



B.R.R Guardian Modaraba
(An Islamic Financial Institution)
Managed by B.R.R. Investments (Private) Limited

Contents	Page
<u>Corporate Information</u>	
<u>Mission Vision and Overall Corporate Strategy</u>	
<u>Notice of Annual Review Meeting</u>	
<u>Directors' Report</u>	
<u>Statemnet of Compliance with the Code of Corporate Governance</u>	
<u>Auditors' Review Report</u>	
<u>Auditors' Report</u>	
<u>Balance Sheet</u>	
<u>Profit and Loss Account</u>	
<u>Comprehensive Income Statement</u>	
<u>Cash Flow Statement</u>	
<u>Statement of Changes in Equity</u>	
<u>Notes to the Financial Statements</u>	
<u>Pattern of Certificate Holding</u>	
<u>Additional Incormation</u>	
<u>Six Years Financial Summary</u>	



B.R.R. GUARDIAN 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. Majid Dawood Mr Farouq Habib Rahimtoola
Audit Committee	Mr Farouq Habib Rahimtoola - Chairman Mr. Rafique Dawood - Member Mr. Majid Dawood - Member
Chief Operating Officer	Mr. Saeed Siddiqui
Chief Financial Officer	Syed Tariq Masood
Company Secretary	Mr Tahir Mahmood
Auditors	M. Yousuf Adil Saleem & Company Chartered Accountant
Legal Advisor	Rauf Ghaffar Law Associate Malik & Maliks
Bankers	Allied Bank Limited Bank Al Habib Limited Dawood Islamic Bank Habib Metropolitan Bank Limited National Bank of Pakistan NIB Bank Limited Oman International Bank S.A.O.G.
Web-site	www.firstdawood.com/br
Registered Office & Head Office	1500-A, Saima Trade Towers, I.I Chundrigar Road, Karachi-74000 UAN : 111-DAWOOD (111-329-663) Fax : 92-21-227-1913
Registrars	F.D Registrar Services (SMC-Pvt.) Ltd 17th Floor, Saima Trade Tower-A I.I Chundrigar Road, Karachi Phone # 2271875
Branch Offices	Suit No. 210, 5th Floor, Siddiq Trade Centre, Main Boulevard, Gulberg - III, Lahore Office No. 20 & 21, 1st Floor, Beverly Centre, 56-G7, Jinnah Avenue, Islamabad-44000
Security Vault	187-G, Block-2, Shahrah-e-Quaideen, PECHS. Karachi-754000



B.R.R. GUARDIAN MODARABA

(An Islamic Financial Institution)

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.

OVERALL CORPORATE STRATEGY

To become a market leader of Islamic Financial Products through:

- (i) maintaining highest standards of integrity and honesty;
- (ii) strict adherence with Sharia principles;
- (iii) making improvement in every department a process through education and professional development with latest innovations through awareness techniques;
- (iv) providing opportunities to employees for career development and rewarding them according to their calibre;
- (v) safeguarding the interests of certificate holders while providing best possible returns;
- (vi) building a long lasting relationship with the customers by suggesting the most suitable Islamic product for their needs at competitive rates;
- (vii) practical and conservative judgment of risks.

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

NOTICE OF ANNUAL REVIEW MEETING (ARM-11th)

Certificate holders of B.R.R. Guardian Modaraba are hereby notified that ARM – 11th will be held at 1500-A, Saima Trade Tower I.I. Chundrigar Road Karachi on Saturday October 30, 2010 at 8:30 a.m. to review the performance of the Modaraba for the year ended June 30, 2010.

The Certificate Transfer Book will remain closed from October 24, 2010 to October 30, 2010 (both days inclusive). Transfer received at the Registrar Office, F.D. Registrar Services (SMC-Pvt) Ltd at 17th Floor, Saima Trade Tower – A, I.I. Chundrigar Road, Karachi. Transfer request should reach before the close of business hours on October 23, 2010, Certificate Holders are advised to notify to the Registrar Office of any change in their address.

October 8, 2010
Karachi

BY ORDER OF THE BOARD

Tahir Mehmood
Company Secretary



Directors' Report

B.R.R. Guardian Modaraba

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

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

Dear Certificate holders,

On behalf of the Board of Directors of B.R.R. Investments (Private) Limited ('BRRRI' or 'the company'), manager of B.R.R. Guardian Modaraba ('BRRGM' or 'the Modaraba'), it gives me pleasure to present to you the Annual Report and Audited Financial Statements for the financial year ended June 30, 2010.

Operations and Performance

During the Financial Year under review Your Modaraba continued to face the liquidity crunch. However, overall financial position in current year has slightly improved as compared to last year, which is evident by increase in gross revenue by 9.7% during the year. and a reduction in expenses by 4.3% resulting in a stronger cash position.

	June 30, 2010	June 30, 2009
Rupees.....	
Lease Rentals	189,658,507	374,934,053
Income on Musharika and Morabaha Finances	232,387,615	118,192,216
Income on Investments	101,677,246	(17,016,920)
Rental Income	89,087,427	83,124,241
Total Income	611,107,881	557,005,708
Total Expenses	774,807,041	809,255,041
(Loss) for the year	(161,233,731)	(502,747,978)

Profit Distribution

The current year's losses does not allow the Board to recommend any payout.

Rescheduling of SUKUK

The management of the Modaraba has commenced rescheduling negotiations of the SUKUK. A successful completion will assist your Modaraba.

Human Resource Training and Development

The Modaraba endeavors to ensure that its staff demonstrates high professional caliber and represents an appropriate mix of professional qualification ability and experience to permit the achievement of its corporate objective in the most efficient manner.

Training and Human Resource Development continues to be of prime importance in BRRGM. We will ensure that our employees get sufficient high quality professional training to meet the challenges of industry and customers satisfaction.

Technology and Process

The IT department continues to be an integral department of the organization. Through in-house software programs, the IT department has successfully installed effective systems for the efficient operations of different departments with the ultimate objectives of producing a complete fool proof geared to maintain proper check & controls.

Compliance with the Best Practice of the Code of Corporate Governance

Your Management Company has implemented provisions of the code of corporate governance relevant for the year ended June 30, 2010. The external auditors review report on the statement of compliance with the code of corporate governance is annexed with this report.

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

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

Trading/Dealing in Shares of the Company

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

Statement of Ethics and Business Practices

The Board of Directors of the Management Company has adopted the required Statement of Ethics and Business Practices for the Modaraba. All employees are of this statement and are requested to observe these rules of conduct to business and regulations.

Staff Retirement Benefits

First Dawood Group operates a provident Fund scheme for all permanent employees. The value of investment to date is Rs.24 million.

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

Auditor

The present Auditors M. Yousuf Adil Saleem & Co., Chartered Accountants are due for retirement and not eligible for the reappointment for the reason of the compulsory requirement in rotation of Auditors as described by the Code of Corporate Governance. Therefore the Audit Committee has recommended and Board of Directors has approved the appointment of Ford Rhodes Sidat Hyde & Co. Chartered Accountants for the year ending June 30, 2011 subject to the approval of the Registrar Modaraba Companies and Modarabas.

Key Financial Highlight

Key financial highlights are summarized and annexed to these financial statements, and special attention is drawn to Note 1.2

Risk Management Framework

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

Board Meetings

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

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

Credit Rating

JCR-VIS Credit Rating Company Limited (JCR-VIS) has announced Privately Placed Diminishing Musharaka Based TFC rating to "D" and maintained medium to long term entity rating of your Modaraba to "BBB" (Triple B), the Short term rating has maintained at "A-3" (A Minus Three), with the rescheduling of the SUKUK, we expect JCR-VIS to increase the rating back to investment grade.

Pattern of Shareholding

The pattern of shareholding as on June 30, 2010 along with disclosure as required under the Code of Corporate Governance is annexed.

Appreciation

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

"BRR Guardian Modaraba" (BRRGM) is in the process of constructing a 19 story commercial building off – I.I Chundrigar Road near Shaheen Complex, which would be completed by July 2011, the said building constructed on a plot size measuring 2000 sq ft. We are in the process of pouring the 12th floor in the current month.

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

We reaffirm our commitment to our certificate holders to further enhance the value of their investment in the Modaraba, by focusing to achieve maximum recoveries for lease and musharaka repayment from our clients.

