>1 - 5 years</i>	<i>More than 5 years</i>	<i>Total Contractual</i>
<i>&lt;----- Rupees -----&gt;</i>				

2010

Musharaka Finance Under Markup Arrangements	40,454,094	-	-	-	40,454,094
Accrued Expenses and Other Liabilities	2,411,786	1,016,241	-	-	3,428,027
Security Deposits	-	-	150,200	-	150,200
Unclaimed Dividend	69,014	-	-	-	69,014
	<u>42,934,894</u>	<u>1,016,241</u>	<u>150,200</u>	<u>-</u>	<u>44,101,335</u>

## 2009

Musharaka Finance Under Markup Arrangements	22,454,094	-	-	-	22,454,094
Accrued Expenses and Other Liabilities	468,272	-	188,286	-	656,558
Security Deposits	-	-	-	-	-
Unclaimed Dividend	69,014	-	-	-	69,014
	<u>22,991,380</u>	<u>-</u>	<u>188,286</u>	<u>-</u>	<u>23,179,666</u>

### 23.2 Credit Risk and Concentration of Credit

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Modaraba's management of counterparty and credit exposure is described below.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the balance sheet date as follows;

	<i>2010</i> <i>Rupees</i>	<i>2009</i> <i>Rupees</i>
Musharaka Finance	56,008,508	16,682,339
Morabaha Finance	1,902,053	1,902,053
Short Term Investments	44,589,305	55,226,111
Trade Debts	40,210,401	50,710,401
	<u>142,710,267</u>	<u>124,520,904</u>

Currently modaraba is dealing in very limited creditworthy counterparties with sufficient collaterals as a means of mitigating the list of risk of financial loss from default. Credit risk from balances with banks and financial institutions is managed by finance department in accordance with the Modaraba's policy. Credit limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty failure.

The Modaraba manages credit risk and its concentration through diversification of activities to avoid undue concentration of risks with individuals, groups or specific industry segments. For this purpose, the Modaraba has established exposure limits for individuals and industrial sectors.

### 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.

<i>Interest bearing financial instruments</i>	<i>June 30, 2010</i>	<i>June 30, 2009</i>
Musharaka Finance Under Markup Arrangements	40,454,094	22,454,094

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.

Currently Modaraba has only one interest bearing liability which at a fixed rate of 13% maturing on Oct 24, 2010.

### **22.3.2 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 increase to only Rs.1.589 from Rs.0.234 million in 2010. An Increase / (decrease) of 5% on the KSE market index would have an impact of approximately Rs.0.0795 million (2009: Rs 0.017 million) on the surplus / (deficit) on Revaluation of Investments attributable to the Modaraba.

### **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.

#### ***Fair value hierarchy***

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

Level 3 : inputs for the asset or liability that are not based on observable market data (unobservable inputs).

<b>June 30, 2010</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
	----- Rupees -----		
<b>Assets carried at fair value</b>			
Available for sale investments	-	-	43,000,067
<b>June 30, 2009</b>			
<b>Assets carried at fair value</b>			
Available for sale investments	-	-	54,991,117



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

#### 24. 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.

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

	<b>2010</b>	<b>2009</b>
	<b>Rupees</b>	<b>Rupees</b>
Debts	40,454,094	22,454,094
Cash and cash equivalents	20,812,016	16,490,129
Net debt	<u>19,642,078</u>	<u>5,963,965</u>
Equity	<u>115,030,261</u>	<u>110,271,770</u>
Net Debt to Equity Ratio	15 : 85	5 : 95

#### 25. 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 23, is given below: -

<b>Relationship with the Company</b>	<b>Nature of Transactions</b>	<b>2010</b>	<b>2009</b>
		<b>Rupees</b>	<b>Rupees</b>
Management Company	Management Fee	558,240	195,771
First Dawood Investment Bank Limited	Purchase of Unlisted Debt Securities	-	37,214,799
BRR Guardian Modaraba	Purchase of Unlisted Debt Securities	-	12,087,883
	Payment of Sharing Expenses	3,576,680	861,330

#### 26. SEGMENT REPORTING

The Company considers itself as a single operating segment company and the modaraba's performance is evaluated on an overall basis. Therefore, no segments are reported.

**27. NON-ADJUSTING EVENTS AFER THE BALANCE SHEET DATE**

The Board of Directors have approved profit distribution of Rs. 2,400,000/ at the rate of 1.20 % ( Rs.0.12 per certificate of Rs 10) for the year ended June 30, 2010.These financial statements do not reflect this distribution.

