



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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**2015**



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

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

**CORPORATE INFORMATION**

Modaraba Company	B.R.R. Investments (Private) Limited
Chairman	Mr. Rafique Dawood
Chief Executive	Mr. Ayaz Dawood
Directors	Mr. Waqas Anwar Qureshi Syed Ali Raza
Audit Committee	Mr. Waqas Anwar Qureshi - Chairman Mr. Rafique Dawood - Member Syed Ali Raza - Member
HR and Remuneration Committee	Syed Ali Raza - Chairman Mr. Rafique Dawood - Member Mr. Waqas Anwar Qureshi - Member
Shariah Advisor	Mufti Syed Sabir Hussain
Chief Financial Officer	Syed Tariq Masood
Company Secretary	Mr Tahir Mehmood
Auditors	BDO Ebrahim & Co. Chartered Accountants
Legal Advisor	Malik & Maliks Law Associates S. & B. Durani Law Associates
Bankers	Al -Baraka Bank (Pakistan) Limited
Web-site	<a href="http://www.firstdawood.com/csm">www.firstdawood.com/csm</a>
Registered Office & Head Office	18th Floor, B.R.R. Tower Hassan Ali Street off. I.I. Chundrigar Road, Karachi-74000 PABX : 92-21-32602401-06 Fax : 92-21-3227-1912
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 # 92-21-32271905-6 Fax # 92-21-32213243



**CRESCENT STANDARD MODARABA**  
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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**

The Certificate holders of Crescent Standard Modaraba are hereby notified that ARM will be held at First Floor, BRR Tower, Hassan Ali Street off: I.I. Chundrigar Road Karachi - 74000 on Saturday October 31, 2015 at 5:30 p. m.

To determine the names of Certificate-Holders entitled to attend the Annual Review Meeting, the Certificate Transfer Books of the Modaraba will be closed from October 24, 2015 to October 31, 2015 (both days inclusive) the 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 23, 2015 will be treated in time for the purpose entitlement to attend the ARM. Further, the Certificate-Holders are advised to notify to the Registrar Office of any change in their addresses.

October 08, 2015  
Karachi

BY ORDER OF THE BOARD  
Tahir Mehmood  
**Company Secretary**



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**DIRECTORS' REPORT**

On behalf of the Board of Directors of B.R.R. Investments (Private) Limited ('BRR' or 'the company'), manager of Crescent Standard Modaraba ('CSM' or 'the Modaraba'), we present to you the Annual Report and Audited Financial Statements for the year ended June 30, 2015.

**MODARABA'S PERFORMANCE**

Summary of the comparative financial performance is given below;

	June 30, 2015	June 30, 2014
	.....Rupees.....	
(Loss) / Profit Before Management Fee & WWF	(7,140,479)	6,844,165
Management Fee	-	684,417
Sales Tax on Management Fee	-	109,507
Provision for Workers' Welfare Fund	-	121,005
(Loss) / Profit After Management Fee & WWF	(7,140,479)	5,929,236
Certificate Holder's Equity	117,634,213	127,781,377
(Loss) / Earnings per certificate	(0.36)	0.30
Breakup value – per certificate	5.88	6.39

**Dividend:**

Keeping in view the loss for the year, your Modaraba is not in a position to distribute any dividend this year. Please note that the management company has not charged any management fee to the Modaraba.

**NATURE OF BUSINESS AND MARKET DYNAMICS:**

This is the 8th year of operations since the management control of Crescent Standard Modaraba has been taken over by BRR Investments (Private) Ltd. Since then, the Modaraba has successfully reported profits and distributed dividends to its certificate holders.

During the current year, the Modaraba has made a loss, because of provisioning of an amount which was due from Crescent Jute Products Limited (CJPL). A balance was receivable from CJPL at the time of take-over by BRR and your Modaraba made some inroads in recovering a large portion of this amount. The said balance was secured against the pledge of stock of jute while some stock was misappropriated from the factory. The Modaraba has filed a criminal case against borrower and its owners against misappropriation of stock and also filed a suit before Modaraba Tribunal / Banking Court-II for recovery of outstanding dues. However, the management has adopted prudent approach and hence provision of Rs. 12.045 million is recorded in current year. The said provision has converted profit of Rs.5.264 million into loss of Rs.7.14 million.

**ECONOMIC REVIEW**

Pakistan's economy has emerged from turbulent times with significant improvement on major fronts. GDP growth has slightly improved at 4.2 % in FY15 against 4.1% in FY14. An overall increase in the Real GDP growth rate is largely contributed by the increase in the percentage share in GDP growth by service sector i.e. from 4.4% to 5%. Services sector remains the key contributor to economic growth contributing 59% towards the GDP this year.

Progress was made on key structural reforms - the privatization process was resumed after a gap of 8 years and two capital market transactions were completed during FY14. Moreover, the process of privatizing public sector enterprises has also been initiated on a fast track basis and financial advisors for various entities have already been appointed.

**Future Strategy:**

CSM, while remaining cautious and prudent during the prevailing economic uncertainty, is focused to take benefit of good opportunities that add value of all stake holders. Our conservative and proactive risk management approach has always helped us to refrain from booking infected asset portfolio. We will continue to place emphasis on customer service with a focus on quality clients.



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**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, 2015. 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 books of accounts.

Appropriate accounting policies have been consistently applied in the preparation of financial statements on reasonable and prudent judgment.

Relevant International Accounting Standards and Islamic Financial Accounting Standards, as applicable in Pakistan, provisions of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the Modaraba Companies & Modaraba Rules, 1981 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 MODARRABA:**

During the fiscal year, no trade in the certificate of the Modaraba was carried out by the Directors, CFO, Company Secretary, and their spouses and minor children.

**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:**

CSM operates a Provident Fund scheme for all permanent employees. The value of investments as at June 30, 2015 is Rs. 1,261,380.

**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 transactions between BRR Guardian Modaraba (BRRGM) and connected person/related parties are carried at an arm's length basis except for those transactions whose justification has been recorded.



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#### AUDITORS

We would also like to apprise the certificate-holders that on recommendation of Audit Committee M/s. BDO Ebrahim & Company - Chartered Accountants have been reappointed as auditors for the year ended 2015-16 subject to approval of Registrar Modaraba Companies and Modarabas.

#### KEY OPERATING AND FINANCIAL DATA

The Key Operating and Financial data of last six years has been presented with analysis summarized on the last page.

#### RISK MANAGEMENT FRAMEWORK:

CSM manages risk through a framework of sound risk principles. Risk is an integral part of the financing business and risk management entails adoption of several measures to strengthen ability to cope with the dynamics of a complex business environment in which we operate. In the normal course of business, we manage these risks through a variety of strategies, including good balanced risk management controls and strong practices of Corporate Governance. Our fundamental objective is to maximize certificate's value, but this must be carried out in clearly articulated risk tolerance framework.

#### Board of Directors' Meetings

The status of Board of Directors Meetings is as follows:

Sr. No	Name	Designation	Attendance
1	Mr. Rafique Dawood	Chairman	5 out of 5
2	Mr. Ayaz Dawood	CEO	5 out of 5
3	Mr. Waqas Anwer Qureshi	Director	3 out of 5*
4	Syed Ali Raza	Director	5 out of 5

\* The leave of absence was granted by the BOD.

#### Audit Committee Meetings

The status of Board's Audit Committee Meetings is as follows

Sr. No	Name	Designation	Attendance
1	Mr. Waqas Anwer Qureshi	Chairman	2 out of 4
2	Mr. Rafique Dawood	Member	4 out of 4
3	Syed Ali Raza	Member	4 out of 4

#### AUDITORS' REPORT:

Auditors have expressed their unmodified opinion on the financial statements for the year ended June 30, 2015.

#### INTERNAL CONTROL AND AUDIT FUNCTION:

The Board is responsible for effective implementation of a sound internal control system including compliance with control procedures. At CSM, Audit Committee has outsourced Internal Audit Function to J.A.S.B & Associates, Chartered Accountants, for wider functions and role identified as below:

1. Review compliance with responsible for monitoring compliance with Relevant International Accounting Standards, Islamic Financial Accounting Standards, as applicable in Pakistan, provisions of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the Modaraba Companies & Modaraba Rules, 1981 and compliance of the policies and procedures framed by the Board.
2. Review accounting and internal control system
3. Review the economy, efficiency and effectiveness of operations (Value for Money Audits / VFM Audits)
4. Examining financial and operational information.
5. Assisting with the identification of significant risks.