On Behalf of the Board of Directors

B.R.R. Investments (Private) Limited

Rafique Dawood
Chairman

Karachi
October 05, 2010

B.R.R Guardian Modaraba

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

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

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

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

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

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

11. No new appointment of CFO or Company secretary has been made during the year. The Board has approved the appointment of Internal Auditors including its remuneration and terms and conditions of employment as determined by the Chief Executive Officer.
12. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
13. The financial statements of the Modaraba were duly endorsed and signed by the Chief Executive Officer and Chief Financial Officer before the approval of Board.
14. The directors, Chief Executive Officer and executives do not hold any interest in the certificates of the Modaraba other than that disclosed in the pattern of certificate holdings.
15. The Modaraba has complied with all the corporate and financial reporting requirements of the Code.
16. The Board has formed an Audit Committee. It comprises of three members, of whom two are non executive directors including the Chairman of the Committee.
17. The meetings of the Audit Committee were held at least once every quarter prior to approval of the interim and final results of the Modaraba and as required by the Code. The terms of reference of the Committee have been formed and advised for compliance.
18. The Board has appointed a firm of Chartered Accountants, as Internal Auditors of the Modaraba and has also approved their terms and conditions for the period starting from July 01 2009. They are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Modaraba.
19. The statutory auditors of the Modaraba have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan that they or any of the partners of the firm, their spouses and minor children do not hold certificates of the Modaraba and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. We confirm that all other material principles contained in the Code have been complied.

October 5,2010

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

Ayaz Dawood
Chief Executive Officer

Deloitte.

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

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REVIEW REPORT TO THE CERTIFICATE HOLDERS ON STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **B.R.R. INVESTMENT (PRIVATE) LIMITED** (the management company) representing **B.R.R. GUARDIAN MODARABA** to comply with the Listing Regulations of Karachi Stock Exchange where the Modaraba is listed.

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

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

Further, Listing Regulations of the Stock Exchange where the Modaraba is listed, require the Modaraba to place before the Board of Directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to enable us to express an opinion as to determine whether the related party transactions were under taken at arm's length price.

Based on our review nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2010.

Chartered Accountants

Karachi

Date: October 05, 2010

Deloitte.

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

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Web : www.deloitte.com

AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of **B.R.R. Guardian Modaraba** as at June 30, 2010 and the related profit and loss account, statement of other 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 purposes of our audit.

These financial statements are the Modaraba company's [B.R.R Investments (Private) Limited] responsibility who is also responsible to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards as applicable in Pakistan and the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981. 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 **B.R.R. Guardian 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 the related profit and loss account, statement of other comprehensive income 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 except for changes as stated in notes 3.2 to the financial statements, with which we concur;

B.R.R. GUARDIAN MODARABA
BALANCE SHEET
AS AT JUNE 30, 2010

	<i>Note</i>	<i>2010</i> <i>Rupees</i>	<i>2009</i> <i>Rupees</i>
ASSETS			
Current Assets			
Cash and Bank Balances	5	105,241,517	66,287,941
Musharaka and Murabaha Finances	6	752,659,747	399,356,013
Short Term Investments	7	695,288,932	470,662,154
Lease Rentals Receivable	8	10,451,951	49,475,014
Loans, Advances and Prepayments	9	3,383,175	7,345,050
Accrued Profit	10	146,674,931	11,557,500
Other Receivables	11	34,224,907	17,348,819
Taxation Refundable	12	2,513,915	10,066,401
Total Current Assets		1,750,439,075	1,032,098,892
Non Current Assets			
Long Term Portion of Musharaka and Murabaha Finances	6	593,776,835	405,306,111
Long Term Loans	9	10,017,018	8,284,425
Long Term Investments	13	-	163,296,882
Long Term Deposits		2,937,000	2,937,000
Property and Equipment - Own	14	66,119,160	71,611,503
Property, Plant and Equipment - Leased / Ijarah	15	289,634,681	505,989,406
Capital Work In Progress	16	250,871,188	165,756,499
Investment Properties	17	679,279,440	651,838,885
Total Non Current Assets		1,892,635,322	1,975,020,711
TOTAL ASSETS		3,643,074,397	3,007,119,603
LIABILITIES			
Current Liabilities			
Murabaha, Musharaka and Finance Under Markup Arrangement	18	1,587,796,827	906,157,863
Current Portion of Diminishing Musharika Based TFCs'	22	80,000,000	-
Creditors, Accrued and Other Liabilities	19	72,534,814	60,827,864
Accrued Profit on Borrowings	20	199,191,412	83,742,362
Customers' Security Deposits		15,550,542	32,314,062
Profit Payable	21	21,454,898	21,475,327
Total Current Liabilities		1,976,528,493	1,104,517,478
Non Current Liabilities			
Diminishing Musharaka Based TFCs'	22	720,000,000	800,000,000
Long Term Portion of Musharaka Finances	18	158,866,672	209,232,153
Long Term Portion of Rentals Received in Advance	19	8,221,582	3,883,457
Long Term Portion of Customers' Security Deposits		146,563,846	149,066,584
Total Non Current Liabilities		1,033,652,100	1,162,182,194
TOTAL LIABILITIES		3,010,180,593	2,266,699,672
NET ASSETS		632,893,804	740,419,931
Represented By:			
Certificate Capital	23	780,462,550	780,462,550
Capital Reserves		488,522,189	488,522,189
Revenue Reserve		56,000,000	56,000,000
Deficit on Revaluation of Investments		(29,134,809)	(82,842,413)
Accumulated Loss		(662,956,126)	(501,722,395)
		632,893,804	740,419,931

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

Chief Executive Officer

Director

Director

B. R. R. Investments (Private) Limited

B.R.R. GUARDIAN MODARABA
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2010

	<i>Note</i>	2010 Rupees	2009 Rupees
INCOME			
Lease Rentals		189,658,507	374,934,053
Income on Musharaka and Murabaha Finances		232,387,615	118,192,216
Gain/(Loss) on Investments	24	101,677,246	(17,016,920)
Share of Loss from Associate		(11,242,846)	(2,726,965)
Income on Balance with Banks	25	9,539,932	499,083
Rental Income	26	89,087,427	83,124,241
		<u>611,107,881</u>	<u>557,005,708</u>
EXPENSES			
Amortisation on Leased Assets		170,881,382	300,476,517
Impairment Loss	27	149,919,865	91,202,919
Operating Expenses	28	102,280,509	99,113,219
Financial Charges	29	351,725,285	318,462,386
		<u>774,807,041</u>	<u>809,255,041</u>
		(163,699,160)	(252,249,333)
Provision /(Reversal) for Doubtful Receivables-Net	30	17,845,694	270,658,700
Profit Receivable Written -off		-	2,573,765
		17,845,694	273,232,465
Other Income	31	20,311,123	22,733,820
		<u>(161,233,731)</u>	<u>(502,747,978)</u>
Modaraba Company's Management Fee		-	-
Loss Before Taxation		<u>(161,233,731)</u>	<u>(502,747,978)</u>
Taxation	32	-	-
Loss for the Year		<u>(161,233,731)</u>	<u>(502,747,978)</u>
Basic / Diluted Earnings Per Certificate	33	<u>(2.07)</u>	<u>(6.44)</u>

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

Chief Executive Officer

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

Director

B.R.R. GUARDIAN MODARABA
STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2010

	<i>Note</i>	2010 <i>Rupees</i>	2009 <i>Rupees</i>
Loss for the Year		(161,233,731)	(502,747,978)
Other Comprehensive Income for the Year			
Unrealised Surplus/(Deficit) on Remeasurement of Available for Sale Investments		53,707,604	(495,927,847)
Provision for Impairment Loss on Revaluation Deficit of Available for Sale Investment Under SRO 150(1) / 2009		-	a (23,947,614)
		53,707,604	(519,875,461)
Loss for the Year After Other Comprehensive Income for the Year		(107,526,127)	(1,022,623,439)

- (a) This represents impairment loss on available for sale securities in listed companies and mutual funds which has not been recognised in the profit and loss account using the option provided in S.R.O 150(1)/2009 dated February 13, 2009.

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

Chief Executive Officer

Director

Director

B. R. R. Investments (Private) Limited

B.R.R. GUARDIAN MODARABA
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2010

	2010	2009
	Rupees	Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Loss Before Taxation	(161,233,731)	(502,747,978)
Adjustments of Non-Cash and Other items:		
Depreciation	44,696,913	43,423,826
Amortisation	170,881,382	290,107,444
Impairment Loss	149,919,865	91,202,919
Share of Loss from Associate	11,242,846	2,726,965
Provision for Doubtful Morabaha and Musharaka Finances	4,229,193	218,841,776
Fixed Capital Expenditure on Property, Plant and Equipment-Leased	(17,896,385)	(62,373,890)
Proceeds on Disposal of Property, Plant and Equipment- Leased	74,501,503	119,626,109
Profit on Disposal of Property and Equipment- Own	(833,874)	(134,889)
Profit on Settlement / Disposal of Investment Property	-	(11,680,427)
Profit on Disposal of Property, Plant and Equipment -Leased	(11,563,331)	(2,809,058)
Profit on Musharaka, Murabaha and Finance Under Mark up Arrangements	351,181,684	318,221,207
(Income) / Loss on Investments	(101,677,246)	17,016,920
	674,682,550	1,024,168,902
(Increase) / Decrease in Current Assets		
Lease Rentals Receivable	39,023,063	(5,349,736)
Loans, Advances and Prepayments	2,229,282	9,912,032
Accrued Profit	(120,456,130)	23,498,163
Other Receivables	(9,187,733)	(2,132,791)
	(88,391,519)	25,927,668
Increase / (Decrease) in Current Liabilities		
Creditors, Accrued and Other Liabilities	4,435,336	(25,824,136)
Customers' Security Deposits	(19,266,256)	(37,969,946)
Rentals Received in Advance	11,609,740	14,567,734
Income Tax Refunded	-	-
	(3,221,180)	(49,226,348)
Staff Grauity Paid	-	(1,115,206)
Net Cash Generated From Operating Activities	421,836,120	497,007,038

