



M O D A R A B A

# **Crescent Standard Modaraba**

(An Islamic Financial Institution)

Managed by:

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

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**2012**



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**CRESCENT STANDARD MODARABA**  
(An Islamic Financial Institution)



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(An Islamic Financial Institution)

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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. Farouq Habib Rahimtoola Mr. Muhammad Shahid Murtaza
Audit Committee	Mr. Farouq Habib Rahimtoola - Chairman Mr. Rafique Dawood - Member Mr. Muhammad Shahid Murtaza - Member
Chief Financial Officer	Syed Tariq Masood
Company Secretary	Mr Tahir Mehmood
Auditors	Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountant
Legal Advisor	Malik & Maliks Minto & Mirza
Bankers	Al -Baraka Bank(Pakistan) Limited NIB Bank Limited
Web-site	<a href="http://www.firstdawood.com/csm">www.firstdawood.com/csm</a>
Registered Office & Head Office	1900-B, Saima Trade Towers, I.I Chundrigar Road, Karachi-74000 PABX 32271875-80 37010960-65 37014641-4 Fax : 92-21-227-1912
Registrars	F.D Registrar Services (SMC-Pvt.) Ltd 1705, 17th Floor, Saima Trade Towers, Tower "A", I.I Chundrigar Road, Karachi-74000 Phone # 92-21-35478192-93 Fax # 92-21-32621233
Branch Offices	Suit No. 210, 5th Floor, Siddiq Trade Centre, Main Boulevard, Gulberg - III, Lahore.  Office No. 405, 4th Floor, Islamabad Stock Exchange Tower, Jinnah Avenue, Islamabad.
Security Vault	G-187 Block 2, Shahr-eh-e-Quaideen, PECHS Karachi-75400



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## **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.



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

The Board of Directors of B.R.R. Investments (Pvt) Ltd Manager of Crescent Standard Modaraba (CSM) in their meeting held on September 29, 2012 have declared cash dividend of CSM @ Re. 0.15 per Modaraba Certificate i.e. 1.5 % for the year ended June 30, 2012.

To determine the names of Certificate Holders entitled to receive Cash dividend and to attend the Annual Review Meeting, the Certificate Transfer Book will remain closed from October 22, 2012 to October 30, 2012 (both days inclusive). Transfers received at the Registrar Office, F.D. Registrar Services (SMC-Pvt.) Ltd at 1705, 17th Floor, Saima Trade Towers "A" I.I. Chundrigar Road, Karachi, before the close of business hours on October 21, 2012 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 addresses.

The ARM of Certificate Holders of CSM will be held on Tuesday October 30, 2012 at 6:00 p. m. at Ground Floor, BRR Tower, Plot No. 11/14 Hassan Ali Street, off: I.I Chundrigar Road Karachi, 74000

Place Karachi  
October 5, 2012

By Order of the Board  
Company Secretary



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## **DIRECTORS' REPORT**

**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, 2012.

### **Economic Scenario**

Pakistan's economy continues to remain under pressure from the International Economy, Pakistan's total Public debts have increased substantially in the past few years and almost doubled since FY08.

Pakistani currency is down against the dollar, during the period the decline has been seen in Pakistani rupee.

### **Future Outlook and Prospects**

Your Modaraba going forward will continue to strengthen its presence in the chosen areas i.e Musharka and Morahaba finances, investment in capital and Ijara markets.

We have further strengthened and reinforced key activities such as financial controls, Risk management, corporate governance and overall organization structure.

### **Modaraba's Performance**

Summary of the comparative financial performance is given below;

	<b>June 30, 2012</b>	<b>June 30, 2011</b>
	<b>.....Rupees.....</b>	
Total Income	<b>23,982,658</b>	16,842,243
Total Expenses	<b>17,065,012</b>	11,144,194
Management Fee	<b>691,765</b>	569,805
Sales Tax on Management Fee	<b>110,682</b>	-
Provision for Workers' Welfare Fund	<b>124,518</b>	102,565
Profit After Management Fee & WWF	<b>5,990,681</b>	<b>5,025,679</b>

### **Profit Distribution**

The Board is pleased to announce 0.15 per certificate cash dividend for the year ended June 30, 2012. This is the third consecutive year of paying cash dividends. This year's dividend is the highest in the history of your Modaraba.

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

Your Management Company has implemented provisions of the Code of Corporate Governance relevant for the year ended June 30, 2009. The External Auditors review report on the statement of compliance with the Code of Corporate Governance is annexed with this report.



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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 Certificate of Modarba**

During the fiscal year, no trade in the certificates of the Modaraba was carried out by the Directors, CEO, CFO, Company Secretary, and their spouses of minor children except the mentioned as under;

During the year, CEO purchased 1,024,300 CSM's Certificate.

**Code of Conduct**

The Board of Directors of the Management Company has adopted the required 'Code of Conduct' to which the management company & Modarabas is committed voluntarily maintaining the highest standards of conduct and ethical behavior is a moral right and legal requirement that requires the personal commitment.

The Code of Conduct indicates good business conduct that generally promotes the qualities of honesty, fairness, consideration and enlightened professionalism.

**Staff Retirement Benefits**

Crescent Standard Modaraba operates a Provident scheme for all permanent employees. The value of investment to date is Rs 160,000 in the provident fund scheme.





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**Post Balance Sheet Events**

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

**Transaction with Connected Persons/Related Parties**

All transaction between Crescent Standard Modaraba (CSM) and connected person/related parties are carried out on an arm's length basis.

**Internal Control and Audit Function.**

The Board is responsible for effective implementation of a sound internal control system including compliance with control procedures. However the Internal Audit function is outsourced to one of the Chartered Accountants firms which review internal control for the both adequacy and operational effectiveness.

**Auditors Observation**

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.

**Auditors**

The retiring auditors of Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accounts, retire and offer themselves for reappointment on the recommendation of the Audit Committee of your Modaraba, the Board has agreed to recommend the appointment of Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, to function as Modaraba's statutory auditors for the year ending June 30, 2013.

**Key Operating and Financial data.**

Key Operating and Financial data of last six years shall be summarized.

**Risk Management Framework**

Risk taking is an integral part of any business and is rooted in the philosophy of risk versus reward, (the higher the risk the greater the reward). Our fundamental objective is to maximize certificate's value, but this must be carried out in a clearly articulated risk tolerance framework.

**Board Meetings**

The status of the Board meetings is as follows:

**Board of Directors Meeting**

S. No	Name	Designation	Attendance
1	Mr. Rafique Dawood	Chairman	5 out of 5
2	Mr. Ayaz Dawood	Chief Executive	5 out of 5
3	Mr. Farouq Habib Rahimtoola	Director	5 out of 5
4	Mr. Muhammad Shahid Murtaza	Director	5 out of 5



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### **Audit Committee Meeting**

<b>S. No</b>	<b>Name</b>	<b>Designation</b>	<b>Attendance</b>
1	Mr. Farouq Habib Rahimtoola	Chairman	4 out of 4
2	Mr. Rafique Dawood	Member	4 out of 4
3	Mr. Muhammad Shahid Murtaza	Member	4 out of 4

### **Pattern of Certificate Holding**

The pattern of certificate holding as on June 30, 2012 along with disclosure as required under the Code of Corporate Governance is annexed.

### **Appreciation**

CSM is committed to adopting best practices in its endeavor to create certificate holders wealth and gain market-confidence. It is also committed to maintaining the smooth functioning of the modaraba's operations.

We thank our customers, business associates, lending financial institutions and bankers for putting their trust with us. We also appreciate the guidance provided to CSM by the Registrar Modaraba, Securities and Exchange Commission of Pakistan and other regulatory authorities. We appreciate and value the contribution of our staff.

We reaffirm our commitment to our Certificate holders to further enhance the value of their investment in the Modaraba.