AT CSM, Internal Auditors have an independent, objective assurance and consulting role designed to add value and improve the Modaraba's operations. It helps accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. It is a control which functions by examining and evaluating the adequacy and effectiveness of other controls.



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**CORPORATE SUSTAINABILITY AND SOCIAL RESPONSIBILITY:**

At CSM, various initiatives have been taken that very clearly depict its dedication towards its Corporate Social Responsibility mission. The focus of the Modaraba is on achieving commercial success in a manner that honors ethical values, respects society and communities in meeting their needs in such a manner that the ability of future generations to meet their needs with pride and dignity is not compromised.

**HEALTH, SAFETY & ENVIRONMENT:**

We are committed to maintain a safe healthy working environment for our employees and factors attach to anybody or any institution. At CSM, it has been ensured at all times that no facility is made which is likely to affect human health, safety and working environment. CSM office premises have proper electric wiring, fire extinguishers and ready first aid to office inmates while maintaining smoking free environment.

CSM also provided group Takaful policy to all its employees for health and life.

**PATTERN OF CERTIFICATE HOLDING**

The pattern of certificate holding as on June 30, 2015 along with disclosure as required under the Code of Corporate Governance is annexed.

**CONCLUSION & APPRECIATION:**

At CSM our business is dependent on trusting relationships. Our reputation is founded on the integrity of the company's personnel and our commitment to our principles of Honesty, Excellence, Consistency, Compassion and Fairness. We believe that our ability to deliver superior long term financial returns is the cornerstone of enduring values for our stakeholders.

Moreover, appreciate the performance of our employees who worked diligently for the organization, our customers who paid back their obligations and our regulators who guided us on every step of the way.

We reaffirm our commitment to all our stake-holders to continue our efforts for furthering the cause of the Modaraba.

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

**Rafique Dawood**  
Chairman

September 30, 2015  
Karachi.



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**STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE  
FOR THE YEAR ENDED JUNE 30, 2015.**

This Statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 35 of listing regulations of Karachi Stock Exchange 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 B.R.R Guardian Modaraba (the Modaraba) is a Private Limited Company, the Board of Directors are pleased to confirm that the Modaraba complied with all material principles contained in CCG.

The Management Company of the Modaraba has applied the principles contained in the CCG 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.

Category	Names
Independent Directors	Mr. Waqas Anwer Qureshi Mr. Syed Ali Raza
Executive Director	Mr. Ayaz Dawood
Non-Executive Director	Mr. Rafique Dawood

The independent directors meet the criteria of independence under clause i (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Modaraba.
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 DFI or an NBF and none of them is a member of any Stock Exchange.
4. No casual vacancy has occurred during the year on the board.
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. It has also been placed on the website 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 have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of the employment of CEO, other executive and non-executive 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 Majority of the directors of the board are having more than 14 years of education and more than 15 years of experience therefore they are exempted from the Director's training programs as prescribed by the Code of Corporate Governance. Further, 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 Modaraba, its policies and procedures and provisions of memorandum and article of Associations and of their duties and responsibilities.
10. The Board has approved the appointment of Head of internal audit including their remuneration, term and conditions of employment. No new appointment of CFO or Company secretary has been made during the year.
11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.



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12. The financial statements of the Modaraba were duly endorsed and signed by the CEO and CFO before the approval of the Board.
13. The directors, CEO and executives do not hold any interest in the certificates of the Modaraba other than that disclosed in the pattern of certificate holding.
14. The Modaraba has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises three members, of whom all are non-executive directors and the Chairman of the committee is an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Modaraba and as required by the CCG. 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 the majority are non-executive directors and the chairman of the committee is an independent director.
18. The board has outsourced the internal audit function to J.A.S.B & Associates, Chartered Accountants who 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 (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 with 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 Modaraba's securities, was determined and intimated to directors, employees and stock exchange.
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 CCG have been complied.

**September 30, 2015**

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

**Ayaz Dawood**  
Chief Executive Officer



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Karachi-74200  
Pakistan

## 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 for the year ended June 30, 2015 prepared by the Board of Directors of B.R.R. INVESTMENT (PRIVATE) LIMITED (the Modaraba Company) in respect of CRESCENT STANDARD MODARABA (the Modaraba) to comply with the Listing Regulations of the Karachi Stock Exchange Limited, where the Modaraba is listed.

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

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 are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out 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 of Compliance does not appropriately reflect the Modaraba's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance, for the year ended June 30, 2015.

KARACHI

DATED: 3 0 SEP 2015

CHARTERED ACCOUNTANTS

Engagement Partner: Zulfikar Ali Causer

BDO Ebrahim & Co. Chartered Accountants

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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 June 30, 2015 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

These financial statements are the Modaraba Company's [B.R.R. Investment (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. Our responsibility is to express an opinion on these statements based on our audit.

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

- a) in our opinion proper books of account have been kept by the Modaraba Company in respect of the Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981;
- b) in our opinion:
  - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation And Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of account and are further in agreement with accounting policies consistently applied;

#### BDO Ebrahim & Co. Chartered Accountants

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- ii) the expenditure incurred during the year was for the purpose of the Modaraba's business; and
- iii) the business conducted, investments made and expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at June 30, 2015 and its profit, its comprehensive income, 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 (XVIII of 1980), was deducted by the Modaraba and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

KARACHI

DATED: September 30, 2015

CHARTERED ACCOUNTANTS

Engagement Partner: Zulfikar Ali Causer

**BDO Ebrahim & Co. Chartered Accountants**  
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**SHARI'AH ADVISOR'S REPORT**

I have conducted the Shari'ah review of **Crescent Standard Modaraba** managed by B.R.R. Investments Pvt. Limited for the year ended 30<sup>th</sup> June, 2015. In accordance with the requirements of the Shari'ah compliance and Shari'ah audit Mechanism for Modaraba that except the observation as per reported hereunder. In my opinion:

1. All agreement(s) entered into by the Modaraba are Shari'ah compliant and the financing agreement(s) have been executed on the formats as approved by the Religious Board and the related conditions have been met;
2. To the best of my information and according to the explanations given to me, the business transactions undertaken by the Modaraba and all other matters incidental thereto are in conformity with the Shari'ah requirements as well as the requirements of the Prospectus, Islamic Financial Accounting Standards as applicable in Pakistan and the Shari'ah compliance and Shari'ah Audit Regulations for Modarabas;
3. The dividend that have been realized during the period has been purified and Rs 17,294 has been transferred to Charity account. It has been subsequently paid to charitable institutions after obtaining prior approval from Shari'ah advisor.

**Observations:**

- i. Separate charity account has been maintained by the Modaraba;

**Conclusion**

Based on the above mentioned facts I am of the view that the business operations of Crescent Standard Modaraba are Shari'ah Compliant up to the best of my knowledge.

  
07-09-2015

**Mufti Syed Sabir Hussain**

Shari'ah Advisor  
Date: September 07, 2015



**CRESCENT STANDARD MODARABA**  
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**BALANCE SHEET**  
**AS AT JUNE 30, 2015**

	Note	2015 Rupees	2014 Rupees
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property and equipment	5	65,551,987	50,953,494
Advance against ijarah assets		5,127,000	-
Musharaka finance	6	-	-
		<u>70,678,987</u>	<u>50,953,494</u>
<b>CURRENT ASSETS</b>			
Short-term investments	7	52,559,228	35,601,883
Current portion of musharaka finance	6	-	18,631,404
Murabaha finance	8	-	-
Advances, deposits, prepayments and other receivables	9	1,391,599	3,734,004
Trade debts	10	932,654	13,022,846
Advance tax	11	433,740	479,744
Cash and bank balances	12	12,982,467	21,669,739
		<u>68,299,688</u>	<u>93,139,620</u>
<b>TOTAL ASSETS</b>		<u><b>138,978,675</b></u>	<u><b>144,093,114</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Authorized capital			
25,000,000 (2014: 25,000,000) Modaraba certificate of Rs. 10/- each		<u>250,000,000</u>	<u>250,000,000</u>
Issued, subscribed and paid-up certificate capital	13	200,000,000	200,000,000
Statutory reserve	14	18,470,201	18,470,201
Accumulated loss		(100,694,374)	(90,553,895)
Deficit on revaluation of investments		(141,614)	(134,929)
		<u>117,634,213</u>	<u>127,781,377</u>
<b>NON-CURRENT LIABILITIES</b>			
Long-term portion of customers' security deposits	15	16,172,090	6,780,705
		<u>16,172,090</u>	<u>6,780,705</u>
<b>CURRENT LIABILITIES</b>			
Current portion of customers' security deposits		106,200	4,610,690
Accrued expenses and other liabilities	16	1,874,018	2,222,558
Unclaimed profit distribution		3,192,154	2,697,784
		<u>5,172,372</u>	<u>9,531,032</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>138,978,675</b></u>	<u><b>144,093,114</b></u>
<b>CONTINGENCIES AND COMMITMENTS</b>	18		

The annexed notes from 1 to 37 form an integral part of these financial statements.