	2010	2009
	Rupees	Rupees
B. CASH FLOWS FROM INVESTING ACTIVITIES		
(Decrease) / Increase in Investments	(168,353,447)	300,022,640
Income Received on Investments	86,880,076	5,648,177
(Decrease) / Increase in Murabaha and Musharaka Finances	(546,003,651)	15,190,501
Fixed Capital Expenditure on Investment Property	(60,800,001)	(1,018,805)
Fixed Capital Expenditure on Assets - Own	(91,893,454)	(8,233,752)
Proceeds on Disposal of Assets - Own	1,767,512	1,340,184
Long Term Deposits	-	80,000
Net Cash Flow (Used in) /Generated From Investing Activities	<u>(778,402,965)</u>	<u>313,028,945</u>
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Increase / (Decrease) in Finance Obtained Under Murabaha , Musharaka and Finance Under Mark up Arrangements	631,273,483	(529,726,847)
Diminishing Musharaka Based TFCs'	-	120,000,000
Profit Paid on Borrowings	(235,732,634)	(275,784,342)
Profit Paid to Certificate Holders	(20,429)	(68,117,893)
Net Cash Flow Generated From/(Used in) Financing Activities	<u>395,520,420</u>	<u>(753,629,082)</u>
Net Increase in Cash and Cash Equivalents (A+B+C)	38,953,576	56,406,901
Cash and Cash Equivalents at Beginning of the Year	66,287,941	9,881,040
Cash and Cash Equivalents at End of the Year	<u><u>105,241,517</u></u>	<u><u>66,287,941</u></u>

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

Chief Executive Officer

Director

Director

B.R.R. Investments (Private) Limited

B.R.R. GUARDIAN MODARABA
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2010

	<i>Certificate Capital</i>	<i>Capital Reserves</i>		<i>General Reserve</i>	<i>(Defecit) / Surplus on Revaluation of Investments</i>	<i>Accumulated Loss</i>	<i>2010 Rupees</i>
		<i>Profit Prior to Floatation</i>	<i>* Statutory Reserve</i>				
<----- Rupees ----->							
Balance at July 01,2008	780,462,550	10,532,683	477,989,506	51,000,000	437,033,048	76,267,213	1,833,285,000
Profit Distribution Declared for the Year Ended June 30, 2008 @ 0.9 per certificate	-	-	-	-	-	(70,241,630)	(70,241,630)
Loss for the Year ended June 30, 2009						(502,747,978)	(502,747,978)
Other Comprehensive income							
Unrealised deficit on Remeasurement of Available for Sale Investments	-	-	-	-	(495,927,847)	-	(495,927,847)
provision for Impairment loss on revaluation deficit of Available for Sale Investment under SRO 150(1) / 2009	-	-	-	-	(23,947,614)	-	(23,947,614)
	-	-	-	-	(519,875,461)	-	(519,875,461)
Transferred to General Reserve for the year ended June 30, 2008	-	-	-	5,000,000	-	(5,000,000)	-
Balance at June 30, 2009	<u>780,462,550</u>	<u>10,532,683</u>	<u>477,989,506</u>	<u>56,000,000</u>	<u>(82,842,413)</u>	<u>(501,722,395)</u>	<u>740,419,931</u>
Balance at July 01, 2009	780,462,550	10,532,683	477,989,506	56,000,000	(82,842,413)	(501,722,395)	740,419,931
Loss for the Year Ended June 30, 2010						(161,233,731)	(161,233,731)
Other Comprehensive income							
Unrealised deficit on Remeasurement of Available for Sale Investments	-	-	-	-	53,707,604	-	53,707,604
Balance at June 30, 2010	<u>780,462,550</u>	<u>10,532,683</u>	<u>477,989,506</u>	<u>56,000,000</u>	<u>(29,134,809)</u>	<u>(662,956,126)</u>	<u>632,893,804</u>

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

The annexed notes 1 to 42 form an integral part of these financial statements.

Chief Executive Officer

Director

Director

B.R.R. GUARDIAN MODARABA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

1. LEGAL STATUS AND NATURE OF THE BUSINESS

1.1 B.R.R. Guardian Modaraba (BRRGM) is a multipurpose, perpetual Modaraba floated under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Rules framed thereunder and is managed by B.R.R. Investments (Private) Limited, a company incorporated in Pakistan. The Modaraba is listed on the Karachi Stock Exchange. The Modaraba's principal activity is leasing of assets, deployment of funds in musharakas, murabahas and investment in properties, equity and debt securities. The Modaraba also provides custodial and management services in the name of B.R.R Security Vault.

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

2. BASIS OF PREPARATION

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

2.1 Critical Accounting Estimates and Judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Modaraba's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Modaraba's financial statements or where judgment was exercised in application of accounting policies are as follows: -

- i) classification of investments (Note 7)
- ii) provision for doubtful receivables (Note 6 & 8)
- iii) depreciation on property and equipment (Note 14)
- iv) amortization of property, plant and equipment - leased (Note 15)
- v) impairment of investments, debt securities, and leased assets (Note 7 and 15)

3. STATEMENT OF COMPLIANCE

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

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

3.2 *Adoption of new International Financial Reporting Standards*

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

Change in accounting policies and disclosures as result of adoption of new and amended accounting standards

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

IAS 1 (revised) - Presentation of Financial Statements

January 01, 2009

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

IFRS 8 - Operating Segments

January 01, 2009

IFRS 8 replaces IAS 14 and requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The adoption of this standard has no impact on the Modaraba's financial statement except certain additional disclosure.

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

January 01, 2009

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

The amended standard requires additional disclosures about the fair value measurement and liquidity risk. Fair value measurement related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance of level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in Note 38.

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

Standards and Interpretations adopted with no effect on the financial statements

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has no significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

<i>IAS 40 - Investment Property</i>	<i>January 01, 2009</i>
<i>IAS 20 - Accounting for Government Grants and Disclosure of</i>	<i>January 01, 2009</i>
<i>IAS 20 - Accounting for Government Grants and Disclosure of</i>	<i>January 01, 2009</i>
<i>IAS 23 - Borrowing Costs</i>	
<i>IFRS 2 - Share-based Payment : Vesting Conditions and Cancellations</i>	<i>January 01, 2009</i>
<i>IFRS 3 - Business Combinations (Revised) and IAS 27 - Consolidated and Separate Financial Statements (Amended) including consequential amendments to IFRS 7, IAS 21, IAS 28, IAS 31 and IAS 39</i>	<i>July 01, 2009</i>
<i>IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations</i>	<i>July 01, 2009</i>
<i>IAS 32- Financial Instruments : Presentation and IAS 1 Puttable Financial Instruments and Obligations arising on Liquidation</i>	<i>January 01, 2009</i>
<i>IAS 38 - Intangible Assets</i>	<i>January 01, 2009</i>
<i>IAS 39 - Financial Instruments : Recognition and Measurement - Eligible Hedged Items</i>	<i>July 01, 2009</i>
<i>IFRIC 9 - Remeasurement of Embedded derivatives and IAS 39 Financial Instruments : Recognition and Measurement</i>	<i>July 01, 2009</i>
<i>IFRIC 15 - Agreements for the Construction of Real Estate</i>	<i>January 01, 2009</i>
<i>IFRIC 17 - Distribution of Non-cash Assets to Owners</i>	<i>January 01, 2009</i>
<i>IFRIC 18 - Transfers of Assets from Customers</i>	<i>July 01, 2009</i>
3.3 New accounting standards and IFRS interpretatons that are not yet effective	
<i>IFRS 9 - Financial Instruments</i>	<i>January 01, 2010</i>
<i>Amendments to IFRS 2 - Share based Payment</i>	<i>January 01, 2010</i>
<i>Amendments to IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations</i>	<i>January 01, 2010</i>
<i>Amendments to IAS 7 - Statement of Cash Flows</i>	<i>January 01, 2010</i>
<i>Amendments to IAS 24 - Related Party Disclosures</i>	<i>January 01, 2010</i>

4. SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Property, Plant and Equipment under Ijarah arrangements

Modaraba adopted Islamic Financial Accounting Standard 2-Ijarah in the year June 2009 for all Ijarah contracts commencing on or after 1 July 2008. The assets subject to Ijarah commencing on or after 1 July 2008 are stated at cost less accumulated amortisation and impairment losses, if any. Amortisation is charged on these assets using straight line method over the Ijarah period which is from date of delivery of respective assets to mustajir upto the date of maturity / termination of Ijarah agreement . In respect of the addition or deletion during the year, amortisation is charged proportionately to the period of ijarah.