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

Karachi

September 29, 2012

**Rafique Dawood**  
Chairman



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## **STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2012.**

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

This Statement is being presented to comply with the Code of Corporate Governance (the "Code") contained in Regulation No. 35 of listing regulations of Karachi Stock Exchange (Guarantee) 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 and directors representing minority interest on its Board of directors. At Present, the board includes

<b>Executive Directors</b>	<ul style="list-style-type: none"><li>• Mr. Ayaz Dawood</li><li>• Mr. Rafique Dawood</li></ul>
<b>Independent Non - Executive Directors</b>	<ul style="list-style-type: none"><li>• Mr. Farouq Habib Rahimtoola</li><li>• Mr. Muhammad Shahid Murtaza</li></ul>

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 resident 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. No casual vacancy occurred in the Board during the year.
5. The Management Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The Board has developed a vision/mission and overall corporate strategy significant policies of 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 have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of the Chief Executive



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Officer and other Executives directors have been taken by the Board.

8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Directors of the 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, its policies and procedures and provisions of memorandum and article of Associations and of their duties and responsibilities.
10. No new appointment of CFO or Company secretary has been made during the year. The BoD has approved their remuneration and terms and conditions of employment as determined by CEO.
11. 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.
12. 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.
13. 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.
14. The Modaraba has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises 3 members. The Chairman of the committee is Non-Executive Director.
16. The meetings of the Audit Committee were held four times during the year prior to approval of the interim and final results of the Modaraba. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed an HR and Remuneration Committee. It comprises three members, of whom two are Independent non-executive directors and the chairman of the committee is an independent Non-Executive Director.
18. The board has appointed a firm of Chartered Accountants, as Internal Auditors of the Modaraba and has also approved their terms and condition for the starting form July 01, 2012. They are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Modaraba. During the period Modaraba has appointed Head of Internal Audit to act as



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coordinator between Firm providing internal audit services and the Board.

19. The statutory auditors of the Modaraba have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold certificates of the Modaraba and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance to the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
23. We confirm that all other material principles contained in the Code have been complied.

September 29, 2012

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

**Rafique Dawood**  
Chairman



**Ernst & Young Ford Rhodes Sidat Hyder**  
Chartered Accountants  
Progressive Plaza, Beaumont Road  
P.O. Box 15541, Karachi 75530, Pakistan  
Tel: +9221 3565 0007  
Fax: +9221 3568 1965  
www.ey.com

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

We have reviewed the Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) for the year ended 30 June 2012 prepared by the Board of Directors of B.R.R. Investments (Private) Limited (the Management Company) of **Crescent Standard Modaraba** (the Modaraba) to comply with Listing Regulation No. 35 (Chapter XI) of The Karachi Stock Exchange (Guarantee) Limited, where the Modaraba is listed.

The responsibility for compliance with the Code 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 reflects the status of the Management Company's compliance with the provisions of the Code in respect of the Modaraba and report if it does not. A review is limited primarily to inquiries of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Code.

As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Management Company's corporate governance procedures and risks.

Further, the Listing Regulations require the Management Company to place before the Board of Directors for their consideration and approval, 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 determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Management Company's compliance, in all material respects, with the best practices contained in the Code in respect of the Modaraba for the year ended 30 June 2012.

**Chartered Accountants**

**Date:** September 29, 2012

**Karachi**



**Ernst & Young Ford Rhodes Sidat Hyder**  
Chartered Accountants  
Progressive Plaza, Beaumont Road  
P.O. Box 15541, Karachi 75530, Pakistan  
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Fax: +9221 3568 1965  
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## AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of **Crescent Standard Modaraba** (the Modaraba) as at **30 June 2012** and the related profit and loss account, statement of cash flows and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

These financial statements are the Modaraba Management 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 Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- i. In the absence of supporting documents and required information, we were unable to verify the opening balances pertaining to the Cash and bank balances amounting to Rs.1.159 (2011: Rs.1.159) million against which a provision of Rs.1.159 (2011: Rs.1.159) million has been made (note 7.2), Murabaha finance amounting to Rs.1.902 (2011: Rs.1.902) million against which full provision has been made (note 9), Advances, deposits, prepayment and other receivables amounting to Rs.101.517 (2011: Rs.101.517) million against which full provision has been made (note 10), Advance tax amounting to Rs.0.162 (2011: Rs.0.162) million against which full provision has been made (note 12), Musharaka finance amounting to Rs.10.182 (2011: Rs.10.182) million against which full provision has been made (note 13) and Musharaka finance under mark-up arrangements amounting to Rs.22.454 (2011: Rs.22.454) million (note 15). Further, we were not provided with any supporting documents to verify the contingencies as disclosed in note 19 to the financial statements.

Owing to the non-availability of the supporting documents and required information, the effects on and / or adjustments in the accompanying financial statements cannot presently be determined.



**Ernst & Young Ford Rhodes Sidat Hyder**  
Chartered Accountants  
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Fax: +9221 3568 1965  
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- (a) in our opinion, proper books of account have been kept by the Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, and the Modaraba Companies and Modaraba Rules, 1981;
- (b) in our opinion:
  - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes as stated in note 4.1 to the financial statements, with which we concur;
  - (ii) the expenditure incurred during the year was for the purpose of the Modaraba's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Modaraba;
- (c) in our opinion except for the possible effects of the matters described in paragraph (i) above and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of cash flows and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at 30 June 2012 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980, was deducted by the Modaraba and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

**Chartered Accountants**

**Audit Engagement Partner: Shabbir Yunus**

**Date: September 29, 2012**

**Karachi**

A member firm of Ernst & Young Global Limited





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**BALANCE SHEET  
AS AT JUNE 30, 2012**

	June 30, 2012	June 30, 2011
Note	----- (Rupees) -----	
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and bank balances	7 <b>34,243,587</b>	20,645,314
Short-term investments	8 <b>23,429,777</b>	22,845,740
Murabaha finance	9 -	-
Advances, deposits, prepayment and other receivables	10 <b>3,058,388</b>	9,911,394
Trade debts	11 <b>33,938,450</b>	34,539,642
Current portion of musharaka finance	13 <b>6,039,905</b>	8,431,720
Advance tax	12 <b>427,330</b>	356,601
	<b>101,137,437</b>	96,730,411
<b>Non current assets</b>		
Musharaka finance	13 <b>21,686,782</b>	25,644,585
Property and equipment	14 <b>35,095,921</b>	25,864,238
<b>Total assets</b>	<b>157,920,140</b>	148,239,234
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Unclaimed profit distribution	<b>1,711,704</b>	481,430
Accrued expenses and other liabilities	<b>1,866,030</b>	1,574,499
Musharaka finance under mark-up arrangements	15 <b>22,454,094</b>	22,454,094
	<b>26,031,828</b>	24,510,023
<b>Non current liabilities</b>		
Security deposits	16 <b>9,727,620</b>	6,178,145
<b>Total liabilities</b>	<b>35,759,448</b>	30,688,168
<b>Net assets</b>	<b>122,160,692</b>	117,551,066
<b>REPRESENTED BY:</b>		
Certificate capital	17 <b>200,000,000</b>	200,000,000
Statutory reserve	18 <b>13,362,798</b>	10,462,798
Accumulated loss	<b>(91,220,374)</b>	(91,911,055)
Surplus / (deficit) on revaluation of available-for-sale investments	<b>18,268</b>	(1,000,677)
	<b>122,160,692</b>	117,551,066
<b>Contingencies</b>	19	

The annexed notes from 1 to 34 form an integral part of these financial statements.

**STATEMENT UNDER SECTION 241(2) OF THE COMPANIES ORDINANCE, 1984 AND MODARABA COMPANIES AND MODARABA RULES, 1981**

The Chief Executive of the Modaraba Management Company is presently out of the country and, hence these financial statements have been signed as required under Section 241(2) of the Companies Ordinance, 1984 and Rule 12(2) of Modaraba Companies and Modaraba Rules, 1981.