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

\_\_\_\_\_  
Rafique Dawood  
Chairman

\_\_\_\_\_  
Ayaz Dawood  
Chief Executive Officer

\_\_\_\_\_  
Waqas Anwar Qureshi  
Director



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

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED JUNE 30, 2015**

	Note	2015 Rupees	2014 Rupees
<b>INCOME</b>			
Ijarah rentals		17,342,634	11,267,155
Income on musharaka and murabaha finance		1,050,000	2,134,468
Income on short-term investments	19	11,576,655	9,399,053
Income on bank balances		444,550	3,465,423
Other income	20	271,095	22,877,985
		<u>30,684,934</u>	<u>49,144,084</u>
<b>EXPENSES</b>			
Depreciation on ijarah assets		14,539,842	9,338,426
Provision for doubtful receivables - net	21	16,036,605	25,036,606
Administrative and operating expenses	22	6,870,053	7,319,618
Loss on disposal of ijarah assets		376,083	605,220
Financial charges		2,830	49
		<u>37,825,413</u>	<u>42,299,919</u>
		(7,140,479)	6,844,165
Modaraba Management Company fee	23	-	(684,417)
Sales tax on Modaraba Management Company fee	23	-	(109,507)
Workers' Welfare Fund	24	-	(121,005)
(Loss) / profit before taxation		(7,140,479)	5,929,236
Provision for taxation	25	-	-
Net (loss) / profit for the year		<u>(7,140,479)</u>	<u>5,929,236</u>
(Loss) / earnings per certificate - Basic and diluted	26	<u>(0.36)</u>	<u>0.30</u>

The annexed notes from 1 to 37 form an integral part of these financial statements.

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

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Chairman

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Ayaz Dawood  
Chief Executive Officer

\_\_\_\_\_  
Waqas Anwar Qureshi  
Director



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

**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<b>2015</b>	<b>2014</b>
	<b>Rupees</b>	<b>Rupees</b>
(Loss) / profit for the year	(7,140,479)	5,929,236
Other comprehensive income for the year	-	-
Items that will be subsequently reclassified to profit or loss:		
Unrealized (deficit) / surplus on revaluation of available-for-sale investments - net	(6,685)	80,655
Total comprehensive (loss) / income for the year	<u>(7,147,164)</u>	<u>6,009,891</u>

The annexed notes from 1 to 37 form an integral part of these financial statements.

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

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Chief Executive Officer

\_\_\_\_\_  
Waqas Anwar Qureshi  
Director



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

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2014**

	2015 Rupees	2014 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss) / profit before taxation	(7,140,479)	5,929,236
<b>Adjustments for non-cash items:</b>		
Depreciation on ijarah assets	14,539,826	9,338,426
Depreciation on owned assets	356,271	488,171
Provision for doubtful receivables - net	16,036,605	25,036,606
Unrealised gain on revaluation of held-for-trading investments	(5,308,287)	(2,149,254)
Gain on sale of investments - net	(2,506,668)	(4,843,166)
Income on investments in debt securities	(2,930,568)	(1,562,903)
Liabilities no longer payable written back	-	(22,454,094)
Gain on sale of own assets	-	(271,652)
Loss on disposal of ijarah assets	376,083	605,220
Dividend income	(831,132)	(843,730)
	19,732,130	3,343,624
<b>(Increase) / decrease in current assets</b>		
Trade debts	(315,008)	155,621
Advances, deposits, prepayments and other receivables	2,342,405	(698,546)
Advance tax	46,004	4,032
	2,073,401	(538,893)
<b>(Decrease) / increase in current liabilities</b>		
Accrued expenses and other liabilities	(348,540)	330,280
Profit paid to the certificate holders	(2,505,630)	(2,810,644)
	(2,854,170)	(2,480,364)
Net cash flow generated from operating activities	11,810,882	6,253,603
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale / redemption of short term investments	106,175,432	107,144,265
Purchase of short term investments	(112,393,939)	(121,218,727)
Additions to property and equipment - ijarah	(34,310,460)	(37,908,030)
Additions to property and equipment - owned assets	-	(238,852)
Advance against ijarah assets	(5,127,000)	-
Investments under musharaka finance	14,999,999	584,804
Proceed on disposal of ijarah assets	4,439,787	2,599,523
Proceed on disposal of owned assets	-	1,719,736
Dividend received	831,132	843,730
Customers' security deposits received	4,886,895	2,442,235
Net cash flow used in investing activities	(20,498,154)	(44,031,316)
Net decrease in cash and cash equivalents	(8,687,272)	(37,777,713)
Cash and cash equivalents at beginning of the year	21,669,739	59,447,452
Cash and cash equivalents at end of the year	12,982,467	21,669,739

The annexed notes from 1 to 37 form an integral part of these financial statements.

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

\_\_\_\_\_  
**Rafique Dawood**  
Chairman

\_\_\_\_\_  
**Ayaz Dawood**  
Chief Executive Officer

\_\_\_\_\_  
**Waqas Anwar Qureshi**  
Director



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

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED JUNE 30, 2015**

	Issued, subscribed and paid-up certificate capital	*Statutory reserve	Surplus / (deficit) on revaluation of investment	Accumulated loss	Total
	----- (Rupees) -----				
<b>Balance as at July 01, 2013</b>	200,000,000	15,874,298	(215,584)	(90,887,228)	124,771,486
Profit for the year ended June 30, 2014	-	-	-	5,929,236	5,929,236
Unrealised gain on available-for-sale investments - net	-	-	80,655	-	80,655
Total comprehensive income for the year	-	-	80,655	5,929,236	6,009,891
Transaction with owners					
Profit distribution for the year ended June 30, 2013 @ Rs.0.15 per certificate	-	-	-	(3,000,000)	(3,000,000)
Transfer to statutory reserve	-	2,595,903	-	(2,595,903)	-
<b>Balance as at June 30, 2014</b>	200,000,000	18,470,201	(134,929)	(90,553,895)	127,781,377
Loss for the year ended June 30, 2015	-	-	-	(7,140,479)	(7,140,479)
Unrealised loss on available-for-sale investments - net	-	-	(6,685)	-	(6,685)
Total comprehensive loss for the year	-	-	(6,685)	(7,140,479)	(7,147,164)
Transaction with owners					
Profit distribution for the year ended June 30, 2014 @ Rs.0.15 per certificate	-	-	-	(3,000,000)	(3,000,000)
Transfer to statutory reserve	-	-	-	-	-
<b>Balance as at June 30, 2015</b>	200,000,000	18,470,201	(141,614)	(100,694,374)	117,634,213

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

The annexed notes from 1 to 37 form an integral part of these financial statements.

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

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Chairman

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Director



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

## **NOTES TO THE FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2015**

### **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 thereunder. Modaraba was managed by Financial Link Limited up to January 19, 2007, however, the Deputy Registrar, Modaraba Wing, SECP, vide order No. SC/M/RW/CSM20 06-32 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.
- 1.2** The Modaraba is a perpetual and multipurpose Modaraba and is engaged in investing in equity and debt securities, musharaka and murabaha finance, etc. The address of registered office is 18th floor, BRR Tower, Hassan Ali Street off I. I. Chundrigar Road, Karachi. The Modaraba is listed on the Karachi Stock Exchange.