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

4.2 Property, plant and equipment

(i) Leased out and amortisation

Leased assets are stated at cost less accumulated amortisation and impairment loss (if any). Amortisation is charged to income applying the annuity method whereby the cost of an asset, less its residual value, is written off over its lease period. In respect of additions and disposals during the year, amortisation is charged proportionately to the period of lease.

Profit or loss on disposal of leased assets is recognised as income or expense.

(ii) In own use and depreciation

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 recognised as a 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 currently.

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; also assets costing upto Rs.25,000/- are charged to income. Major renewals and improvements are capitalized and assets so replaced, if any, are retired.

4.3 Investment properties

Property not held for own use or for sale in the ordinary course of business is classified as investment property. The investment property of the modaraba comprises buildings and is valued using the cost method i.e. at cost less any accumulated depreciation and any identified impairment loss.

Depreciation on investment property is charged on straight line method over its estimated useful life at the rates ranging from 2% to 5% per annum. In respect of additions and disposals during the year, depreciation is charged proportionately to the period of use.

4.4 Capital work-in-progress

Capital work-in-progress, if any, is stated at cost (less impairment losses, if any) and represents expenditure on fixed assets in the course of construction and installation and advances for capital expenditure. Transfers are made to relevant operating fixed assets category as and when the assets are available for intended use.

4.5 Investments

i) Held for trading "at fair value through profit or loss"

These investments are initially recognised at fair value and subsequently measured at fair value. As per requirement of IAS-39 "Financial Instruments, Recognition and Measurement" the gain or loss on revaluation of investment held for trading is to be included in profit and loss account. However, as allowed by the Securities and Exchange Commission of Pakistan vide their letter No. SECP/ICAP/SC/34/99 dated September 24, 2002, unrealized gain is included in equity and diminution in value of investments is included in profit and loss, on aggregate basis.

ii) 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 costs as it is not possible to apply any other valuation methodology. Gains and losses arising from re-measurement at fair value is recognised directly in the equity under fair value reserve until sold, collected, or otherwise disposed of, at which time the cumulative gain or loss previously recognised in equity is included in profit and loss account.

iii) Held to maturity

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

iv) Derecognition

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

4.6 Investment in Associates

The investment in associates with significant influence are accounted for using equity method of accounting and initially recorded at cost.

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

4.7 Provisions

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

4.8 Impairment

Financial Assets

Impairment is recognised 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. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Available-for-sale financial investments

For available-for-sale financial investments, the company assesses at each balance sheet date whether there is objective evidence that an investment or a group of investments is impaired. In 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 recognised in the income statement - is removed from equity and recognised 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 recognised 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 amortised cost. Interest continues to be accrued at the original effective interest rate on the carrying amount of the asset and is recorded as part of 'Interest and similar income'. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the profit and loss account.

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

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

Non-financial assets

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

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

4.9 Revenue recognition

4.9.1 Ijarah income / Operating lease income

Till June 30, 2008 Modaraba treated all leases as operating lease and from July 01, 2008. Modaraba adopt IFAS 'Ijarah' for all new lease disbursements. Under this method the unearned income i.e. the excess of aggregate Ijarah rentals (including residual value) over the cost of the asset under Ijarah facility is deferred and then amortised over the term of the Ijarah, so as to produce a constant rate of return on net investment in the Ijarah.

Leases in which a significant portion of the risk and reward is retained by the Modaraba are classified as operating lease. Rental income from operating leases is recognised on straight line under the time proportion basis (on an accrual basis).

4.9.2 Hire purchase transactions

For hire purchase transactions, the unearned finance income is deferred and taken to income over the period of hire purchase, applying the annuity method to produce a constant rate of return on the net investment.

4.9.3 Murabaha and musharaka 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 by accounting for "Deferred Murabaha Income" with a corresponding credit to "Unearned Murabaha Income" which is recorded as a liability. The same is then recognised on a time proportion basis.

4.9.4 Rental Income

Rental Income arising from investment properties is accounted for on a straight line basis.

4.9.5 Dividend income

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

4.9.6 Gain/Losses on Sale of Investment

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

4.9.7 Income of Debt Securities

Income is recognised on a time proportion basis under the effective yield method.

4.9.8 Income on Balance With Bank

Profit on bank deposit is recognised on accrual basis

4.10 Taxation

Current

The charge for current taxation is based on taxable income at the current rates of taxation after taking into account tax credit and tax rebates realizable, if any. Under clause 100 of Part I of the Second Schedule to the Income Tax Ordinance, 2001, the non-trading income of modarabas is exempt from income tax, provided not less than 90% of its profits {after appropriation to statutory(mandatory) reserves as required under Modaraba Regulations} are distributed to the certificate holders. However, due to loss, no provision for taxation for the current year has been made in these financial statements.

Deferred

The Modaraba accounts for deferred taxation on all material temporary differences using the liability method. However, deferred tax liability has not been recognised in these financial statements as the management believes that the temporary differences will not reverse in the foreseeable future due to the fact that the Modaraba intends to continue availing the tax exemption.

4.11 Staff provident fund

The Modaraba contributes to an approved fund scheme covering all its employees. Equal monthly contributions are made by the Modaraba and the employees to the basic salary.

4.12 Foreign currencies translation

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

4.13 Financial assets

Financial assets comprise of lease rentals receivable, investments, musharaka and morabaha finances, deposits, other receivables, excluding taxation. Lease rentals receivable, musharaka, morabaha and other receivables are stated at cost as reduced by appropriate allowances for estimated irrecoverable amounts.

4.14 Financial liabilities

Financial liabilities are classified according to the substance of contractual arrangements entered into. Significant financial liabilities are musharaka, morabaha and finance under mark up arrangements, deposit on lease contracts and accrued and other liabilities.

4.15 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, with banks on current, savings and deposit accounts, as well as balance held with the State Bank of Pakistan (SBP).

4.16 Offsetting of financial assets and financial liabilities

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

	<i>Note</i>	<i>2010</i> <i>Rupees</i>	<i>2009</i> <i>Rupees</i>
5. CASH AND BANK BALANCES			
With State Bank of Pakistan		21,753	22,513
With Banks on:			
- PLS Savings Accounts	5.1	104,725,489	61,799,446
- Foreign Currency Savings Accounts		-	2,914,140
- Current Accounts		394,823	1,416,298
Cash in Hand		99,452	135,544
		<u>105,241,517</u>	<u>66,287,941</u>

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

6. MUSHARAKA AND MURABAHA FINANCES

Musharaka Finances	6.1	1,656,352,906	1,108,083,204
Murabaha Finances	6.2	2,383,284	4,649,335
		<u>1,658,736,190</u>	<u>1,112,732,539</u>
Less: Long Term Portion Muharaka Finance		593,776,835	405,306,111
Less: Provision for Doubtful Receivables	6.3	312,299,608	308,070,415
		<u>752,659,747</u>	<u>399,356,013</u>

6.1 The expected profit receivable on these arrangements ranging from Re.0.0.323 to Re.0.493 per Rs.1,000 per day (2009: Re.0.041 to Re.0.684 per Rs.1,000 per day). The arrangements are secured by way of hypothecation of stock, property mortgage, charged on property and equipment and pledge of shares. These finance are receivable on various dates up to June 21, 2013.

6.2 Murabaha 2,383,284 4,649,335

The return on these murabaha ranges from 17.25% to 18% (2009: 17.25% to 18%) per annum maturing within two months.

Detail of murabaha transactions is as under :

Murabaha sale price	11,808,354	11,808,354
Purchase price	10,650,000	10,650,000
	<u>1,158,354</u>	<u>1,158,354</u>

Deferred Murabaha income

Opening balance	279,987	472,218
Deferred during the year	-	567,014
Recognised during the year	279,987	759,245
	<u>-</u>	<u>279,987</u>

	<i>Note</i>	2010 Rupees	2009 Rupees
Murabaha receivable			
Opening balance		4,649,335	6,143,840
Sales during the year		-	5,567,014
Received during the year		2,266,051	7,061,519
		<u>2,383,284</u>	<u>4,649,335</u>

6.3 Movement of Provision

Opening Balance		308,070,415	89,228,639
Charge for the Year		92,498,485	222,043,185
Reversals during the Year		(88,269,292)	(3,201,409)
Closing Balance		<u>312,299,608</u>	<u>308,070,415</u>

7. SHORT TERM INVESTMENTS

Available for Sale:

Investments in Listed Companies and

Mutual Funds

7.1

205,904,744

320,027,935

Investments in Unlisted Companies

7.2

225,029,476

8,154,017

Investments in Debt Securities

7.3

264,354,712

142,480,202

695,288,932

470,662,154

7.1 Available For Sale : Investments in Listed Companies/Mutual Funds include the following:

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

2010	2009	<i>Name of investee</i>	2010 Rupees	2009 Rupees
<i>No. of Shares / Certificates / Units</i>				
Open-end Mutual Fund				
55,415	55,415	NIT Units	1,553,282	1,493,434
-	722,636	Dawood Money Market Fund (Par value Rs. 100)	-	59,104,398
-	40,621	Pakistan Capital Market Fund	-	337,154
77,187	102,916	Pakistan Stock Market Fund (Par value Rs. 50)	4,580,277	4,940,997
		C/f.	<u>6,133,559</u>	<u>65,875,983</u>