**For B.R.R. Investments (Private) Limited  
(Management Company)**

\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director



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## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2012

	June 30, 2012	June 30, 2011
Note	----- (Rupees) -----	
<b>INCOME</b>		
Income on musharaka and murabaha finance	4,303,552	7,064,824
Ijarah rentals	13,712,959	6,343,866
Income on short-term investments - net	2,056,649	472,699
Income on bank balances	3,429,449	2,180,808
Other income	480,049	780,046
	<u>23,982,658</u>	<u>16,842,243</u>
<b>EXPENDITURE</b>		
Depreciation on Ijarah assets	9,339,828	3,964,555
Administrative and operating expenses	5,620,432	5,242,346
Loss on disposal of Ijarah assets	2,100,645	-
Financial charges	4,107	1,937,293
	<u>17,065,012</u>	<u>11,144,194</u>
Modaraba management company's fee	6,917,646	5,698,049
Sales tax on Modaraba Management company fee	(691,765)	(569,805)
Workers' Welfare Fund	(110,682)	
	<u>(124,518)</u>	<u>(102,565)</u>
<b>PROFIT BEFORE TAXATION</b>	<u>5,990,681</u>	<u>5,025,679</u>
Provision for taxation	-	-
<b>PROFIT FOR THE YEAR</b>	<u>5,990,681</u>	<u>5,025,679</u>
<b>OTHER COMPREHENSIVE INCOME</b>		
Deficit on revaluation of available-for-sale investments	1,018,945	(104,875)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>7,009,626</u>	<u>4,920,804</u>
<b>EARNINGS PER CERTIFICATE - BASIC AND DILUTED</b>	<u>0.30</u>	<u>0.25</u>

The annexed notes from 1 to 34 form an integral part of these financial statements.

### STATEMENT UNDER SECTION 241(2) OF THE COMPANIES ORDINANCE, 1984 AND MODARABA COMPANIES AND MODARABA RULES, 1981

The Chief Executive of the Modaraba Management Company is presently out of the country and, hence these financial statements have been signed as required under Section 241(2) of the Companies Ordinance, 1984 and Rule 12(2) of Modaraba Companies and Modaraba Rules, 1981.

**For B.R.R. Investments (Private) Limited  
(Management Company)**

\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director



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(An Islamic Financial Institution)

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2012**

	June 30, 2012	June 30, 2011
Note	----- (Rupees) -----	-----
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	5,990,681	5,025,679
Adjustments for non-cash items:		
Depreciation on Ijarah assets	9,339,828	3,964,555
Depreciation on assets in own use	449,039	256,600
Loss on revaluation of held-for-trading investments	2,153,248	444,551
Impairment loss on available-for-sale investments	928,759	505,894
Loss / (Gain) on disposal of property and equipment - Ijarah	2,100,645	(484,257)
	<b>14,971,519</b>	4,687,343
(Increase) / decrease in current assets		
Trade debts	601,192	5,670,759
Advances, deposits, prepayment and other receivables	6,853,006	(4,739,734)
Advance tax	(70,729)	(119,672)
	<b>7,383,469</b>	811,353
Increase / (decrease) in current liabilities		
Accrued expenses and other liabilities	291,531	(1,853,528)
Profit paid to certificate holders	(1,169,726)	(1,987,584)
Net cash flows generated from operating activities	<b>27,467,474</b>	6,683,263
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of short-term investments	27,079,783	13,579,996
Purchase of short-term investments	(34,104,977)	(7,391,750)
Proceeds from sale of property and equipment - Ijarah	460,634	7,918,304
Additions to property and equipment - Ijarah	(20,591,250)	(33,241,831)
Additions to property and equipment - assets in own use	(1,516,225)	(1,992,493)
Investments under musharaka finance	11,253,359	26,249,864
Security deposits	3,549,475	6,027,945
Net cash flows (used in) / generated from investing activities	<b>(13,869,201)</b>	11,150,035
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Musharaka finance under mark-up arrangements	-	(18,000,000)
Net cash flows generated from / (used in) financing activities	-	(18,000,000)
Net increase / (decrease) in cash and cash equivalents	13,598,273	(166,702)
Cash and cash equivalents at beginning of the year	20,645,314	20,812,016
Cash and cash equivalents at end of the year	7 <b>34,243,587</b>	20,645,314

The annexed notes from 1 to 34 form an integral part of these financial statements.

**STATEMENT UNDER SECTION 241(2) OF THE COMPANIES ORDINANCE, 1984 AND MODARABA COMPANIES AND MODARABA RULES, 1981**

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\_\_\_\_\_  
Chairman

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Director

\_\_\_\_\_  
Director



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**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED JUNE 30, 2012**

	Certificate capital	Statutory reserve	Deficit on revaluation of investments  (Rupees)	Accumulated loss	Total
<b>Balance as at July 01, 2010</b>	200,000,000	7,949,958	(895,802)	(92,023,894)	115,030,262
Final profit distribution for the year ended June 30, 2010 @ 0.12 paisa per certificate	-	-	-	(2,400,000)	(2,400,000)
Profit for the year ended June 30, 2011	-	-	-	5,025,679	5,025,679
Other comprehensive income	-	-	(104,875)	-	(104,875)
<b>Total comprehensive income</b>	-	-	(104,875)	5,025,679	4,920,804
Transfer to statutory reserve for the year ended June 30, 2011	-	2,512,840	-	(2,512,840)	-
<b>Balance as at June 30, 2011</b>	200,000,000	10,462,798	(1,000,677)	(91,911,055)	117,551,066
Final profit distribution for the year ended June 30, 2011 @ 0.12 paisa per certificate	-	-	-	(2,400,000)	(2,400,000)
Profit for the year ended June 30, 2012	-	-	-	5,990,681	5,990,681
Other comprehensive income	-	-	1,018,945	-	1,018,945
<b>Total comprehensive income</b>	-	-	1,018,945	5,990,681	7,009,626
Transfer to statutory reserve for the year ended June 30, 2012	-	2,900,000	-	(2,900,000)	-
<b>Balance as at June 30, 2012</b>	<b>200,000,000</b>	<b>13,362,798</b>	<b>18,268</b>	<b>(91,220,374)</b>	<b>122,160,692</b>

The annexed notes from 1 to 34 form an integral part of these financial statements.

**STATEMENT UNDER SECTION 241(2) OF THE COMPANIES ORDINANCE, 1984 AND MODARABA COMPANIES AND MODARABA RULES, 1981**

The Chief Executive of the Modaraba Management Company is presently out of the country and, hence these financial statements have been signed as required under Section 241(2) of the Companies Ordinance, 1984 and Rule 12(2) of Modaraba Companies and Modaraba Rules, 1981.

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



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## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012**

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

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 thereunder. 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 with and into B.R.R. Investments (Private) Limited, and since then 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 and murabaha finance, etc. The certificates of the Modaraba are quoted on Karachi Stock Exchange (Guarantee) Limited.

### **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.

### **3. BASIS OF MEASUREMENT**

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

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

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as described below:

#### **4.1 New and amended standards and interpretations**

The Modaraba has adopted the following new and amended IFRS and IFRIC interpretations which became effective during the year:

IAS 24 - Related Party Disclosures (Revised)

IFRIC 14 - Prepayments of a Minimum Funding Requirement (Amendment)

IAS 1 - Presentation of Financial Statements - Clarification of statement of changes in equity

IAS 34 - Interim Financial Reporting - Significant events and transactions

IFRIC 13 - Customer Loyalty Programmes - Fair value of award credits



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

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

## **4.2 Property and equipment**

### **4.2.1 In own use**

Assets in own use 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 whereas normal repairs and maintenance is charged to profit and loss account as and when incurred.

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

### **4.2.2 Under Ijarah arrangements**

The assets subject to Ijarah are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation 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, depreciation is charged proportionately to the period of Ijarah.

Allowance for non-performing Ijarah arrangements is made in accordance with Prudential Regulations for the Modarabas issued by the SECP and is charged to the profit and loss account.

## **4.3 Investments**

The investments of the Modaraba, upon initial recognition, are classified as held-for-trading, available-for-sale, held to maturity investments or loans and receivables as appropriate.

All investments, are initially measured at fair value plus, in the case of investments not available-for-sale, transaction costs that are directly attributable to acquisition.

All regular way purchases / sales of investments that require delivery within the time frame established by the regulation or market convention are recognised on the trade date, i.e. the date on which the Modaraba commits to purchase / sell the investment. Regular way purchases/ sales of investments require delivery of securities within the period generally established by the regulation or market convention such as "T+2".