### **2. BASIS OF PREPARATION**

#### **2.1 Statement of compliance**

These financial statements have been prepared in accordance with the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the Modaraba Companies & Modaraba Rules, 1981, 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.

#### **2.2 Basis of measurement**

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

These financial statements have been prepared following accrual basis of accounting except for cash flow information.

#### **2.3 Functional and presentation currency**

These financial statements have been presented in Pakistan Rupees, which is the functional and presentation currency of the Modaraba.

#### **2.4 Significant 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. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future period effected.

Judgments made by management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material judgment in the next year are as follows:

##### **Depreciation of property and equipment**

For details please refer note 4.1 to these financial statements.

##### **Classification and valuation of investments**

For details please refer note 4.2 to these financial statements.

##### **Provision for doubtful receivables**

For details please refer note 4.3 to these financial statements.



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**Impairment of investments**

For details please refer note 4.6 to these financial statements.

**3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS**

**3.1 Standards or interpretations that are effective in current year but not relevant to the Modaraba**

The Modaraba has adopted the following accounting standards and interpretations which became effective during the year:

	<b>Effective date (annual periods beginning on or after)</b>
IFRIC 21 Levies	January 01, 2014

**3.2 Amendments that are effective in current year but not relevant to the Modaraba**

The Modaraba has adopted the amendments to the following accounting standards which became effective during the year:

IFRS 2 Share-based Payment - Amendments resulting from Annual Improvements 2010-2012 Cycle (definition of 'vesting condition')	July 01, 2014
IFRS 3 Business Combinations - Amendments resulting from Annual Improvements 2010-2012 Cycle (accounting for contingent consideration) and 2011-2013 Cycle (scope exception for joint ventures)	July 01, 2014
IFRS 8 Operating Segments - Amendments resulting from Annual Improvements 2010-2012 Cycle (aggregation of segments, reconciliation of segment assets)	July 01, 2014
IFRS 10 Consolidated Financial Statements - Amendments for investment entities	January 01, 2014
IFRS 12 Disclosure of Interests in Other Entities - Amendments to transitional guidance	January 01, 2014
IFRS 13 Fair Value Measurement - Amendments resulting from Annual Improvements 2011-2013 Cycle (scope of the portfolio exception in paragraph 52)	July 01, 2014
IAS 16 Property, Plant and Equipment - Amendments resulting from Annual Improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on revaluation)	July 01, 2014
IAS 19 Employee Benefits - Amended to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service	July 01, 2014
IAS 24 Related Party Disclosures - Amendments resulting from Annual Improvements 2010-2012 Cycle (management entities)	July 01, 2014
IAS 27 Separate Financial Statements - Amendments for investment entities	January 01, 2014
IAS 32 Financial Instruments: Presentation - Amendments relating to the offsetting of assets and liabilities	January 01, 2014



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(An Islamic Financial Institution)

	<b>Effective date (annual periods beginning on or after)</b>
IAS 36 Impairment of Assets - Amendments arising from recoverable amount disclosures for non financial assets	January 01, 2014
IAS 38 Intangible Assets - Amendments resulting from Annual Improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on revaluation)	July 01, 2014
IAS 39 Financial Instruments: Recognition and Measurement - Amendments for novations of derivatives	January 01, 2014
IAS 40 Investment Property - Amendments resulting from Annual Improvements 2011-2013 Cycle (interrelationship between IFRS 3 and IAS 40)	July 01, 2014

**3.3 Amendments not yet effective**

The following amendments and interpretations with respect to the approved accounting standards would be effective from the dates mentioned below against the respective standard or interpretation:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations: Amendments resulting from September 2014 Annual Improvements to IFRSs	January 01, 2016
IFRS 7 Financial Instruments: Disclosures - Amendments resulting from September 2014 Annual Improvements to IFRSs (Servicing Contracts and Applicability of the offsetting amendments in condensed interim financial statements)	January 01, 2016
IFRS 9 Financial Instruments - Finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition	January 01, 2018
IFRS 10 Consolidated Financial Statements - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	January 01, 2016
IFRS 10 Consolidated Financial Statements - Amendments regarding the application of the consolidation exception	January 01, 2016
IFRS 11 Joint Arrangements - Amendments regarding the accounting for acquisitions of an interest in a joint operation	January 01, 2016
IFRS 12 Disclosure of Interests in Other Entities - Amendments regarding the application of the consolidation exception	January 01, 2016
IAS 1 Presentation of Financial Statements - Amendments resulting from the disclosure initiative	January 01, 2016
IAS 16 Property, Plant and Equipment - Amendments regarding the clarification of acceptable methods of depreciation and amortisation and amendments bringing bearer plants into the scope of IAS 16	January 01, 2016



**CRESCENT STANDARD MODARABA**  
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	<b>Effective date (annual periods beginning on or after)</b>
IAS 19 Employee Benefits - Amendments resulting from September 2014 Annual Improvements to IFRSs	January 01, 2016
IAS 27 Separate Financial Statements (as amended in 2011) - Amendments reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements	January 01, 2016
IAS 28 Investments in Associates and Joint Ventures - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	January 01, 2016
IAS 28 Investments in Associates and Joint Ventures - Amendments regarding the application of the consolidation exception	January 01, 2016
IAS 34 Interim Financial Reporting - Amendments resulting from September 2014 Annual Improvements to IFRSs	January 01, 2016
IAS 38 Intangible Assets - Amendments regarding the clarification of acceptable methods of depreciation and amortisation	January 01, 2016
IAS 39 Financial Instruments: Recognition and Measurement: Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception	January 01, 2018
IAS 41 Amendments bringing bearer plants into the scope of IAS 16	January 01, 2016

#### 3.4 Standards or interpretations not yet effective

The following International Financial Reporting Standards or interpretations issued by IASB would be effective from the dates mentioned below against the respective standard or interpretation:

- IFRS 1 First Time Adoption of International Financial Reporting Standards
- IFRS 9 Financial Instruments
- IFRS 14 Regulatory Deferral Accounts
- IFRS 15 Revenue from Contracts with Customers

The Modaraba expects that the adoption of the above amendments and interpretations of the standards will not have any material impact and therefore, will not affect the Modaraba's financial statements in the period of initial application.

#### 4. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the presentation of these financial statements are set out below.



**CRESCENT STANDARD MODARABA**  
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#### **4.1.1 Property and equipment - owned**

Operating assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Modaraba and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit and loss account during the period in which they are incurred.

Depreciation is charged to income applying the straight-line method whereby the cost of an asset is written off over its estimated useful life. In respect of additions and disposals during the year, depreciation is charged proportionately to the period of use.

The asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount of the relevant assets. These are included in the profit and loss account.

Depreciation method, useful lives and residual values are reassessed at least at each balance sheet date and changes, if any, are recognized prospectively.

Maintenance and normal repairs are charged to profit and loss account as and when incurred. Major renewals and improvements are capitalised and assets so replaced, if any, are retired.

#### **4.1.2 Property, plant and equipment - Ijarah / leased**

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 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.

#### **4.2 Investments**

All investments are initially recognised at cost, being the fair value of the consideration given, including the transaction costs associated with the investment, except in the case of held for trading investments in which case these transaction costs are charged off to the profit and loss account. After initial recognition these investments are categorised and accounted for as follows:

##### **4.2.1 Held-for-trading 'at fair value through profit or loss'**

These investments are initially recognized at cost, being the fair value of the consideration given and subsequently measured at fair value. As per requirement of IAS-39 "Financial Instruments, Recognition and Measurement" the gain or loss on revaluation of investments classified as held-for-trading is to be included in profit and loss account

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

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

##### **4.2.3 Held to maturity**

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



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#### **4.2.4 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.

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

#### **4.3 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.

#### **4.4 Trade date accounting**

All 'regular way' purchases and sales of quoted equity securities are recognized on the trade date i.e. the date that the Modaraba commits to purchase / sell the asset. 'Regular way' purchases or sales of quoted investments require delivery within three working days after the transaction date as per stock exchange regulations.

#### **4.5 Recognition and derecognition of financial instruments**

Financial assets are recognized initially at fair value or in case of financial assets that are not carried at fair value through profit or loss, at fair value plus transaction cost.