2010	2009	Name of investee	2010	2009
No. of Shares / Certificates / Units			Rupees	Rupees
			B/f. 6,133,559	65,875,983
Equity Investment Instruments				
1,046,281	1,046,281	First Dawood Mutual Fund	1,694,975	2,092,562
5,400,000	5,400,000	Namco Balance Fund	18,792,000	25,488,000
37,500	37,500	Pakistan Strategic Allocation Fund	256,875	128,625
105,000	105,000	PICIC Growth Fund	972,300	882,000
389,000	389,000	First Equity Modaraba Managed by Royal Premier Financial Limited	486,250	385,110
120,000	120,000	First Habib Modaraba Managed by Habib Modaraba Management Limited (Par value Rs. 5)	804,000	692,400
Financial Services				
25,000	-	Arif Habib Limited	1,100,000	-
-	237,000	Arif Habib Securities Limited	-	6,550,680
1,935,506	1,935,506	Dawood Capital Management Limited	3,851,657	10,548,508
2,499,000	2,499,000	Dawood Equities Limited	4,748,100	9,471,210
3,339,922	3,339,922	First Dawood Investment Bank Limited	-	10,253,561
50,068	68	Jahangir Siddiqui Company Limited	632,860	1,577
50,000	50,001	Javed Omer Vohra and Company Limited	267,000	673,513
354	354	Trust Investment Bank Limited	956	3,519
Commercial Banks				
-	4,471	NIB Bank	-	21,237
-	3	The Bank Of Punjab	-	33
Personal Goods				
35,000	35,000	Artistic Denim Mills Limited	714,700	786,100
5,000	-	Azgard Nine (Non-Con Preference Shares)	55,800	-
1,031	1,031	Azgard Nine Limited Convertible (Colony) Thal Textile Mills Limited	6,186	6,186
126,500	126,500	Ghazi Fabrics Industries Limited	188,485	284,625
300	300	Gul Ahmed Textile Mills Limited Preference Shares	600	750
10,000	10,000	Sapphire Fibres Limited	185,300	388,400
8,859	7,875	Sapphire Textiles Mills Limited	907,250	669,375
8,890	8,890	Zephyr Textile Limited	968,121	613,410
286,500	-		721,980	-
			C/f. 43,488,954	135,817,364

2010	2009	Name of investee	2010	2009	
No. of Shares /			Rupees	Rupees	
Certificates / Units					
			B/f.	43,488,954	135,817,364
20,000	-	Dawood Lawrancepur Limited	918,000	-	
25,000	-	Ghani Gasses Limited	242,000	-	
75,000	-	Lotte Pakistan PTA Limited	604,500	-	
20,000		Nishat Chunian Limited	315,600	-	
38,000	-	Nishat Mills Limited	1,638,560	-	
-	6,670	Rupali Polyester Limited	-	196,432	
Jute					
-	15,100	Thal Jute Mills Limited	-	1,169,495	
Sugar & Allied Industries					
1,600,000	1,600,000	Shakarganj Mills Limited (Preference shares)	4,816,000	15,840,000	
Cement					
164,000	102,749	D.G. Khan Cement Company Limited	3,873,680	3,046,508	
20,000	55,000	Lucky Cement Limited	1,242,800	3,219,150	
42,090	42,090	Maple Leaf Cement Factory Limited	130,900	179,303	
80,000	90,000	Pioneer Cement Limited	509,600	1,222,200	
Electricity					
95,100	90,100	The Hub Power Company Limited	3,039,396	2,440,809	
Oil & Gas					
72,646	37,646	Attock Refinery Limited	5,852,362	4,697,844	
-	210,000	Bosicor Pakistan Limited	-	1,461,600	
15,000	-	Mari Gas Company Limited	1,940,700	-	
29,040	26,500	National Refinery Limited	5,309,964	5,830,530	
-	55,000	Oil & Gas Development Company Limited	-	4,325,200	
5,008	17,508	Pakistan Oilfields Limited	1,081,227	2,554,417	
8,500	5,000	Pakistan Petroleum Limited	1,565,020	947,700	
41,500	11	Pakistan Refinery Limited	3,260,655	988	
30,056	31,397	Pakistan State Oil Company Limited	7,820,571	6,707,969	
15,000	83,134	Shell Pakistan Limited	3,444,150	18,613,703	
24,000	-	Shell(Gas) LPG Pakistan Limited	891,360	-	
			C /f.	<u>91,985,999</u>	<u>208,271,212</u>

2010	2009	Name of investee	2010	2009
No. of Shares / Certificates / Units			Rupees	Rupees
			B/f. 91,985,999	208,271,212
Gas Water & Multiutilities				
17,489	33,000	Sui Northern Gas Pipelines Limited	833,700	1,054,350
17,489	17,489	Sui Southern Gas Company Limited	278,250	244,846
Engineering				
48,046	63,046	International Industries Limited	2,690,096	2,842,744
Automobile Assembler				
32,500	8,000	Al Ghazi Tractor Limited	6,574,425	1,296,000
65,000	30,000	Honda Atlas Cars Limited	846,950	385,500
10,500	48,100	Millat Tractors Limited	5,043,255	13,432,738
16,500	16,500	Pak Suzuki Motor Company Limited	1,307,955	1,120,350
Industrial Transportation				
5,000	-	Pakistan National Shipping Corporation	199,450	-
5,000	-	Pakistan International Container Terminal Limited	375,000	-
Fixed Line Telecommunication				
204	204	Callmate Telips Telecom Limited	-	-
50,000	27,900	Pakistan Telecommunication Company Ltd.	890,000	481,275
100,000	-	Telecard Limited	266,000	-
Pharmaceuticals				
63,000	73,000	Abbott Laboratories Pakistan Limited	5,836,950	5,854,600
25,000	32,000	GlaxoSmithKline Pakistan Limited	2,028,500	3,833,920
564	564	Highnoon Laboratories Limited	13,457	17,196
12,250	15,000	Searle Pakistan Limited	722,750	668,250
Chemicals				
50,290	50,290	BOC Pakistan Limited	3,926,140	5,782,765
20,000	20,000	Clariant Pakistan Limited	2,987,200	2,231,600
-	10,875	Colgate Palmolive (Pakistan) Limited	-	3,045,000
9,350	9,350	Gatron (Industries) Limited	392,700	565,675
98,275	53,475	ICI Pakistan Limited	11,651,484	7,499,869
25,000	25,000	Sitara Peroxide Limited	222,000	461,000
			C/f. 139,072,261	259,088,890

2010	2009		2010	2009
No. of Shares / Certificates / Units		Name of investee	Rupees	Rupees
			B/f. 139,072,261	259,088,890
25,277	2,070	Dawood Hercules Limited	4,434,850	266,016
77,900	123,403	Engro Chemical Pakistan Limited	13,521,882	15,848,647
12,750	-	Engro Polymer & Chemicals Limited	128,010	-
19,700	-	Exide Pakistan Limited	3,317,283	-
173,331	308,331	Fauji Fertilizers Company Limited	17,865,226	26,809,380
General Industrial				
35,000	35,000	Cherat Papersack Limited	1,074,500	1,265,250
-	25,000	Packages Limited	-	3,926,000
-	-	Security Papers Limited	-	-
40,000	-	Tri-Pack Films Limited	3,901,200	-
Food & Personal Care-Products				
-	2,100	Nestle Pakistan Limited	-	2,293,158
10,000	-	Treet Corporation Limited	414,600	-
5,400	5,400	Unilever Pakistan Limited (Par value Rs. 50)	20,979,000	10,530,594
Household Goods				
6,050	-	Pak Electron Limited	70,483	-
Software & Computer Services				
45,000	-	Netsol Technologies Limited	1,125,450	-
			205,904,744	320,027,935

7.1.1 International Accounting Standards 39- Financial Instruments: Recognition and Measurement (IAS 39) requires that available for sale equity investment are impaired when there has been a significant or prolonged decline in the fair value below its cost. Such impairment loss should be transferred from equity to profit and loss account. In the view of above, during the year impairment loss amounted to Rs 115.29 million has been recorded in profit and loss account. Further impairment loss amounted to Rs 9.41 million has been recorded in accordance with the requirement of SRO 150(1) of SECP.

7.2 Available for sale: Investments in unlisted companies is as follows:

The holdings are in the fully paid ordinary shares of Rs. 10/- each.