### **At fair value through profit and loss**

These include held-for-trading investments and such other investments that, upon initial recognition, are designated under this category. Investments are classified as held-for-trading if they are acquired for the purpose of selling in the near term. After initial measurement, such investments are carried at fair value and gains or losses on revaluation are recognised in the profit and loss account.



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### **Available-for-sale**

Investments which are not classified in any of the preceding categories are classified as available-for-sale investments. After initial measurement, such investments are measured at fair value with unrealised gain or loss recognised directly in the other comprehensive income until the investment is derecognised or determined to be impaired at which time the cumulative gain or loss previously recognised in other comprehensive income is taken to the profit and loss account.

### **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 recognised at fair value plus transaction costs and are subsequently measured at amortised cost using effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts.

### **Loans and receivables**

Loans and receivables are non-derivative investments with fixed or determinable payments that are not quoted on the active market. The Modaraba's loans and receivables comprise of cash and bank balances, Ijarah rental receivable, musharaka finance, advances, deposits, prepayments and other receivables and trade debts.

Fair value of investments is determined as follows:

### **Listed shares**

These are valued on the basis of closing market prices quoted on the respective stock exchanges.

### **Debt securities**

The Modaraba's investment in debt securities is revalued at the rates quoted by Mutual Funds Association of Pakistan (MUFAP) in accordance with the SECP's Circular No. 1 of 2009 dated January 06, 2009, read with Regulation 66(b) of the NBFC Regulations.

## **4.4 Musharaka and Murabaha transactions**

Profit from musharaka transactions is recognised on the basis of pro-rata accrual of the profit estimated for the transaction over the period.

Profit from murabaha finance is accounted for, on culmination of murabaha transaction. However, the profit on that portion of murabaha finance not due for payment is deferred and recorded as "Deferred Murabaha Income". The same is then recognised on a time proportion basis.

## **4.5 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.



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## **4.6 Impairment**

### **Financial assets**

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss, is recognised in the profit and loss account.

Impairment is determined as follows:

- (a) for assets carried at amortised cost, impairment is based on estimated cash flows discounted at the original effective rate of return.
- (b) for assets carried at fair value, impairment is the difference between cost and fair value.
- (c) for assets carried at cost, impairment is present value of future cash flows discounted at the current market rate of return for a similar financial asset.

For available-for-sale investments, reversal of impairment losses are recorded as increases in cumulative changes in fair value through other comprehensive income.

For available-for-sale debt instruments, impairment is assessed based on the same criteria as financial assets carried at amortised cost. Profit continues to be accrued at the effective rate of return on the carrying amount of the asset and is recorded as part of 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 profit and loss account, the impairment loss is reversed through the other comprehensive income.

In addition, a provision is made to cover impairment for specific groups of assets where there is a measurable decrease in estimated future cash flows.

### **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.

## **4.7 Revenue recognition**

### **i) Murabaha and musharaka transactions**

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





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**ii) Ijarah rental income**

Modaraba adopts IFAS 2 'Ijarah' for all lease disbursements. Under this standard 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.

**iii) Dividend income**

Dividend income is recognised as income when the right to receive is established.

**iv) Income on debt securities**

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

**v) Gain / losses on sale of investments**

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

**vi) Income on bank balances**

Income on bank balances are accounted on the basis of pro rata accrual of the profit estimated for the average balance over the period.

**4.8 Taxation**

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates, if any. The Modaraba is exempt from taxation under clause 99 of Part I of the 2nd Schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than 90% of its accounting income excluding realised and unrealised capital gains for the year are distributed amongst the certificate holders. The Modaraba intends to avail this exemption for current and future periods. Accordingly, no provision is made for current and deferred taxation in these financial statements.

**4.9 Foreign currencies translation**

The financial statements are presented in Pak Rupees, which is the Modaraba's functional and presentation currency. 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 Pak Rupees at the rate of exchange prevailing on the date of transactions. Exchange gains and losses on translation are taken to income.

**4.10 Financial assets and financial liabilities**

All financial assets and financial liabilities are recognised at the time when the Modaraba becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to receive cash flows related to the assets expire. Financial liabilities are derecognised when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income.



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

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

**4.11 Cash and cash equivalents**

Cash and cash equivalents comprise cash at banks and short-term deposits with an original maturity of three months or less. Cash and cash equivalents are carried in the balance sheet at cost.

**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 Staff Provident Fund at 10% of the basic salary.

**5. ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of financial statements requires management to make judgments, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgments about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis.

Judgments made by management in the application of accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustments are explained in the relevant accounting policies / notes to the financial statements.

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) classification of investments (note 8)
- ii) provision for doubtful receivables (note 9 and 10)
- iii) depreciation of property and equipment - Ijarah (note 14)
- iv) impairment of investments (note 8)



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

The following revised standards, interpretations and amendments with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standards, interpretations and amendments:

<b>Standard, interpretation or amendment</b>	<b>Effective date (annual periods beginning on or after)</b>
IAS 1 Presentation of Financial Statements - Amendments to revise the way other comprehensive income is presented	July 01, 2012
IFRS 7 Financial Instruments: Disclosures - Amendments enhancing disclosures about transfers of financial assets	July 01, 2011
IAS 12 Income Tax (Amendment) – Deferred Taxes : Recovery of Underlying Assets	January 01, 2012
IAS 19 Employee Benefits - Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects	January 01, 2013
IAS 24 Related Party Disclosures (Revised)	January 01, 2011
IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)	January 01, 2011

The Modaraba expects that the adoption of the above revisions, amendments and interpretations of the standards will not affect the Modaraba's financial statements in the period of initial application, except for certain additional disclosures.

Further, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

<b>Standard</b>	<b>Effective date (annual periods beginning on or after)</b>
IFRS 9 – Financial Instruments	January 01, 2013
IFRS 10 – Consolidated Financial Statements	January 01, 2013
IFRS 11 – Joint Arrangements	January 01, 2013
IFRS 12 – Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13 – Fair Value Measurement	January 01, 2013



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	Note	June 30, 2012	June 30, 2011
		----- (Rupees) -----	
<b>7. CASH AND BANK BALANCES</b>			
Cash in hand		3,600	3,408
With banks in:			
Current accounts		1,666,535	481,436
PLS saving accounts	7.1 & 7.2	33,732,701	21,319,719
Provision for doubtful balances	7.2	(1,159,249)	(1,159,249)
		<u>32,573,452</u>	<u>20,160,470</u>
		<u>34,243,587</u>	<u>20,645,314</u>

7.1 The effective mark-up rate on these accounts is 11.50% (2011: from 3% to 13%) per annum.

7.2 This includes (a) a sum of Rs.1.090 (2011: Rs.1.090) million against which a claim has been lodged by a commercial bank as referred to in note 19.1 and (b) a sum of Rs.0.069 (2011: Rs.0.069) million representing balance in a dividend account with a commercial bank. The Modaraba has made full provision against the above balances.