All financial assets and liabilities are recognized at the time when the entity becomes party to the contractual provisions of the instrument and are recognized in case of assets, when the contractual rights under the instrument are recognized, expired or surrendered and in case of a liability, when the obligation is discharged, cancelled or expired.

Any gain / (loss) on the recognition and derecognition of the financial assets and liabilities is included in the profit / (loss) for the period in which it arises.

Assets and liabilities that are not of contractual nature and that are created as a result of statutory requirements imposed by the Government are not financial instruments of the Modaraba.

#### **4.6 Impairment**

##### **4.6.1 Financial assets**

Impairment is recognized by the Modaraba on the basis of provision requirements given under Prudential Regulations for Modaraba and subjective evaluation carried out on an ongoing basis.

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.

##### **4.6.2 Available-for-sale investments**

For available-for-sale financial investments, the Modaraba assesses at each balance sheet date whether there is an objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value less any impairment loss on that investment previously recognized in the income statement, is removed from equity and recognized in the profit and loss account. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognized directly in equity.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortized cost. 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 recognized in the income statement, the impairment loss is reversed through the profit and loss account.

All impairment losses are recognized in profit or loss. Any cumulative loss in respect of available for-sale financial assets recognized 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 recognized. For financial assets measured at amortized cost



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and available-for-sale financial assets that are debt securities, the reversal is recognized in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in equity.

#### **4.6.3 Non-financial assets**

The Modaraba assesses at each balance sheet date whether there is any indication that assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized 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 recognized as income in profit and loss account.

#### **4.7 Revenue recognition**

##### **4.7.1 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.

##### **4.7.2 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.

Unrealised lease income pertaining to non-performing leases is held in suspense account, where necessary, in accordance with the requirements of the Prudential Regulations.

##### **4.7.3 Dividend income**

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

##### **4.7.4 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.

##### **4.7.5 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

##### **4.7.6 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.

##### **4.7.7 Unrealised income on non-performing assets**

Unrealised income is suspended, where necessary, on non-performing assets (including non-performing net investment in Ijarah and murabaha and musharaka finances), in accordance with the requirements of the Prudential Regulations for Modarabas issued by the Securities and Exchange Commission of Pakistan. Unrealised suspense income is recognized in profit and loss account on receipt basis.

#### **4.8 Taxation**

##### **4.8.1 Current**

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



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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

**4.8.2 Deferred**

The Modaraba accounts for deferred taxation on all material temporary differences using the liability method arising between the amounts attributed to assets and liabilities for financial reporting purposes and financial statements used for taxation purposes. However, deferred tax liability has not been provided in these financial statements as the management believes that the future income of Modaraba will not be taxable in the foreseeable future due to the fact that the Modaraba intends to continue availing the tax exemption through profit distribution to the extent of 90 percent of distributable profit.

**4.9 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 10% of the basic salary.

**4.10 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 Pak Rupees at the rate of exchange prevailing on the date of transactions. Exchange gains and losses on translation are recognized in profit and loss account

**4.11 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.

Financial assets include investments, musharaka and murabaha finances, trade debts, deposits and 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.

**4.12 Cash and bank balances**

Cash in hand and at banks are carried at nominal amount.

**4.13 Cash and cash equivalents**

Cash and cash equivalents are carried at cost. For the purpose of the cash flow statement, cash and cash equivalents consist of cash in hand, balances at banks in current and deposit accounts and stamps in hand.

**4.14 Profit distribution and other appropriations of profit**

Profit distributions to the certificate holders and other appropriations of profit are recognized in the year in which these are approved. Transfer to statutory reserve and any of the mandatory appropriations as may be required by law are recognized in the period to which these relate.

**4.15 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 realise the asset and settle the liability simultaneously. Corresponding income on the assets and charge on the liability is also off- set.

**4.16 Related party transactions**

All transactions with the related parties are priced on arm's length basis. Prices for those transactions are determined on the basis of admissible valuation methods.



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**5 PROPERTY AND EQUIPMENT**

Particulars	2 0 1 5						Rate of depreciation per annum
	Cost		Depreciation		Written down value as at		
	As at July 01, 2014	As at June 30, 2015	As at July 01, 2014	For the year / (on disposal) year / (on disposal)	As at June 30, 2015	June 30, 2015	
	Rupees						
<b>Owned assets</b>							
Vehicles	1,604,233	1,604,233	668,007	320,847	988,854	615,379	20%
Computers	107,344	107,344	11,930	35,424	47,354	59,990	33%
<b>Ijarah assets</b>							
Machinery	30,000,575	31,410,425	4,258,122	5,481,976	9,740,098	21,670,327	20%-33%
Vehicles	35,458,045	52,890,355	12,116,832	8,386,462	11,072,649	41,817,706	20%-33%
Computers and equipment	2,587,725	2,610,510	1,749,537	671,388	1,221,925	1,388,585	33%
				(1,199,000)			
Total	69,757,922	88,622,867	18,804,428	14,896,097	23,070,880	65,551,987	
				(10,629,645)			
	2 0 1 4						
Particulars	Cost		Depreciation		Written down value as at		Rate of depreciation per annum
	As at July 01, 2013	As at June 30, 2014	As at July 01, 2013	For the year / (on disposal) / on transfers	As at June 30, 2014	June 30, 2014	
	Rupees						
<b>Owned assets</b>							
Vehicles	4,219,334	1,604,233	1,490,291	476,241	668,007	936,226	20%
Computers	-	107,344	-	(1,298,525)	11,930	95,414	33%
<b>Ijarah assets</b>							
Machinery	9,589,050	30,000,575	5,745,133	2,308,542	4,258,122	25,742,453	20%-33%
Vehicles	28,198,515	35,458,045	9,733,214	(3,822,812)	12,116,832	23,341,213	20%-33%
Computers and equipment	3,785,900	2,587,725	1,538,125	27,259*	1,749,537	838,188	33%
				(764,397)			
Total	45,792,799	69,757,922	18,506,763	9,826,597	18,804,428	50,953,494	
				(9,528,932)			



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	Note	2015 Rupees	2014 Rupees
<b>6 MUSHARAKA FINANCE</b>			
Secured			
Considered good	6.1	-	18,631,404
Considered doubtful		<u>7,262,809</u>	<u>13,813,744</u>
		<u>7,262,809</u>	<u>32,445,148</u>
Less: Provision for doubtful receivables		<u>(7,262,809)</u>	<u>(13,813,744)</u>
Current portion of Musharaka finance		<u>-</u>	<u>(18,631,404)</u>
		<u>-</u>	<u>-</u>
<b>6.1</b> The Modaraba has entered into musharaka agreement with a party on profit and loss sharing basis. The expected profit rate on these arrangement is 9.03% (2014: 10.01% to 17.03%) per annum. The arrangement is secured against mortgage on property and hypothecation over 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 October 12, 2015.			
<b>6.2 Movement of provision</b>			
Opening balance		<u>13,813,744</u>	10,182,339
Charge for the year	21	<u>3,631,405</u>	3,631,405
Balances written off		<u>(10,182,340)</u>	-
Closing balance		<u>7,262,809</u>	<u>13,813,744</u>
<b>6.3 The aging of musharaka finance is as follows:</b>			
Neither past due nor impaired		-	15,000,000
Past due over 180 days but not impaired		-	-
Past due over 180 days and impaired		<u>7,262,809</u>	<u>17,445,148</u>
		<u>7,262,809</u>	<u>32,445,148</u>
<b>7 SHORT-TERM INVESTMENTS</b>			
<b>Held-for-trading</b>			
- Listed ordinary shares	7.1	<u>29,771,569</u>	15,130,079
<b>Available-for-sale</b>			
- Debt securities	7.2	<u>22,787,659</u>	20,471,804
		<u>52,559,228</u>	<u>35,601,883</u>
		<u>2015</u>	<u>2014</u>
	Note	Rupees	Rupees
<b>7.1 Held-for-trading: listed ordinary shares</b>			

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

No. of shares		Name of investee	2015	2014
2015	2014			
		<b>Electricity</b>		
65,000	55,000	K- Electric Limited	547,007	466,950
		<b>Oil and gas</b>		
21,000	-	Pakistan Petroleum Limited	3,449,460	-
2,500	-	Mari Petroleum Limited	1,171,500	-
4,100	6,000	National Refinery Limited	951,446	1,292,220
93,000	78,000	Lotte Chemical Pakistan Limited	643,560	560,820
20,000	29,000	Sui Northern Gas Pipeline Limited	532,800	656,850
12,000	-	Pakistan Refinery Limited (Rights)	134,040	-