2010	2009		2010	2009
No. of Shares			Rupees	Rupees
637,449	531,207	Systems Limited	10,603,176	8,154,017
16,320,000	-	Dawood Islamic Bank Limited	148,906,967	-
7,400,000	-	Dawood Family Takaful Limited	65,519,333	-
			225,029,476	8,154,017

June 30, 2010	System Limited	Dawood Islamic Bank Limited	Dawood Family Takaful Limited
Breakup Value as per Audited Financial Statement December 31, 2009	10,603,176	148,906,967	65,519,333
% of Holding of the Investee's Paid up Capital	2.46%	3.26%	9.25%
Auditors	Ford Rhodes Sidat Hydar & Co	M. Yousuf Adil Saleem & Co	KPMG Taseer Hadi & Co

June 30, 2009	System Limited	Dawood Islamic Bank Limited	Dawood Family Takaful Limited
Breakup value as Per Audited Financial statement December 31, 2009	8,154,017	-	-
% of Holding of the Investee's Paid up Capital	2.46%	-	-
Auditors	Ford Rhodes Sidat Hydar & Co	-	-

7.3 Available For Sale : Investments in Listed Debt Securities include the following:

2010	2009	Name of Investee	2010	2009
No. of Certificates			Rupees	Rupees
4,560	1,013	Avari Hotel Limited	24,830,870	5,066,667
12,000	12,000	Eden Housing Limited	35,192,727	58,356,840
500	500	Escort Investment Bank Limited	1,664,130	2,484,822
6,000	6,000	Gharibwal Cement Limited	14,990,500	26,676,873
3,600	3,600	Grays Leasing Limited	6,500,000	12,500,000
-	9,972	Pak Hy Oils Limited	-	37,395,000
7,333	-	Vision Developers (Pvt) Ltd	27,498,750	-
2,000	-	Al Razi Health Care	100,000,000	-
800	-	Optimus Limited	3,677,735	-
10,000	-	Flying Paper Industries Limited	50,000,000	-
			264,354,712	142,480,202

	<i>Note</i>	<i>2010 Rupees</i>	<i>2009 Rupees</i>
8. LEASE RENTALS RECEIVABLE			
Considered Good		10,451,951	49,475,014
Considered Doubtful		163,101,537	175,046,753
		<u>173,553,488</u>	<u>224,521,767</u>
Less: Provision for Doubtful Receivables	8.1	<u>(163,101,537)</u>	<u>(175,046,753)</u>
		<u>10,451,951</u>	<u>49,475,014</u>

8.1 Particulars of provision for doubtful receivables

Opening Balance	175,046,753	132,979,207
Charge for the Year	5,523,767	49,584,677
Reversals during the Year	(4,706,371)	(6,757,102)
Written off during the Year	(12,762,612)	(760,029)
Closing Balance	<u>163,101,537</u>	<u>175,046,753</u>

9. LOANS, ADVANCES AND PREPAYMENTS

Loan to Officers - Considered Good	9.1	11,126,714	10,008,057
Less: Long Term Portion		10,017,018	8,284,425
		1,109,696	1,723,632
Advances			
- Against Shares - Doubtful		5,285,255	4,165,255
Less: Provision for Doubtful Receivable		(4,165,255)	-
		1,120,000	4,165,255
- Expenses - Considered Good		53,665	236,000
- Others - Considered Good		156,560	54,731
		1,330,225	4,455,986
Prepayments		943,254	1,165,432
		<u>3,383,175</u>	<u>7,345,050</u>

9.1 The maximum amount of loans and advances due from officers and employees at the end of any month during the year was Rs.12,732,289/- (2009 : 10,008,057/-).

10. ACCRUED PROFIT

Accrued Profit on:			
- Term Finance Certificates		20,448,934	5,787,633
- Musharaka and Murabaha Finances		126,225,997	5,769,867
		<u>146,674,931</u>	<u>11,557,500</u>

	<i>Note</i>	<i>2010</i> <i>Rupees</i>	<i>2009</i> <i>Rupees</i>
11. OTHER RECEIVABLES			
Dividend Receivable		245,870	110,001
Due from Associated Undertakings	11.1	13,847,593	10,758,234
Receivable against sale of securities		3,544,615	4,079,965
Rent Receivable		2,909,481	2,400,619
Other Receivables	11.2	13,677,350	-
Other - Consider Doubtful	11.3	51,274,920	51,274,920
Less: Provision for Doubtful Receivable		51,274,920	51,274,920
		-	-
		34,224,907	17,348,819

11.1 The maximum amount due from an associated undertaking at the end of any month during the year was Rs.16,783,004/- (2009 : Rs.10,758,234/-).

11.2 It represent amount receivable from an associated undertaking in respect of settlement of investment property.

11.3 This includes Rs.51,274,920/- (2008 : Rs.51,274,920/-) receivable from certain ex-employees and other parties in respect of embezzlement of funds. The matter is pending before the Honourable High Court of Punjab and National Accountability Bureau - Government of Pakistan.

	<i>Note</i>	<i>2010</i> <i>Rupees</i>	<i>2009</i> <i>Rupees</i>
12. TAXATION REFUNDABLE			
Taxation refundable		11,147,765	10,066,401
Less: provision against doubtful		(8,633,850)	-
		2,513,915	10,066,401

12.1 Particulars of provision for doubtful receivables

Opening Balance	-	-
Charge for the Year	9,159,996	-
Reversals during the Year	(526,146)	-
Closing Balance	8,633,850	-

13. LONG TERM INVESTMENTS

Investment in associate: Equity Method

Dawood Islamic Bank Limited	13.1	-	163,296,882
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13.1 During the year, two directors of Modaraba who were also directors of Dawood Islamic Bank Limited retired from the Bank. Modaraba has no significant influence on the economic decision of the investee Bank. Therefore, the investment in in Dawood Islamic Bank Limited has been transferred to Available-for-sale investments as on April 01, 2010.

13.1.2 Movement in Investment in an associated company

Up to March 31, 2010

	<i>Note</i>	2010 Rupees	2009 Rupees
Opening balance		163,296,882	166,023,847
Share of loss		(11,242,846)	(2,726,965)
Less: Dividend received		-	-
		152,054,036	163,296,882
Classified to Available for sale investment		(152,054,036)	-
		-	163,296,882

13.1.3 Summarized financial results of Dawood Islamic Bank Limited based on condensed interim financial information (unaudited) as at March 31, 2010 (2009: June 30, 2009) are as follows: -

	March 30, 2010	June 30, 2010
	Rupees in '000'	
Total assets	12,308,940	11,652,527
Total liabilities	7,620,218	6,588,180
Total operating Income	69,805	203,940
Loss for the period	(116,576)	(75,751)
Number of shares held	-	16,320,000
Ownership interest	-	3.26%

14. PROPERTY AND EQUIPMENT - OWN

June 30, 2010	Cost			Depreciation			Book value as at June 30, 2010	Rate %
	As at July 1, 2009	Additions/ (Disposals)	As at June 30, 2010	Accumulated as at July 1, 2009	For the year / (on disposals)	Accumulated as at June 30, 2010		
-----Rupees-----								
Leasehold land	2,527,890	-	2,527,890	884,763	50,558	935,321	1,592,569	2
Building on leasehold land	66,738,707	-	66,738,707	24,505,074	3,004,117	27,509,191	39,229,516	5
Leasehold land and building thereon	9,996,000	-	9,996,000	6,274,091	499,800	6,773,891	3,222,109	5
Lockers	19,565,218	-	19,565,218	13,294,657	978,262	14,272,919	5,292,299	5
Furniture & fixtures	8,821,408	396,000	9,217,408	4,304,613	821,211	5,125,824	4,091,584	10
Vehicles	21,179,757	5,780,503 (5,099,600)	21,860,660	13,088,485	3,363,909 (4,165,963)	12,286,431	9,574,229	20
Office equipment and appliances	21,496,232	602,262 (35,000)	22,063,494	16,362,029	2,619,610 (34,999)	18,946,640	3,116,854	33.33
	150,325,212	6,778,765 (5,134,600)	151,969,377	78,713,712	11,337,467 (4,200,962)	85,850,217	66,119,160	

June 30, 2009	Cost			Depreciation			Book value as at June 30, 2009	Rate %
	As at July 1, 2008	Additions/ (Disposals)	As at June 30, 2009	Accumulated as at July 1, 2008	For the year / (on disposals)	Accumulated as at June 30, 2009		
-----Rupees-----								
Leasehold land	2,527,890	-	2,527,890	834,205	50,558	884,763	1,643,127	2
Building on leasehold land	66,738,707	-	66,738,707	21,168,139	3,336,935	24,505,074	42,233,633	5
Leasehold land and building thereon	9,996,000	-	9,996,000	5,774,291	499,800	6,274,091	3,721,909	5
Lockers	17,390,218	2,175,000	19,565,218	12,388,897	905,760	13,294,657	6,270,561	5
Furniture & fixtures	8,761,408	60,000	8,821,408	3,519,768	784,845	4,304,613	4,516,795	10
Vehicles	23,906,006	996,500 (3,722,750)	21,179,756	11,510,411	4,095,529 (2,517,455)	13,088,485	8,091,271	20
Office equipment and appliances	18,387,593	3,108,643	21,496,236	13,705,356	2,656,673	16,362,029	5,134,207	33.33
	147,707,822	6,340,143 (3,722,750)	150,325,215	68,901,067	12,330,100 (2,517,455)	78,713,712	71,611,503	