**8. SHORT-TERM INVESTMENTS**

Held-for-trading	8.1	9,993,140	4,500,212
Available-for-sale	8.2	13,436,637	18,345,528
		<u>23,429,777</u>	<u>22,845,740</u>

**8.1 Held-for-trading**

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

No. of shares		Name of investee	June 30, 2012	June 30, 2011
2012	2011		----- (Rupees) -----	
<b>Electricity</b>				
27,500	-	Karachi Electric Supply Company Limited	89,100	-
<b>Power generation</b>				
263,000	-	Pakgen Power Limited	3,363,770	-
<b>Personal goods</b>				
6,500	-	Nishat Mills Limited	309,270	-
<b>Gas water and multi-utilities</b>				
210,000	200,000	Sui Southern Gas Company Limited	4,095,000	4,334,000
<b>Construction and material</b>				
20,000	-	Fauji Cement Company Limited	72,600	-



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<b>No. of shares</b>		<b>Name of investee</b>	<b>June 30,</b>	<b>June 30,</b>
<b>2012</b>	<b>2011</b>		<b>2012</b>	<b>2011</b>
			<b>----- (Rupees) -----</b>	
<b>300</b>	300	Lucky Cement Limited	<b>34,616</b>	21,252
		<b>Oil and gas</b>		
<b>3,000</b>	-	Pakistan State Oil Company Limited	<b>707,520</b>	
		<b>Chemicals</b>		
<b>10,000</b>	-	Descon Oxychem Limited	<b>38,800</b>	
<b>7,500</b>	-	Fauji Fertilizer Company Limited	<b>832,875</b>	-
<b>21,500</b>	-	Sitara Peroxide Limited	<b>212,850</b>	
<b>10,601</b>	10,651	United Distributors Pakistan Limited	<b>99,439</b>	144,960
		<b>Software and computer services</b>		
<b>10,000</b>	-	Netsol Technologies Limited	<b>137,300</b>	
			<b>9,993,140</b>	4,500,212

**8.2 Available-for-sale**

	<b>Note</b>	<b>June 30,</b>	<b>June 30,</b>
		<b>2012</b>	<b>2011</b>
		<b>----- (Rupees) -----</b>	
Listed Ordinary shares	8.2.1	<b>1,960,000</b>	1,137,500
Debt securities	8.2.2	<b>11,476,637</b>	17,208,028
		<b>13,436,637</b>	18,345,528

**8.2.1 Listed ordinary shares**

<b>No. of shares / certificates</b>		<b>Name of investee</b>		
<b>2012</b>	<b>2011</b>			
		<b>Financial services</b>		
<b>875,000</b>	875,000	Dawood Equities Limited	<b>1,960,000</b>	1,137,500
			<b>1,960,000</b>	1,137,500

**8.2.2 Debt securities**

**Sukuk Certificates**

-	1,900	Haq Bahoo Sugar Mills Limited	-	2,375,000
<b>1,267</b>	1,267	Eden Housing Limited	<b>3,680,970</b>	4,512,437
			<b>3,680,970</b>	6,887,437

**Term Finance Certificates**

<b>1,013</b>	1,013	Avani Hotels Limited	<b>4,187,203</b>	4,302,342
<b>1,000</b>	1,000	Trust Investment Bank Limited	<b>1,768,698</b>	2,981,491
		Invest Capital Investment Bank Limited (Formerly: Al-Zamin)		



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			<b>June 30, 2012</b>	<b>June 30, 2011</b>
			----- (Rupees) -----	
<b>400</b>	400	Leasing Corporation Limited)	<b>1,500,000</b>	1,500,000
<b>200</b>	200	Pace (Pakistan) Limited	<b>422,847</b>	422,847
-	908	Worldcall Telecom Limited	-	748,968
<b>1,499</b>	1,499	Escort Investment Bank Limited	<b>1,335,389</b>	1,997,996
			<b>9,214,137</b>	11,953,644
Less: Provision for impairment			<b>(1,418,470)</b>	(1,633,053)
			<b>11,476,637</b>	17,208,028

**8.2.3 Details of particulars of Term Finance Certificates / Sukuk Certificates**

Name of Company	Profit		Face value per certificate Rupees	Original maturity date	Secured / unsecured
	Frequency	Rate per annum			
<b>Sukuk Certificates</b>					
Eden Housing Limited	Quarterly	3 months KIBOR + 2.50%	2,907	June 29, 2014	Secured
<b>Term Finance Certificates</b>					
Avari Hotels Limited	Annually	1 year KIBOR + 2.50%	4,247	October 30, 2014	Secured
Trust Investment Bank Limited	Semi annually	6 months KIBOR + 2.00%	1,874	July 04, 2013	Secured
Invest Capital Investment Bank Limited (Formerly: Al-Zamin Leasing Corporation Limited)	Semi annually	6 months KIBOR + 2.00%	5,000	March 13, 2012	Secured
Pace (Pakistan) Limited	Semi annually	6 months KIBOR + 1.50%	326	February 15, 2017	Secured
Escort Investment Bank Limited	Semi annually	6 months KIBOR + 2.75%	1,207	September 15, 2011	Secured

**9. MURABAHA FINANCE**

	<b>June 30, 2012</b>	<b>June 30, 2011</b>
	----- (Rupees) -----	
Considered doubtful - unsecured	<b>1,902,053</b>	1,902,053
Less: Provision for doubtful receivables	<b>(1,902,053)</b>	(1,902,053)
	-----	-----
	-----	-----



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**10. ADVANCES, DEPOSITS, PREPAYMENT AND OTHER RECEIVABLES**

	Note	June 30, 2012 ----- (Rupees) -----	June 30, 2011 -----
<b>Considered good</b>			
<b>Advances</b>			
Advance against purchase of securities		-	6,045,391
<b>Prepayment</b>			
Insurance		<b>160,714</b>	65,535
<b>Other receivables</b>			
Accrued profit on:			
Bank balances		<b>922,710</b>	647,108
Sukuk certificates		<b>152,468</b>	1,151,625
Term Finance Certificates		<b>1,271,058</b>	1,279,969
Musharaka finance		<b>551,438</b>	567,679
		<b>2,897,674</b>	3,646,381
Dividend receivable		-	20,240
		<b>3,058,388</b>	9,777,547
<b>Considered doubtful</b>			
<b>Advances</b>			
Advance for purchases		<b>90,387,701</b>	90,387,701
<b>Deposits</b>			
Security deposit		<b>25,000</b>	25,000
<b>Other receivables</b>			
Accrued profit		<b>7,715,387</b>	7,849,234
Sales tax receivable		<b>3,350,922</b>	3,350,922
Other receivables		<b>37,592</b>	37,592
		<b>101,516,602</b>	101,650,449
Less: Provision for doubtful receivables		<b>(101,516,602)</b>	(101,516,602)
		<b>3,058,388</b>	9,911,394

**11. TRADE DEBTS**

<b>Secured and considered good</b>			
Ijarah rentals		<b>128,049</b>	329,241
Others	11.1	<b>33,810,401</b>	34,210,401
		<b>33,938,450</b>	34,539,642



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	<b>Note</b>	<b>June 30, 2012</b>	<b>June 30, 2011</b>
		----- (Rupees) -----	
<b>Secured and considered doubtful</b>			
Ijarah rentals		<u>126,632</u>	-
Trade debt - gross		<b>34,065,082</b>	34,539,642
Less: Provision for doubtful Ijarah rentals		<u>(126,632)</u>	-
	11.1 & 11.2	<u><b>33,938,450</b></u>	<u>34,539,642</u>
<b>11.1</b> It is secured against pledge of stock (jute) valuing Rs.33.957 (2011: Rs.34.344) million.			
<b>11.2 The aging of trade debts is as follows:</b>			
Neither past due nor impaired		<b>128,049</b>	329,241
Past due but not impaired - over 180 days		<b>33,810,401</b>	34,210,401
Past due and impaired		-	-
		<u><b>33,938,450</b></u>	<u>34,539,642</u>
<b>12. ADVANCE TAX</b>			
Considered good		<b>427,330</b>	356,601
Considered doubtful		<u>161,820</u>	161,820
		<b>589,150</b>	518,421
Less: Provision for doubtful receivables		<u>(161,820)</u>	(161,820)
		<u><b>427,330</b></u>	<u>356,601</u>
<b>13. MUSHARAKA FINANCE - Secured</b>			
Considered good	13.1	<b>27,726,687</b>	34,076,305
Considered doubtful		<u>10,182,339</u>	10,182,339
		<b>37,909,026</b>	44,258,644
Less: Provision for doubtful receivables		<u>(10,182,339)</u>	(10,182,339)
Current portion of Musharaka finance		<u>(6,039,905)</u>	(8,431,720)
		<u><b>21,686,782</b></u>	<u>25,644,585</u>
<b>13.1</b> The Modaraba has entered into musharaka investment agreements with different parties on profit and loss sharing basis. The expected profit on these arrangements ranges from 13.94% to 16.95% (2011: 14% to 18.65%) per annum. The arrangement is secured against mortgage charge on property and hypothecation charge on stocks and receivables of the customers as well as a lien on cash deposited with a financial institution. These musharaka finances are receivable on various dates latest by December 31, 2014.			