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No. of shares		Note	2015	2014
2015	2014		Rupees	Rupees
<b>Name of investee</b>				
<b>Engineering</b>				
-	3,500		-	291,165
<b>Chemicals</b>				
6,000	9,000		896,520	1,347,002
71,000	47,000			
5,100	1,200		3,927,720	1,471,490
			713,490	1,229,320
<b>Automobile and Parts</b>				
500	-		624,500	-
<b>General Industries</b>				
50	250		14,272	51,849
1,100	1,100			
			1,401,653	1,382,700
<b>Pharma and Bio Tech</b>				
9,300	10,500			
			5,947,722	2,419,937
3,365	7,865		657,993	1,305,826
1,050	2,000		700,676	1,144,640
3,342	5,500		856,120	932,030
	-		5,291,385	-
<b>Food and Personal Care Products</b>				
47,750	-		580,163	-
<b>Power generation</b>				
-	32,000		-	577,280
<b>Communications</b>				
30,000	-			
16,500			615,000	-
<b>Cement</b>				
720	-		62,662	-
2,666	-		51,880	-
			<u>29,771,569</u>	<u>15,130,079</u>





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	Note	2015 Rupees	2014 Rupees
<b>Prepayments</b>			
Takaful		28,366	47,921
<b>Other receivables</b>			
Accrued profit on:			
Bank balances		16,510	770,318
Sukuk certificates		554,920	224,241
Takaful premium receivable		270,679	115,204
		<u>842,109</u>	<u>1,109,763</u>
		<u>1,391,599</u>	<u>3,734,004</u>
<b>Considered doubtful</b>			
<b>Advances</b>			
Advance for purchases		44,922,678	90,387,701
<b>Deposits</b>			
Security deposit		-	25,000
<b>Other receivables</b>			
Accrued profit		1,351,388	7,715,387
Sales tax receivable		-	3,350,922
Other receivables		-	37,592
		<u>46,274,066</u>	<u>101,516,602</u>
Less: Provision for doubtful receivables		<u>(46,274,066)</u>	<u>(101,516,602)</u>
		<u>1,391,599</u>	<u>3,734,004</u>

9.1 This includes advance paid to a related party, Dawood Equities Limited, against purchase of securities amounting to Rs. 0.312 million (2014: Rs. 0.028 million).

**10 TRADE DEBTS**

**Secured and considered good**

Ijarah rental	10.1	932,654	617,646
Others	10.2	-	12,405,200
		<u>932,654</u>	<u>13,022,846</u>

**Unsecured and considered doubtful**

Others		33,810,401	21,405,201
		<u>34,743,055</u>	<u>34,428,047</u>
Less: Provision for doubtful debts	10.3	<u>(33,810,401)</u>	<u>(21,405,201)</u>
	10.4	<u>932,654</u>	<u>13,022,846</u>

10.1 This includes an outstanding balance of Rs. 0.349 million (2014: Nil) outstanding from Dawood Family Takaful Limited (DFTL), a related party, in respect of ijarah facilities granted in prior year aggregating to Rs. 8.856 million.

In prior year, upon examination of the quarterly accounts of Modaraba for the period ended March 31, 2013, the Securities and Exchange Commission of Pakistan had issued a show cause notice under Section 32 of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, whereby the said ijarah facility to DFTL is considered as a violation as the Modaraba is not allowed to extend finance facility of any kind to its associated undertakings under Regulations 7(3) of the Prudential Regulations for Modaraba.

10.2 This facility was partly secured against pledge of stock of jute while some of the stock was misappropriated from the factory premises of the borrower. During prior year, the Modaraba has filed a criminal case against the borrower and its owner against misappropriation of pledged stock.

During prior year, a suit has also been filed by the Modaraba before the Modaraba Tribunal / Banking Court-II for the recovery of outstanding dues inter alia by sale of pledged stock which is currently under control and possession of muddadam but is lying in the factory premises of the borrower. The Tribunal passed an order and appointed a commission, directing him to count the inventory of the pledged stock, which was carried out in the presence of Modaraba officials. The borrower filed an application and pleaded to dismiss the suit filed by the Modaraba. The Modaraba has also filed a reply to the application filed by the borrower which is currently pending consideration.



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During the year, complete provision has been recorded against outstanding balance as per Prudential Regulations. The management believes that the said lawsuit and criminal case will be decided in favour of the Modaraba. However, the management has adopted a prudent approach and provision of Rs. 12.405 million has been recorded during the year.

	2015 Rupees	2014 Rupees
<b>10.3 Particulars of provision for doubtful receivables</b>		
Opening balance	21,405,201	-
Charge for the year	<u>12,405,200</u>	21,405,201
Closing balance	<u>33,810,401</u>	<u>21,405,201</u>

**10.4 The aging of trade debts is as follows:**

Neither past due nor impaired	932,654	617,646
Past due over 180 days but not impaired	-	12,405,200
Past due over 180 days and impaired	<u>33,810,401</u>	21,405,201
	<u>34,743,055</u>	<u>34,428,047</u>

**11 ADVANCE TAX**

Considered good	433,740	479,744
Considered doubtful	-	161,820
	<u>433,740</u>	641,564
Less: Provision for doubtful receivables	-	(161,820)
	<u>433,740</u>	<u>479,744</u>

**12 CASH AND BANK BALANCES**

Cash in hand		5,000	665
With banks in:			
PLS savings accounts	12.1	12,712,998	20,254,963
Current accounts		1,423,718	2,573,360
Provision for doubtful balances	12.2	<u>(1,159,249)</u>	<u>(1,159,249)</u>
		264,469	1,414,111
		<u>12,982,467</u>	<u>21,669,739</u>

**12.1** These carry mark-up at rates ranging from 5% to 8% (2014: 5% to 8%) per annum.

**12.2** This includes a sum of Rs. 1.090 million (2014: Rs. 1.090 million) against which a claim has been lodged by a commercial bank as referred to in note 17.1 and a sum of Rs. 0.069 million (2014: Rs.0.069 million) representing balance in a dividend account with a commercial bank. The Modaraba has made full provision against the above balances.

**13 ISSUED, SUBSCRIBED AND PAID-UP CERTIFICATE CAPITAL**

2015	2014			
Number of certificates				
<u>20,000,000</u>	<u>20,000,000</u>		Modaraba certificates of Rs.	
			10/- each fully paid in cash	
		200,000,000		<u>200,000,000</u>

Innovative Investment Bank Limited held 6,724,600 (33.62%) certificates of Rs.10 each as at June 30, 2015 (2014: 6,742,600 (33.62%) certificates).

Ayaz Dawood and Financial Link Limited held 1,024,300 (5.12%) and 2,000,000 (10%) certificates of Rs.10 each as at June 30, 2015 (2014: 1,024,300 (5.12%) and 2,000,000 (10%) certificates).



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**14 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 reserve 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 not credited any amount to this reserve on account of loss for the year.

**15 SECURITY DEPOSITS**

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

	<b>2015</b>	<b>2014</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>16 ACCRUED EXPENSES AND OTHER LIABILITIES</b>		
Management fee payable	-	684,417
Sales tax on management fee payable	<b>217,451</b>	217,451
Provision for Workers' Welfare Fund	<b>501,264</b>	622,268
Advance ijarah rentals	<b>366,212</b>	76,852
Accrued expenses	<b>503,412</b>	621,570
Auditors' remuneration	<b>269,500</b>	-
Charity	<b>16,179</b>	-
	<b><u>1,874,018</u></b>	<b><u>2,222,558</u></b>

**17 MUSHARAKA FINANCE UNDER MARK-UP ARRANGEMENTS**

In the prior year, the Modaraba Management Company wrote back liability amounting to Rs.22.454 million which remained unchanged in the Modaraba's books of account since 2004. This liability represented funds received under musharaka arrangements on profit and loss sharing basis. No information and documents were available in Modaraba records pertaining to this balance and no accrual for profit payable, if any, on this amount was made previously. Several written confirmation requests regarding this payable were sent to the registered address of the creditor but no response received. Liquidation proceedings against the creditor started in September 2008 and the creditor is not in existence any more. The management and legal advisor of the Modaraba are of the view that the creditor has lost its legal right to claim this amount as it is now a time barred liability.