14.1 Disposal of property and equipment - Own - during the year

Property and Equipment	Cost	Accumulated Depreciation	Written down Value	Disposal proceed Insurance Claim	Gain	Mode of Disposal	Particulars of Purchaser
<----- Rupees ----->							
Vehicle	54,000	29,700	24,300	24,300	-	Negotiation	First Dawood Investment Bank Limited
Vehicle	69,000	68,999	1	6,900	6,899	Negotiation	Mr. Zaheer Ahmad Employee
Vehicle	58,500	58,499	1	5,850	5,849	Negotiation	Mr. Tufail Ahmad Employee
Vehicle	58,500	58,499	1	5,850	5,849	Negotiation	Mr. Jan Mohammad Employee
Vehicle	62,000	45,297	16,703	28,467	11,764	Negotiation	First Dawood Investment Bank Limited
Vehicle	58,500	45,825	12,675	17,500	4,825	Negotiation	Mr Mohammad Moin Employee
Vehicle	58,500	45,825	12,675	39,000	26,325	Insurance Claim	New Jubilee Insurance Co. Limited
Vehicle	60,300	60,299	1	12,060	12,059	Negotiation	First Dawood Investment Bank Limited
Vehicle	58,300	58,299	1	1	-	Negotiation	Mr.Tanveer Employee
Vehicle	58,500	46,800	11,700	16,575	4,875	Negotiation	Mr Adnan Employee
Vehicle	56,000	55,999	1	5,600	5,599	Negotiation	Mr. Mohd. Khan Employee
Vehicle	61,000	60,999	1	6,100	6,099	Negotiation	Mr.Sher Khan Employee
Vehicle	61,000	60,999	1	6,100	6,099	Negotiation	Mr. Gulam Nayyar Employee
Vehicle	61,000	60,999	1	6,100	6,099	Negotiation	Mr. Ashfaq Ahmed Employee
Vehicle	560,000	345,334	214,666	261,333	46,667	Negotiation	Mr. Saleem Munshi Employee
Vehicle	560,000	485,334	74,666	375,000	300,334	Negotiation	Mr. Sohail
Vehicle	315,000	147,000	168,000	168,000	-	Negotiation	First Dawood Investment Bank Limited
Vehicle	434,000	245,933	188,067	188,067	-	Negotiation	Mr. kamran Employee
Vehicle	333,500	161,191	172,309	172,309	-	Negotiation	First Dawood Investment Bank Limited
Vehicle	555,000	554,999	1	111,000	110,999	Negotiation	Mr. Major Pervez Employee
Vehicle	939,000	939,000	-	187,800	187,800	Negotiation	Mr. Col.Laiq Malik Employee
Vehicle	568,000	530,134	37,866	113,600	75,734	Negotiation	Mr. Nabeel Employee
Office Equipment	35,000	34,999	1	10,000	9,999	Negotiation	Nashu Traders
	<u>5,134,600</u>	<u>4,200,962</u>	<u>933,638</u>	<u>1,767,512</u>	<u>833,874</u>		
2009	<u>3,722,750</u>	<u>2,517,455</u>	<u>1,205,295</u>	<u>1,340,184</u>	<u>134,889</u>		

		2010 Rupees	2009 Rupees
15. PROPERTY, PLANT AND EQUIPMENT - LEASED / IJARAH			
Property, Plant And Equipment - Leased	15.1	233,949,608	455,001,256
Property, Plant And Equipment - Ijarah	15.2	55,685,073	50,988,150
		<u>289,634,681</u>	<u>505,989,406</u>

15.1 *Property, plant and equipment - Leased*

June 30, 2010	Cost			Amortisation			Impairment loss	Carrying value as at June 30, 2010
	As at July 1, 2009	Additions/ (Disposals)	As at June 30, 2010	Accumulated as at July 1, 2009	For the year / (on disposals)	Accumulated as at June 30, 2010		
	-----Rupees-----							
Land and Building (leasehold)	162,775,501	(92,085,501)	70,690,000	88,983,931	19,088,771 (61,179,710)	46,892,992	-	23,797,008
Plant & Machinery	990,459,589	(189,893,840)	800,565,749	677,028,839	100,871,789 (172,591,330)	605,309,298	21,721,994	173,534,457
Vehicles	291,364,513	(62,952,179)	228,412,334	153,991,440	32,998,280 (49,984,359)	137,005,360	59,128,968	32,278,006
Office Equipment & Appliances	28,621,169	(15,365,014)	13,256,155	18,225,732	4,724,729 (13,764,712)	9,185,749	-	4,070,406
Motor Boat	2,694,300	-	2,694,300	2,264,468	160,100	2,424,568	-	269,732
	<u>1,475,915,072</u>	<u>- (360,296,534)</u>	<u>1,115,618,538</u>	<u>940,494,410</u>	<u>157,843,670 (297,520,112)</u>	<u>800,817,968</u>	<u>80,850,962</u>	<u>233,949,608</u>

June 30, 2009	Cost			Amortisation			Impairment loss	Carrying value as at June 30, 2009
	As at July 1, 2008	Additions/ (Disposals)	As at June 30, 2009	Accumulated as at July 1, 2009	For the year / (on disposals)	Accumulated as at June 30, 2009		
	-----Rupees-----							
Land and Building (leasehold)	215,111,001	-	162,775,501	64,610,900	43,157,806 (18,784,775)	88,983,931	-	73,791,570
Plant & Machinery	1,370,932,399	-	990,459,589	810,968,703	181,591,890 (315,531,754)	677,028,839	21,290,438	292,140,312
Vehicles	366,398,800	-	291,364,513	157,553,922	59,473,501 (63,035,983)	153,991,440	59,128,968	78,244,105
Furnitures & Fixtures	1,500,000	-	-	1,173,154	176,919 (1,350,073)	-	-	-
Office Equipment & Appliances	63,287,917	-	28,621,169	41,575,641	5,139,800 (28,489,709)	18,225,732	-	10,395,437
Motor Boat	2,694,300	-	2,694,300	1,696,940	567,528	2,264,468	-	429,832
	<u>2,019,924,417</u>	<u>- (544,009,345)</u>	<u>1,475,915,072</u>	<u>1,077,579,260</u>	<u>290,107,444 (427,192,294)</u>	<u>940,494,410</u>	<u>80,419,406</u>	<u>455,001,256</u>

15.1.1 Amortisation is charged to income applying the annuity method whereby the cost of an asset, less its residual value, is written off over its lease period. In respect of additions and disposals during the year, amortisation is charged proportionately to the period of lease.

15.1.2 In the view of the large amount of disposal of property, plant and equipment given on lease / Ijarah, the director of the Management Company are of the opinion that no practical purpose will be served to give detail of such disposals.

	2010 Rupees	2009 Rupees
15.1.3 Particulars of Impairment Loss		
Opening Balance	80,419,406	34,474,307
Impairment loss for the Year	431,556	45,945,099
Closing Balance	<u>80,850,962</u>	<u>80,419,406</u>

Impairment loss has been recognised based on recoverable amount of assets computed net of assets forced sale value.

15.2 *Property, plant and equipment - Ijarah*

June 30, 2010	As at July 1, 2009	Additions/ (Disposals)	As at June 30, 2010	Accumulated as at July 1, 2009	For the year / (on disposals)	Accumulated as at June 30, 2010	Carrying value as at June 30, 2010
-----Rupees-----							
Land and Building (leasehold)	46,000,000	-	46,000,000	6,440,004	6,440,004	12,880,008	33,119,992
Plant & Machinery	6,680,000	3,515,200 (290,000)	9,905,200	1,778,253	2,410,460 (128,250)	4,060,463	5,844,737
Vehicles	8,528,890	14,381,185	22,910,075	2,054,308	4,167,748	6,222,056	16,688,019
Office Equipment & Appliances	65,000	-	65,000	13,175	19,500	32,675	32,325
	61,273,890	17,896,385 (290,000)	78,880,275	10,285,740	13,037,712 (128,250)	23,195,202	55,685,073

June 30, 2009	Cost			Amortisation			Carrying value as at June 30, 2009
	As at July 1, 2008	Additions/ (Disposals)	As at June 30, 2009	Accumulated as at July 1, 2008	For the year / (on disposals)	Accumulated as at June 30, 2009	
-----Rupees-----							
Land and Building (Leasehold)	-	46,000,000	46,000,000	-	6,440,004	6,440,004	39,559,996
Plant & Machinery	-	6,680,000	6,680,000	-	1,778,253	1,778,253	4,901,747
Vehicles	-	8,528,890	8,528,890	-	2,054,308	2,054,308	6,474,582
Office Equipment & Appliances	-	1,165,000 (1,100,000)	65,000	-	96,508 (83,333)	13,175	51,825
	-	62,373,890 (1,100,000)	61,273,890	-	10,369,073 (83,333)	10,285,740	50,988,150