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**14. PROPERTY AND EQUIPMENT**

	Rate of depreciation / lease term	Cost			Depreciation			Book value as at June 30, 2012
		As at July 01, 2011	Additions / (disposals)	As at June 30, 2012	Accumulated as at July 01, 2011	For the year / (on disposal)	Accumulated as at June 30, 2012	
<b>Assets in own use</b>								
Vehicle	20%	1,992,493	1,516,225	3,508,718	256,600	449,039	705,639	2,803,079
<b>Ijarah assets</b>								
Machinery	3 - 5 years	9,445,300	65,750	9,511,050	1,380,924	2,577,132	3,958,056	5,552,994
Vehicles	3 - 5 years	18,237,515	18,125,500 (4,389,000)	31,974,015	2,173,546	6,314,771 (1,302,075)	7,186,242	24,787,773
Computer equipment	3 years	-	2,400,000	2,400,000	-	447,925	447,925	1,952,075
<b>June 30, 2012</b>		<b>29,675,308</b>	<b>22,107,475</b> <b>(4,389,000)</b>	<b>44,993,783</b>	<b>3,811,070</b>	<b>9,788,867</b> <b>(1,302,075)</b>	<b>12,297,862</b>	<b>35,095,921</b>

	Rate of depreciation / lease term	Cost			Depreciation			Book value as at June 30, 2011
		As at July 01, 2010	Additions / (disposals)	As at June 30, 2011	Accumulated as at July 01, 2010	For the year / (on disposal)	Accumulated as at June 30, 2011	
<b>Assets in own use</b>								
Vehicle	20%	-	1,992,493	1,992,493	-	256,600	256,600	1,735,893
<b>Ijarah assets</b>								
Machinery	3 - 5 years	835,000	8,610,300	9,445,300	83,500	1,297,424	1,380,924	8,064,376
Vehicles	3 - 5 years	1,667,000	24,631,531 (8,061,016)	18,237,515	133,383	2,667,131 (626,968)	2,173,546	16,063,969
<b>June 30, 2011</b>		<b>2,502,000</b>	<b>35,234,324</b> <b>(8,061,016)</b>	<b>29,675,308</b>	<b>216,883</b>	<b>4,221,155</b> <b>(626,968)</b>	<b>3,811,070</b>	<b>25,864,238</b>



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	<b>Note</b>	<b>June 30, 2012</b>	<b>June 30, 2011</b>
		----- (Rupees) -----	
<b>15. MUSHARAKA FINANCE UNDER MARK-UP ARRANGEMENTS</b>			
Opening balance	15.1	<b>22,454,094</b>	40,454,094
Add: Funds (paid) / obtained during the year		-	(18,000,000)
		<u><b>22,454,094</b></u>	<u>22,454,094</u>

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

**16. SECURITY DEPOSITS**

These deposits are received under Ijarah arrangements and are adjustable at the expiry of the lease period.

**17. CERTIFICATE CAPITAL**

**Authorised**

25,000,000 Certificates of Rs.10 each	<u><b>250,000,000</b></u>	<u>250,000,000</u>
---------------------------------------	---------------------------	--------------------

**Issued, subscribed and paid-up**

<u>Number of certificates</u>			
2012	2011		
<b>20,000,000</b>	20,000,000	Modaraba certificates of Rs.10 each issued as fully paid in cash	<u><b>200,000,000</b></u>
			<u>200,000,000</u>

**18. STATUTORY RESERVE**

Statutory reserve represents profit set aside to comply with the Prudential Regulations for Modarabas issued by the SECP. These regulations require the Modaraba to transfer not less than 20% and not more than 50% of its after tax profit till such time that reserves equals 100% of the paid-up capital. Thereafter, a sum not less than 5% of the after tax profits is to be transferred.

During the year, the Modaraba has credited 48.41% of the profit to this reserve.

**19. CONTINGENCIES**

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

19.1 A commercial bank has lodged a claim of Rs.1.090 (2011: Rs.1.090) million on account of excess mark-up paid to the Modaraba during previous years which is not accepted by the Modaraba. The Modaraba has also lodged a claim before the banking tribunal against the said commercial bank for short payment



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of mark-up to the Modaraba to the extent of Rs.2.498 (2011: Rs.2.498) million. The proceedings under both cases are pending to-date. As a matter of abundant caution, full provision in respect of the said claim of the commercial bank has been made in these financial statements (refer note 7.2).

- 19.2** The Modaraba had received a legal notice from Innovative Investment Bank Limited (formerly: Crescent Standard Investment Bank Limited) which was addressed to previous Management Company (Financial Link Limited) of the Modaraba, wherein they had asked the Modaraba to settle an outstanding balance of short-term borrowing amounting to Rs.171.143 (2011: Rs.171.143) million alongwith the mark-up thereon on or before February 10, 2007. The management and the legal advisor of the Modaraba believe that the matter will be decided in favour of the Modaraba and accordingly no liability in respect of the above has been recognised in the financial statements.

	<b>Note</b>	<b>June 30, 2012</b>	<b>June 30, 2011</b>
		-----	-----
		<b>(Rupees)</b>	
<b>20. INCOME ON SHORT-TERM INVESTMENTS - NET</b>			
Interest income on investment in debt securities		<b>2,366,249</b>	5,406,654
Profit on sale of held-for-trading investments		<b>554,838</b>	390,310
Loss on revaluation of held-for-trading investments		<b>(2,153,248)</b>	(444,551)
Loss on sale of available-for-sale investments		-	(4,500,000)
Impairment loss on available-for-sale investments		<b>(928,759)</b>	(505,894)
Dividend income		<b>2,217,569</b>	126,180
		<b>2,056,649</b>	472,699
<b>21. ADMINISTRATIVE AND OPERATING EXPENSES</b>			
Salaries, allowances and benefits		<b>3,656,392</b>	3,616,324
Printing and stationery		<b>164,203</b>	125,824
Subscription		<b>330,110</b>	292,071
Commission and brokerage		<b>84,039</b>	269
Insurance		<b>142,640</b>	78,634
Advertisement		-	16,700
Auditors' remuneration	21.1	<b>300,820</b>	252,860
Legal and professional		<b>270,000</b>	496,000
Depreciation		<b>449,039</b>	256,600
Provision for doubtful receivables		<b>126,632</b>	-
Others		<b>96,557</b>	107,064
		<b>5,620,432</b>	5,242,346
<b>21.1 Auditors' remuneration</b>			
Statutory audit fee		<b>175,000</b>	125,000
Half yearly review fee		<b>50,000</b>	50,000
Sundry advisory services		<b>50,000</b>	50,000
Out of pocket expenses		<b>25,820</b>	27,860
		<b>300,820</b>	252,860



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	<b>June 30, 2012</b>	<b>June 30, 2011</b>
	----- (Rupees) -----	
<b>22. FINANCIAL CHARGES</b>		
Profit on finance under musharaka arrangement	-	1,931,178
Bank charges	<u>4,107</u>	<u>6,115</u>
	<u><b>4,107</b></u>	<u><b>1,937,293</b></u>

**23. MODARABA MANAGEMENT COMPANY'S FEE**

In accordance with the Modaraba Companies and Modaraba Rules, 1981 management fee at the rate of 10% of annual profits is payable to the Management Company.

**23.1** During the current year an amount of Rs.110,682 (2011: Rs.Nil) was charged on account of sales tax on management fee levied through Sindh Sales Tax on Services Act, 2011.

**24. WORKERS' WELFARE FUND**

The Finance Act, 2008 made certain changes to the Workers' Welfare Fund Ordinance, 1971. As a result of these amendments, Workers' Welfare Fund (WWF) is payable @ 2% of the profit before taxation as per the financial statements or taxable income as per the return of income, whichever is higher. During the current year, the management has made a provision of Rs.0.125 (2011: Rs.0.103) million in respect of this liability.