**28. DATE OF ISSUE**

These financial statements were authorised for issue on October 05,2010 by the Board of Directors of the B.R.R. Investments (Private) Limited.

**29. GENERAL**

Figures have been rounded of nearest to Rupee.

**Chief Executive Officer**

**Director**  
B. R. R. Investments (Private) Limited

**Director**

## CRESENT STANDARD MODARABA

Pattern of Shareholding As On 30-June-2010

Number of Certificate Holders	Certificate Holding			Total Certificate Held
	From		To	
63	1	-	100	4364
1198	101	-	500	584,986
105	501	-	1,000	100,022
236	1,001	-	5,000	747,144
110	5,001	-	10,000	941,216
37	10,001	-	15,000	504,338
23	15,001	-	20,000	423,791
25	20,001	-	25,000	592,733
7	25,001	-	30,000	196,742
6	30,001	-	35,000	190,941
11	35,001	-	40,000	424,197
2	40,001	-	45,000	90,000
16	45,001	-	50,000	781,648
2	50,001	-	55,000	103,375
6	55,001	-	60,000	342,875
3	60,001	-	65,000	182,505
1	65,001	-	70,000	70,000
1	70,001	-	75,000	75,000
1	90,001	-	95,000	93,711
3	95,001	-	100,000	300,000
2	100,001	-	105,000	202,769
1	110,001	-	115,000	111,000
1	120,001	-	125,000	125,000
1	130,001	-	135,000	130,786
1	135,001	-	140,000	139,835
1	155,001	-	160,000	155,296
4	185,001	-	190,000	747,587
1	195,001	-	200,000	200,000
1	205,001	-	210,000	207,000
1	300,001	-	305,000	300,500
1	320,001	-	325,000	321,576
1	340,001	-	345,000	345,000
1	395,001	-	400,000	399,463
1	435,001	-	440,000	440,000
1	695,001	-	700,000	700,000
1	1,995,001	-	2,000,000	2,000,000
1	6,720,001	-	6,725,000	6,724,600
<b>1,877</b>				<b>20,000,000</b>

Categories of Certificate Holder's	No. of Certificate Holder	Certificate Held	Percentage
Individuals	1,827	9,389,147	46.95
Investment Companies	11	7,518,800	37.59
Joint Stock Companies	25	756,964	3.78
Financial Institution	10	2,255,489	11.28
Insurance Companies	2	31,900	0.16
Modaraba Companies	2	47,700	0.24
	<b>1,877</b>	<b>20,000,000</b>	<b>100.00</b>

### ADDITIONAL INFORMATION

S. No.	Categories of Certificates Holders	Number	Certificates Held	% Age
<b>1</b>	<b>NIT &amp; ICP</b>	<b>2</b>	<b>376,000</b>	<b>1.94</b>
	National Bank of Pakistan Trustee Deptt.		189,983	0.95
	Investment Corporation of Pakistan		12,000	0.06
<b>2</b>	<b>Banks, DFIs, NBFIs, Insurance Companies, Modarabas and Mutual Funds</b>			<b>0.00</b>
<b>3</b>	<b>Certificate Holders holding ten percent or more in the Modaraba</b>		<b>8,724,600</b>	<b>43.62</b>
	Innovative Investment Bank Limited		6,724,600	33.62
	Financial Link Modaraba		2,000,000	10.00

**Crescent Standard Modaraba**  
**Key Financial and Operating Data**

<b>Particulars</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
			(Rupees in thousand)			
Paid up Capital	200,000.00	200,000.00	200,000.00	200,000.00	200,000.00	100,000.00
Share Deposit money	-	-	-	-	-	100,000.00
Equity	115,030.26	110,271.00	107,829.00	108,602.00	108,064.00	113,743.00
Current Liabilities	43,951.14	23,179.00	23,107.00	23,651.00	22,718.00	87,309.00
Fixed Assets	-	-	318.00	-	-	7.00
Current Assets	159,131.60	133,451.00	130,618.00	132,253.00	130,782.00	201,045.00
Operating (Loss) Profit	7,122.66	2,218.53	(405.00)	(469.00)	(189.00)	21,900.00
Profit/(Loss) for the Year	5,024.21	1,762.00	537.00	537.00	(5,678.00)	3,440.00
Dividend	2,400.00	-	-	-	-	-
Earning per Certificate	0.25	0.09	0.03	0.03	(0.28)	0.34

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