**18 CONTINGENCIES AND COMMITMENTS**

**18.1** A commercial bank has lodged a claim of Rs. 1.090 million (2014: 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 of mark-up to the Modaraba to the extent of Rs. 2.498 million (2014: 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 commercial bank has been made by the Modaraba (refer note 12.2).

**18.2** 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 Modaraba to settle an outstanding balance of short-term borrowings amounting to Rs. 171.143 million (2014: Rs. 171.143 million) along with 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 recognized in the financial statements.



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	Note	2015	2014
		Rupees	
<b>19 INCOME ON SHORT-TERM INVESTMENTS</b>			
Income on investment in debt securities		2,930,568	1,562,903
Gain on sale of investments		2,506,668	4,843,166
Unrealised gain on revaluation of investments		5,308,287	2,149,254
Dividend income		831,132	843,730
		<u>11,576,655</u>	<u>9,399,053</u>
<b>20 OTHER INCOME</b>			
Gain on sale of fixed assets		-	271,652
Liabilities written back	17	-	22,454,094
Miscellaneous income		271,095	152,239
		<u>271,095</u>	<u>22,877,985</u>
<b>21 PROVISION FOR DOUBTFUL RECEIVABLES - NET</b>			
<b>Charge for the year</b>			
Provision on musharaka finance	6.2	3,631,405	3,631,405
Provision on doubtful receivables		12,405,200	21,405,201
		<u>16,036,605</u>	<u>25,036,606</u>
<b>22 ADMINISTRATIVE AND OPERATING EXPENSES</b>			
Salaries, allowances and other benefits		3,684,476	3,725,180
Printing, postage and stationery		196,717	253,576
Fees and subscription		752,902	765,575
Commission and brokerage		100,479	214,388
Insurance		191,952	239,792
Vehicle running expenses		444,840	702,925
Advertisement and entertainment		38,604	41,419
Auditors' remuneration	22.1	458,500	405,970
Legal and professional		454,530	368,213
Depreciation		356,272	488,171
Others		190,781	114,409
		<u>6,870,053</u>	<u>7,319,618</u>
<b>22.1 Auditors' remuneration</b>			
Statutory audit fee		250,000	250,000
Half yearly review fee		50,000	50,000
Sundry advisory services		45,000	45,000
Out of pocket expenses		113,500	60,970
		<u>458,500</u>	<u>405,970</u>
<b>22.2 During the year, the Modaraba contributed Rs.0.202 million (2014: Rs.0.195 million) to the provident fund.</b>			
<b>22.3 Disclosures relating to Provident Fund</b>			
Size of the fund		82,012,601	73,015,196
Cost of investments made		47,555,452	33,957,731
Percentage of investments made		57.99%	46.51%
Fair value of investments		47,555,452	33,957,731
<b>Break-up of investments</b>			
Government securities		25,000,000	10,000,000
Term Finance Certificates		1,838,528	1,839,264
Investment in sukuk		11,450,654	13,690,165
Un-listed securities		-	-
Listed securities		4,145,346	3,307,378
Mutual Funds		5,120,924	5,120,924



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	<b>2015</b>	<b>2014</b>
	<b>% age of size of the fund</b>	
<b>Break-up of investments</b>		
Government securities	52.57%	29.45%
Term Finance Certificates	3.87%	5.42%
Investment in sukuk	24.08%	40.32%
Un-listed securities	0.00%	0.00%
Listed securities	8.72%	9.74%
Mutual Funds	10.77%	15.08%

The figures for 2015 are based on the unaudited financial statements of the Provident Fund. Investments out of Provident Fund have been made in accordance with the provisions of section 227 of the Companies Ordinance 1984 and the rules formulated for this purpose.

**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.

During the current year, an amount of nil (2014: Rs. 0.110 million) 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 at 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 nil (2014: Rs. 0.121 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 reserves as required under Modaraba Regulations is 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.

**26 EARNINGS PER CERTIFICATE - BASIC AND DILUTED**

	<b>2015</b>	<b>2014</b>
	<b>Rupees</b>	
The earnings per share as required under IAS 33 "Earnings per share" is given below:		
(Loss) / profit for the year	<u>(7,140,479)</u>	<u>5,929,236</u>
Weighted average number of certificates outstanding	<u>20,000,000</u>	<u>20,000,000</u>
(Loss) / earnings per certificate (Rupees)	<u>(0.36)</u>	<u>0.30</u>

**26.1** There were no convertible dilutive potential ordinary certificates outstanding as on June 30, 2015 and 2014.

**27 REMUNERATION OF OFFICERS / EXECUTIVES**

Remuneration and staff retirement benefits	<b>2,751,996</b>	2,669,000
Medical expenses reimbursed	<b>36,000</b>	36,000
	<u><b>2,787,996</b></u>	<u>2,705,000</u>
Number of officers / executives at the end of the year	<u><b>1</b></u>	<u>1</u>

The officers and executives are also provided with the free use of vehicles owned and maintained by the Modaraba.

**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



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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 Modaraba's 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 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, 2015, 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, 2015, approximately 54% (2014: 65%) 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. 0.37 million (2014: Rs. 0.600 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

**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 instruments 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. 29,772 million from Rs. 15,130 million in 2014. 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. 1,488 million (2014: Rs. 0,757 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.

2015	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				
Accrued expenses and other liabilities	1,139,124	-	-	-	1,139,124
Security deposits	-	-	106,200	16,172,087	16,278,287
Unclaimed profit distribution	-	3,192,154	-	-	3,192,154
	1,139,124	3,192,154	106,200	16,172,087	20,609,565



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2014	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		-	-	-	-
Accrued expenses and other liabilities	2,222,558	-	-	-	2,222,558
Security deposits	-	-	4,610,690	6,780,705	11,391,395
Unclaimed profit distribution	-	2,697,784	-	-	2,697,784
	<u>2,222,558</u>	<u>2,697,784</u>	<u>4,610,690</u>	<u>6,780,705</u>	<u>16,311,737</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:

	2015 Rupees	2014 Rupees
Bank balances	<b>12,977,467</b>	21,669,739
Investment in debt securities	<b>22,787,659</b>	20,471,804
Musharaka finance	-	18,631,404
Trade debts	<b>932,654</b>	13,022,846
Advance against purchase of shares	<b>432,924</b>	2,027,654
Accrued profit on debt securities	<b>554,920</b>	224,241
Accrued profit on bank balances	<b>16,510</b>	770,318
Accrued profit on Musharaka finance	-	-
Insurance premium receivable	<b>270,679</b>	115,204.00
	<u><b>37,972,813</b></u>	<u>76,933,210</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:

	%	%
Banks	<b>34.22%</b>	29.17%
Other financial institutions	<b>62.61%</b>	0.00%
Computer and software services	<b>0.00%</b>	0.00%
Sugar, jute and allied	<b>0.00%</b>	41.47%
Electricity	<b>0.00%</b>	19.68%
Miscellaneous	<b>3.17%</b>	9.68%
	<u><b>100.00%</b></u>	<u>100.00%</u>



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	2015	2014
	Rupees	Rupees
<b>28.4 Financial instruments by category</b>		
<b>Financial assets</b>		
<b>Loans and receivables at amortised cost</b>		
Long term loans		
Long-term deposits		
Trade debts	932,654	13,022,846
Musharaka finance	-	18,631,404
Loans and advances	521,124	2,576,320
Other receivables	842,109	1,109,763
Cash and bank balances	12,982,467	21,669,739
<b>Available-for-sale</b>		
Short-term investments	29,771,569	15,130,079
<b>Held-for-trading</b>		
Short-term investments	22,787,659	20,471,804
	<u>67,837,582</u>	<u>92,611,955</u>
<b>Financial liabilities</b>		
<b>Financial liabilities at amortised cost</b>		
Customers' security deposits	16,278,290	11,391,395
Accrued expenses and other liabilities	1,656,567	2,222,558
Unclaimed profit distribution	3,192,154	2,697,784
	<u>21,127,011</u>	<u>16,311,737</u>