**25. 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. The modaraba has decided to continue availing the tax exemption and hence no provision has been made in these financial statements for tax liabilities for the current year.

	<b>June 30, 2012</b>	<b>June 30, 2011</b>
	----- (Rupees) -----	
<b>26. EARNINGS PER CERTIFICATE - basic and diluted</b>		
Profit for the year	<u><b>5,990,681</b></u>	<u>5,025,679</u>
	---- (number of certificates) ----	
Weighted average number of certificates	<u><b>20,000,000</b></u>	<u>20,000,000</u>
	----- (Rupee) -----	
Earnings per certificate	<u><b>0.30</b></u>	<u>0.25</u>

**26.1** There were no convertible dilutive potential ordinary certificates outstanding on June 30, 2012 and 2011.



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	<b>June 30, 2012</b>	<b>June 30, 2011</b>
	----- (Rupees) -----	
<b>27. REMUNERATION OF OFFICERS</b>		
Remuneration and staff retirement benefits	<b>2,306,639</b>	1,673,678
Medical expenses reimbursed	<b>15,807</b>	15,000
Other benefits	-	-
	<b><u>2,322,446</u></b>	<u>1,688,678</u>
 Number of employees at the end of the year	 <b><u>2</u></b>	 <u>1</u>

**28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Modaraba's objective in managing risk is the creation and protection of certificate holders' value. Risk is inherent in the Modaraba's activities, but it is managed through monitoring and controlling activities which are primarily setup to be performed, based on limits established by the Management Company, Modaraba's constitutive documents and the regulations and directives of the SECP. The Modaraba's activities expose it to a variety of financial risks: market risk (including profit rate risk, equity price risk and fair value risk), credit risk and liquidity risk. The Board of Directors of the Management company has overall responsibility for the establishment and oversight of the Modaraba's risk management framework.

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

The Modaraba primarily invests in Ijarah assets, musharaka, diversified portfolio of listed securities, sukuk certificates and term finance certificates. Such investments are subject to varying degrees of risk, which emanate from various factors that include but are not limited to market risk, liquidity risk and credit risk.

**28.1 Market risk**

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.

**28.1.1 Profit rate risk**

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market profit rates. As of June 30, 2012, the Modaraba's exposure to the risk of changes in market profit rates relates primarily to bank balances in PLS saving accounts, musharaka finance and debt securities. The bank balances in PLS saving accounts are subject to profit rates as declared by the respective banks on periodic basis while, the debt securities are subject to floating profit rates. As at June 30, 2012, approximately 81.82% (June 30, 2011: 74.13%) of the Modaraba's financial assets are subject to floating profit rates. Management of the Modaraba estimates that an increase of 100 basis points in the market profit rate, with all other factors remaining constant, would increase the Modaraba's income by Rs.0.101 (June 30, 2011: Rs.0.147) million and a decrease of 100 basis points would result in a decrease in the Modaraba's income by the same amount. However, in practice, the actual results may differ from the sensitivity analysis.



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**28.1.2 Foreign currency risk**

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 does not have any financial instrument in foreign currencies and hence is not exposed to such risk.

**28.1.3 Equity price risk**

Equity price risk is the risk of volatility in share prices resulting from their dependence on market sentiments, speculative activities, supply and demand for shares and liquidity in the market. The value of investments may fluctuate due to change in business cycles affecting the business of the company in which the investment is made, change in business circumstances of the company, its business sector, industry and / or the economy in general.

At the balance sheet date, the exposure to listed equity securities has increased to Rs.11.953 million from Rs.5.637 million in 2012. Management of the Modaraba estimates that 5% increase or decrease in the overall equity prices in the market with all other factors remaining constant would result in increase or decrease of Modaraba's net assets by Rs.0.598 (2011: Rs.0.283) million. However, in practice, the actual results may differ from the sensitivity analysis.

**28.2 Liquidity risk**

Liquidity risk is defined as the risk that the Modaraba will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the Modaraba could be required to pay its liabilities earlier than expected. The Modaraba's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Modaraba's reputation.

The table below summarizes the maturity profile of the Modaraba's financial liabilities based on contractual undiscounted payments.

June 30, 2012	Upto one month	More than one month and upto three months	More than three months and upto one year	More than one year	Total contractual cash flows
	(Rupees)				
Musharaka finance under mark-up arrangements	22,454,094	-	-	-	22,454,094
Accrued expenses and other liabilities	1,866,030	-	-	-	1,866,030
Security deposits	-	-	-	9,727,620	9,727,620
Unclaimed profit distribution	1,711,704	-	-	-	1,711,704
	<b>26,031,828</b>	<b>-</b>	<b>-</b>	<b>9,727,620</b>	<b>35,759,448</b>



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June 30, 2011	Upto one	More than one month and upto three months	More than three months and upto one year	More than one year	Total contractual cash flows
	month	months	year		
	----- (Rupees) -----				
Musharaka finance under mark-up arrangements	22,454,094	-	-	-	22,454,094
Accrued expenses and other liabilities	1,574,499	-	-	-	1,574,499
Security deposits	-	-	-	6,178,145	6,178,145
Unclaimed profit distribution	481,430	-	-	-	481,430
	<u>24,510,023</u>	<u>-</u>	<u>-</u>	<u>6,178,145</u>	<u>30,688,168</u>

**28.3 Credit risk**

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Modaraba by failing to discharge its obligation. The Modaraba's policy is to enter into financial contracts with reputable counter parties in accordance with the internal guidelines, offering document and regulatory requirements. The table below analyses the Modaraba's maximum exposure to credit risk. The maximum exposure is shown gross, before the effect of mitigation through the use of collateral agreements at reporting date:

	June 30, 2012	June 30, 2011
	----- (Rupees) -----	
Bank balances	<b>34,239,987</b>	20,641,906
Investment in debt securities	<b>11,476,637</b>	17,208,028
Musharaka finance	<b>27,726,687</b>	34,076,305
Trade debts	<b>33,938,450</b>	34,539,642
Advance against purchase of shares	-	6,045,391
Accrued profit on debt securities	<b>1,423,526</b>	2,431,594
Accrued profit on bank balances	<b>922,710</b>	647,108
Accrued profit on Musharaka finance	<b>551,438</b>	567,679
	<u><b>110,279,435</b></u>	<u>116,157,653</u>

Concentration of credit risk exists when changes in economic or industry factors affect the group of counterparties whose aggregate credit exposure is significant in relation to the Modaraba's total credit exposure. The Modaraba's portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk. The table below analyses the Modaraba's concentration of credit risk by industrial distribution:



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	<b>June 30, 2012 %</b>	<b>June 30, 2011 %</b>
Banks	<b>44.73%</b>	28%
Other financial institutions	<b>11.11%</b>	14%
Computer and software services	<b>4.45%</b>	10%
Sugar and allied	<b>20.05%</b>	24%
Technology and communication	-	1%
Miscellaneous	<b>19.66%</b>	23%
	<b>100%</b>	100%

**28.4 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, 2012</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
	----- (Rupees) -----		
<b>Investments at fair value through profit or loss - held-for-trading</b>			
- Listed Ordinary shares	<b>9,993,140</b>	-	-
<b>Available-for-sale investments</b>			
- Listed Ordinary shares	<b>1,960,000</b>	-	-
- Debt securities	-	<b>7,291,290</b>	<b>4,185,347</b>
	<b>11,953,140</b>	<b>7,291,290</b>	<b>4,185,347</b>





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<b>June 30, 2011</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
	----- (Rupees) -----		
<b>Investments at fair value through profit or loss - held-for-trading</b>			
- Listed Ordinary shares	4,500,212	-	-
<b>Available-for-sale investments</b>			
- Listed Ordinary shares	1,137,500	-	-
- Debt securities	-	11,953,644	5,254,384
	<u>5,637,712</u>	<u>11,953,644</u>	<u>5,254,384</u>

The following table presents the transfers between levels:

	<b>June 30, 2012</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
	----- (Rupees) -----		
Transfers between level 2 and level 3			
- Debt securities	-	<b>(1,922,847)</b>	<b>1,922,847</b>

The following table presents the movement in level 3 instruments.

	<b>June 30, 2012</b>	<b>June 30, 2011</b>
	----- (Rupees) -----	
Opening balance	<b>5,254,384</b>	11,554,091
Transfers into / (from) level 3	<b>1,922,847</b>	-
Sales / redemptions	<b>(3,206,467)</b>	(4,666,654)
Impairment reversal / (charge) recognised in income statement	<b>214,583</b>	(1,633,053)
Closing balance	<u><b>4,185,347</b></u>	<u>5,254,384</u>

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

## 29. 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 arm's length transaction. Consequently differences can arise between carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Modaraba is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the statement of assets and liabilities date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book value as the items are short term in nature.



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### 30. CAPITAL RISK MANAGEMENT

The Modaraba's prime objective when managing capital is to safeguard its ability to continue as a going concern in order to provide adequate returns for certificate-holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Modaraba may adjust the amount of profit distributed to certificate-holders, issue new certificates or sell assets to reduce debt.

Consistent with others in the industry, the Modaraba monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total Certificates of Musharaka and borrowings less cash and bank balances. Total capital is calculated as equity as shown in the balance sheet plus net debt.

The gearing ratio of the Modaraba at year end is as follows:

	<b>June 30, 2012</b>	<b>June 30, 2011</b>
	----- (Rupees) -----	
Musharaka finance under mark-up arrangements	<b>22,454,094</b>	22,454,094
Cash and bank balances	<b>(34,243,587)</b>	(20,645,314)
Net debt	<b><u>(11,789,493)</u></b>	<u>1,808,780</u>
Equity	<b><u>122,160,692</u></b>	<u>117,551,066</u>
Net debt to equity ratio	<b><u>-</u></b>	<u>02:98</u>

### 31. 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.



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The details of transactions with related parties and balances with them, apart from compensation to officers as disclosed in note 27, are given below:

<b>Relationship with the company</b>	<b>Nature of transactions</b>	<b>June 30, 2012</b>	<b>June 30, 2011</b>
		<b>----- (Rupees) -----</b>	
Management Company	Management fee	<b>(691,765)</b>	<b>(569,805)</b>
B.R.R. Guardian Modaraba	Payment of sharing expenses (see note 31.1)	<b>3,335,624</b>	3,300,059
	Musharaka facility received	-	10,000,000
	Sale of debt securities	-	(14,500,000)
Employee Provident Fund	Transfer to provident fund	<b>19,400</b>	18,000

**31.1 Group shared services**

The Modaraba has entered into an arrangement with its management company to share human resource costs on agreed terms.

**32. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE**

The Board of Directors of the Management Company in their meeting held on September 29, 2012 have approved profit distribution at the rate of 1.50% i.e. Rs. 3,000,000 (2011: at the rate of 1.2% i.e. Rs.0.12 paisa per certificate) for the year ended June 30, 2012. These financial statements do not reflect this distribution.

**33. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on September 29, 2012 by the Board of Directors of the B.R.R. Investments (Private) Limited.

**34. GENERAL**

Figures have been rounded off to the nearest rupee.

**STATEMENT UNDER SECTION 241(2) OF THE COMPANIES ORDINANCE, 1984 AND MODARABA COMPANIES AND MODARABA RULES, 1981**

The Chief Executive of the Modaraba Management Company is presently out of the country and, hence these financial statements have been signed as required under Section 241(2) of the Companies Ordinance, 1984 and Rule 12(2) of Modaraba Companies and Modaraba Rules, 1981.

**For B.R.R. Investments (Private) Limited  
(Management Company)**

\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director



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**PATTERN OF CERTIFICATE HOLDING  
AS AT JUNE 30 2012**

<b>NUMBER OF CERTIFICATE HOLDERS</b>	<b>CERTIFICATE HOLDINGS</b>		<b>TOTAL SHARES HELD</b>
	<b>FROM</b>	<b>TO</b>	
91	1	100	4,771
1182	101	500	577,114
86	501	1,000	80,696
179	1,001	5,000	563,841
79	5,001	10,000	687,736
22	10,001	15,000	295,293
31	15,001	20,000	579,479
19	20,001	25,000	438,038
2	25,001	30,000	59,500
6	30,001	35,000	193,652
5	35,001	40,000	197,184
1	40,001	45,000	43,030
11	45,001	50,000	541,205
3	50,001	55,000	155,001
2	55,001	60,000	115,979
3	60,001	65,000	191,500
1	65,001	70,000	65,100
1	75,001	80,000	75,703
3	80,001	85,000	243,692
1	90,001	95,000	92,000
4	95,001	100,000	400,000
2	100,001	105,000	202,623
1	125,001	130,000	125,001
3	145,001	150,000	450,000
1	150,001	155,000	150,786
1	160,001	165,000	162,055
1	185,001	190,000	187,101
1	190,001	195,000	191,473
1	195,001	200,000	200,000
1	205,001	210,000	205,500
1	260,001	265,000	262,500
1	270,001	275,000	272,786
1	275,001	280,000	277,191
1	300,001	305,000	300,500
1	340,001	345,000	345,000
1	405,001	410,000	405,735
1	610,001	615,000	614,068
1	615,001	620,000	618,565
1	700,001	705,000	704,002
1	1,995,001	2,000,000	2,000,000
1	6,720,001	6,725,000	6,724,600
<b>1755</b>			<b>20,000,000</b>



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<b>S.NO.</b>	<b>CATAGORIES OF CERTIFICATE HOLDERS</b>	<b>NUMBER OF CERTIFICATE HOLDERS</b>	<b>TOTAL CERTIFICATE HELD</b>	<b>PERCENTAGE</b>
2	INDIVIDUALS	1718	9,638,795	48.19
3	INVESTMENT CPMPANIES	2	6,736,600	33.68
1	FINANCIAL INSTITUTIONS	4	37,031	0.19
4	JOINT STOCK COMPANIES	27	1,537,174	7.69
5	MODARABA MANAGEMENT COMPANIES	1	2,000,000	10.00
6	MODARABAS	2	47,700	0.24
7	INSURANCE COMPAY	1	2,700	0.01
		<b>1755</b>	<b>20,000,000</b>	<b>100.00</b>



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**ADDITIONAL INFORMATION  
AS AT JUNE 30, 2012**

<b>S. No.</b>	<b>Categories of Certificates Holders</b>	<b>Number</b>	<b>Certificates Held</b>	<b>% Age</b>
<b>1</b>	<b>NIT &amp; ICP</b>	<b>1</b>	<b>12,000</b>	<b>0.06</b>
	Investment Corporation of Pakistan		12,000	
<b>2</b>	<b>Banks, DFIs, NBFIs, Insurance Companies, Modarabas Joint Stock Companies and Mutual Funds</b>	<b>37</b>	<b>10,349,205</b>	<b>51.75</b>

**Certificate Holders holding ten percent or more in the Modaraba**

<b>Paid Up Capital</b>	<b>20,000,000</b>	
<b>Innovative Investment Bank Limited</b>	<b>6,724,600</b>	<b>33.62</b>
<b>Financial Link Limited</b>	<b>2,000,000</b>	<b>10.00</b>



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## SIX YEARS' FINANCIAL SUMMARY

<b>Particulars</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
	(Rupees in thousand)					
Paid up Capital	200,000.00	200,000.00	200,000.00	200,000.00	200,000.00	200,000.00
Equity	122,160.69	117,551.06	115,030.26	110,271.00	107,829.00	108,602.00
Current Liabilities	26,031.82	24,510.02	43,951.14	23,179.00	23,107.00	23,651.00
Current Assets	157,920.14	148,239.23	159,131.60	133,451.00	130,618.00	132,253.00
Operating Profit/(Loss)	6,917.64	5,698.04	5,737.36	2,218.53	(405.00)	(469.00)
Profit/(Loss) for the Year	5,990.68	5,025.67	5,024.21	1,762.00	537.00	537.00
Dividend	3,000	2,400	2,400	-	-	-
Earning per Certificate	0.30	0.25	0.25	0.09	0.03	0.03

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