**29 FAIR VALUE HIERARCHY**

The Modaraba uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at June 30, 2015, the Modaraba held the following financial instruments measured at fair value:

	Level 1	Level 2	Level 3	Total
	Rupees			
<b>Investments at fair value through profit or loss - held-for-trading</b>				
Listed ordinary shares	29,771,569	-	-	29,771,569
<b>Available-for-sale investments</b>				
Debt securities	21,825,523	-	962,136	22,787,659
	<u>51,597,092</u>	<u>-</u>	<u>962,136</u>	<u>52,559,228</u>

As at June 30, 2014, the Modaraba held the following financial instruments measured at fair value:

	Level 1	Level 2	Level 3	Total
	Rupees			
<b>Investments at fair value through profit or loss - held-for-trading</b>				
Listed ordinary shares	15,130,079	-	-	15,130,079
<b>Available-for-sale investments</b>				
Debt securities	19,509,668	-	962,136	20,471,804
	<u>34,639,747</u>	<u>-</u>	<u>962,136</u>	<u>35,601,883</u>



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The following table presents the movement in level 3 instruments:

	2015 Rupees	2014 Rupees
Opening balance	962,136	2,090,557
Redemptions / sales / written offs during the year	-	(1,128,421)
Closing balance	<u>962,136</u>	<u>962,136</u>

### 30 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 balance sheet 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.

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

### 31 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.

The Modaraba's policy is to maintain a sound capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. 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 musharaka finance under mark-up arrangements less cash and bank balances.

### 32 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, Employee Benefit Plans, and its Key Management Personnel.

A number of transactions are entered into with related parties in the normal course of business. These include financings, investments, borrowings, sharing of common expenses and rental income.

The details of transactions with related parties and balances with them, apart from compensation to executives as disclosed in note 26, are given below:

Relationship with the Modaraba	Nature of transactions / Balances	2015 Rupees	2014 Rupees
<b>Management Company</b>			
BRR Investments (Private) Limited	Expenses paid	-	15,025



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<b>Relationship with the Modaraba</b>	<b>Nature of transactions / Balances</b>	<b>2015 Rupees</b>	<b>2014 Rupees</b>
<b>Associated companies / other related parties</b>			
B.R.R Guardian Modaraba	Share of common expenses paid	<b>350,569</b>	446,923
First Dawood Employee Provident Fund	Transfer to provident fund	<b>202,716</b>	195,106
Dawood Family Takaful Limited	Rental received against ijarah	<b>1,665,911</b>	4,150,632
Dawood Equities Limited	Brokerage and commission paid	<b>89,924</b>	214,387
<b>32.1 Year end balances</b>			
<b>Relationship with the Modaraba</b>			
<b>Management Company</b>			
BRR Investments (Private) Limited	Management fee accrued	-	684,417
<b>Associated companies / other related parties</b>			
Dawood Family Takaful Limited	Rental receiveable against ijarah	<b>349,330</b>	-
Dawood Equities Limited	Receivable against sale of securities	<b>312,924</b>	27,654

**32.2 Group shared services**

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

**33 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE**

The Board of Directors of the Management Company in their meeting held on September 30, 2015 have approved profit distribution at the rate of Nil % i.e. Rs. Nil (2014: at the rate of 1.5% i.e. Rs.0.15 paise per certificate) for the year ended June 30, 2015. These financial statements do not reflect this distribution.

**34 DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on September 30, 2015 by the Board of Directors of B.R.R. Investments (Private) Limited.

**35 CORRESPONDING FIGURES**

Corresponding figures have been rearranged and reclassified, wherever necessary for the purpose of comparison and for better presentation. However, no significant reclassification has been made during the year.

**36 NUMBER OF EMPLOYEES**

The number of employees as at year end was 3 (2014: 3) and average number of employees during the year was 3 (2014: 3).

**37 GENERAL**

Amounts have been presented and rounded off to the nearest Rupees.

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

\_\_\_\_\_  
**Rafique Dawood**  
Chairman

\_\_\_\_\_  
**Ayaz Dawood**  
Chief Executive Officer

\_\_\_\_\_  
**Waqas Anwar Qureshi**  
Director



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**PATTERN OF CERTIFICATE HOLDING - FORM "34"**  
CERTIFICATE HOLDERS STATISTICS AS AT JUNE 30 2015

Number Of Certificate Holders	Share Holding			Total Certificate Held
	From		To	
107	1	-	100	4,999
1158	101	-	500	563,292
86	501	-	1,000	83,243
187	1,001	-	5,000	576,268
62	5,001	-	10,000	547,176
20	10,001	-	15,000	266,633
17	15,001	-	20,000	308,495
11	20,001	-	25,000	253,050
6	25,001	-	30,000	179,500
5	30,001	-	35,000	160,141
3	35,001	-	40,000	117,500
1	40,001	-	45,000	45,000
9	45,001	-	50,000	436,800
1	50,001	-	55,000	50,500
1	65,001	-	70,000	70,000
1	75,001	-	80,000	80,000
1	90,001	-	95,000	91,500
6	95,001	-	100,000	600,000
1	105,001	-	110,000	108,000
1	110,001	-	115,000	112,500
1	115,001	-	120,000	119,500
3	125,001	-	130,000	387,000
2	145,001	-	150,000	299,000
1	165,001	-	170,000	170,000
1	170,001	-	175,000	175,000
1	195,001	-	200,000	200,000
1	275,001	-	280,000	277,500
1	300,001	-	305,000	300,500
1	340,001	-	345,000	345,000
1	350,001	-	355,000	352,501
1	495,001	-	500,000	500,000
1	540,001	-	545,000	544,002
1	925,001	-	930,000	928,000
1	995,001	-	1,000,000	998,500
1	1,020,001	-	1,025,000	1,024,300
1	1,995,001	-	2,000,000	2,000,000
1	6,720,001	-	6,725,000	6,724,600
<b>1704</b>				<b>20,000,000</b>



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<b>S. No.</b>	<b>Categories Of Certificate Holders</b>	<b>Number Of Certificate Holders</b>	<b>Total Certificate Held</b>	<b>Percentage</b>
1	Individuals	1669	9,227,168	46.14
2	Investment Companies	6	7,190,600	35.95
3	Financial Institutions	4	1,013,004	5.07
4	Joint Stock Companies	20	2,501,501	12.51
5	Modarabas	2	47,700	0.24
6	Insurance Company	1	2,500	0.01
7	Others	2	17,527	0.09
		<b>1704</b>	<b>20,000,000</b>	<b>100.00</b>



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**ADDITIONAL INFORMATION AS ON JUNE 30, 2015**

S. No.	Categories of Certificates Holders	Number	Certificates Held	% Age
1	<b>NIT &amp; ICP</b>	1	12,000	0.06
	Investment Corporation of Pakistan		12,000	
2	<b>Directors, CEO their Spouse &amp; Minor Children</b>	1	1,024,300	5.12
	Ayaz Dawood		1,024,300	
3	<b>Banks, DFIs, NBFIs, Insurance Companies, Modarabas Joint Stock Companies, Mutual Funds and others</b>	34	10,760,832	53.80
	<b>Certificate Holders holding five percent or more in the Modaraba</b>			
	<b>Paid Up Capital</b>		20,000,000	
	<b>Innovative Investment Bank Limited</b>		6,724,600	33.62
	<b>Financial Link Limited</b>		2,000,000	10.00
	<b>Ayaz Dawood</b>		1,024,300	5.12



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**SIX YEARS FINANCIAL SUMMARY**

<b>Particulars</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
	----- (Rupees in Thousands) -----					
Paid up Capital	200,000	200,000	200,000	200,000	200,000	200,000
Equity	117,634	127,781	124,771	122,160	117,551	115,030
Current Liabilities	5,172	9,531	29,470	26,032	24,510	43,951
Current Assets	68,300	93,139	114,375	101,137	148,239	159,132
Operating (Loss) / Profit	(7,140)	6,844	6,747	6,918	5,698	5,737
(Loss) /profit for the Year	(7,140)	5,929	5,845	5,991	5,026	5,024
Dividend	-	3,000	3,000	3,000	2,400	2,400
(Loss) / Earning per Certificate	(0.36)	0.30	0.29	0.30	0.25	0.25

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