Amortisation is charged on these assets using straight line method over the Ijarah period which is from date of delivery of respective assets to mustajir upto the date of maturity / termination of Ijarah agreement

Note 2010
Rupees 2009
Rupees

16. CAPITAL WORK IN PROGRESS

Dawood Islamic Tower - Civil Work	193,540,188	115,941,499
Advance Against Purchase of Property	57,331,000	49,815,000
	<u>250,871,188</u>	<u>165,756,499</u>

16.1 Movement in Capital Work In Progress

	Dawood Islamic Tower - Civil Work	Advance Against Purchase of property Jofa Tower Karachi	Total
Rupees.....		
Opening Balance	115,941,499	49,815,000	165,756,499
Addition	77,598,689	7,516,000	85,114,689
	<u>193,540,188</u>	<u>57,331,000</u>	<u>250,871,188</u>

17. INVESTMENT PROPERTIES

June 30, 2010	Cost			Depreciation			Written down value as at June 30, 2010	Rate of Depreciation %
	As at July 1, 2009	Additions / (Deletions)	As at June 30, 2010	Accumulated as at July 1, 2009	For the year / (Deletions)	Accumulated as at June 30, 2010		
-----Rupees-----								
Plots of Land Leasehold	97,802,400	-	97,802,400	7,387,306	1,956,048	9,343,354	88,459,046	2
Buildings on Leasehold Land	222,190,000	60,800,001	282,990,001	16,370,886	7,584,500	23,955,386	259,034,615	5
Office Premises	423,857,454	-	423,857,454	68,252,777	23,818,898	92,071,675	331,785,779	5
		60,800,001			33,359,446			
	<u>743,849,854</u>	<u>-</u>	<u>804,649,855</u>	<u>92,010,969</u>	<u>-</u>	<u>125,370,415</u>	<u>679,279,440</u>	
-----Rupees-----								
June 30, 2009	Cost			Depreciation			Written down value as at June 30, 2009	Rate of Depreciation %
	As at July 1, 2008	Additions / (Deletions)	As at June 30, 2009	Accumulated as at July 1, 2008	For the year / (Deletions)	Accumulated as at June 30, 2009		
-----Rupees-----								
Plots of Land Leasehold	97,802,400	-	97,802,400	5,431,258	1,956,048	7,387,306	90,415,094	2
Buildings on Leasehold Land	118,650,000	103,540,000	222,190,000	12,359,375	7,011,938	16,370,886	205,819,114	5
Office Premises	454,593,649	583,805 (31,320,000)	423,857,454	46,127,037	22,125,740 (3,000,427)	68,252,777	355,604,677	5
		104,123,805			31,093,726			
	<u>671,046,049</u>	<u>(31,320,000)</u>	<u>743,849,854</u>	<u>63,917,670</u>	<u>(3,000,427)</u>	<u>92,010,969</u>	<u>651,838,885</u>	

17.1 The fair value of investment property as at June 30, 2010 as per valuation report of independent valuer is Rs. 1,681 million (June 30, 2009: Rs. 1,501 million).

<i>Note</i>	<i>2010</i> <i>Rupees</i>	<i>2009</i> <i>Rupees</i>
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**18. MURABAHA, MUSHARAKA & FINANCE
UNDER MARKUP ARRANGEMENTS**

Finance Under Murabaha Arrangements	18.1	152,500,000	258,806,664
Finance Under Musharaka Arrangements	18.2	1,543,898,887	685,001,102
Finance Under Markup Arrangements	18.3	50,264,612	171,582,250
		1,746,663,499	1,115,390,016
Less: Long Term Portion:			
Finance under Murabaha Arrangements		-	206,666,664
Finance under Musharaka Arrangements		158,866,672	2,565,489
		158,866,672	209,232,153
		<u>1,587,796,827</u>	<u>906,157,863</u>

18.1 The Modaraba has entered into Murabaha (purchase & sale) agreements with the banks. The Murabaha sale price is payable on deferred payment basis in quarterly/monthly installments by June 27, 2011. Expected profit payable on Murabaha arrangements is accounted for on a pro rata basis over the term of the agreement. The finance is subject to expected mark up ranging from Re. 0.393 to Re.0.438 per Rs.1,000 per day (2009: 0.217 to Re.0.450 per Rs.1,000 per day). The arrangements are secured by way of hypothecation of the leased assets and future rentals receivable.

18.2 The Modaraba has entered into Musharaka agreements with the Banks/Financial Institution and other companies. These Musharaka arrangements are on profit sharing basis and payable upto October 20, 2014. Estimated rate of profit on Musharaka arrangement is ranging from Re.0.288 to Re. 0.438 per Rs.1,000 per day (2009: Re.0.247 to Re. 0.479 per Rs.1,000 per day).

18.3 The aggregate facilities for Finance under Mark Up arrangements from banks and financial institutions amount to Rs.50 million (2009: Rs.172 million). These facilities are subject to expected mark up ranging from Re 0.393 to Re 0.412 per Rs1,000 per day (2009: Re.0.404 to Re.0.418 per Rs.1,000 per day) and are secured by way of hypothecation of the leased assets and future rentals receivable.

<i>2010</i> <i>Rupees</i>	<i>2009</i> <i>Rupees</i>
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19. CREDITORS, ACCRUED AND OTHER LIABILITIES

Accrued Liabilities	10,791,417	12,313,408
Rentals Received in Advance		
-Lockers	11,995,408	10,616,260
-Properties	38,060,161	27,829,569
Others	19,909,410	13,952,084
	<u>80,756,396</u>	<u>64,711,321</u>
Less: Long Term Portion of Rentals Received in Advance	8,221,582	3,883,457
	<u>72,534,814</u>	<u>60,827,864</u>

	<i>2010</i> <i>Rupees</i>	<i>2009</i> <i>Rupees</i>
20. ACCRUED PROFIT ON BORROWINGS		
Finance Under Murabaha Arrangements	241,901	4,537,624
Finance Under Musharaka Arrangements	144,163,323	7,756,127
Finance Under Markup Arrangements	2,468,450	6,319,844
Diminishing Musharaka Based TFCs'	52,317,738	65,128,767
	<u>199,191,412</u>	<u>83,742,362</u>

21. PROFIT PAYABLE

Unclaimed Profit to certificate holders	<u>21,454,898</u>	<u>21,475,327</u>
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22. DIMINISHING MUSHARAKA BASED TFCs'

Diminishing Musharaka Based TFCs'	800,000,000	800,000,000
Less: Current Maturity	80,000,000	-
	<u>720,000,000</u>	<u>800,000,000</u>

The above TFCs' represents privately placed instruments in the form of Diminishing Musharaka and are secured against investment properties of the Modaraba. The tenure of the above TFCs' is six year redeemable semi annually with two years grace period for principal. Rate of profit is based on 6 months kibar plus 130 basis points on the last business day prior to the beginning of the each semi-annual period.

23. CERTIFICATE CAPITAL

Authorised

87,000,000 Certificates of Rs.10/- each	<u>870,000,000</u>	<u>870,000,000</u>
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Issued, subscribed and paid-up

Modaraba certificates of Rs.10/- each

<i>2010</i>	<i>2009</i>			
		Certificates Issued as fully		
39,359,741	39,359,741	Paid in Cash	393,597,410	393,597,410
		Certificates Issued as Fully		
8,833,724	8,833,724	Paid Bonus Certificates	88,337,240	88,337,240
		Certificates Issued to Certificate		
		holders of Guardian Modaraba under		
<u>29,852,790</u>	<u>29,852,790</u>	the Scheme of Amalgamation	<u>298,527,900</u>	<u>298,527,900</u>
<u>78,046,255</u>	<u>78,046,255</u>		<u>780,462,550</u>	<u>780,462,550</u>

B.R.R. Investment (Private) Limited (the Management Company) held 12,981,496 (16.63%) certificates of Rs.10/- each as at June 30, 2010 [2009: 12,981,496 (16.63%) certificates].

Equity International (Private) Limited, an associated company, held 3,393,474 (4.35%) certificates of Rs. 10/- each as at June 30, 2010 [2009: 3,393,474 (4.35%) certificates].

<i>Note</i>	<i>2010 Rupees</i>	<i>2009 Rupees</i>
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24. INCOME / (LOSS) ON INVESTMENTS

Gain /(Loss) on Sale of Investments	41,645,003	(65,005,888)
Profit on Term Finance Certificates	40,792,565	23,996,402
Dividend Income	19,239,678	23,992,566
	<u>101,677,246</u>	<u>(17,016,920)</u>

25. INCOME ON BALANCES WITH BANKS

Profit on PLS Saving Accounts	9,539,932	488,401
Income on Foreign Currency Saving Account	-	10,682
	<u>9,539,932</u>	<u>499,083</u>

26. RENTAL INCOME

Properties	26.1	74,372,890	68,919,339
Lockers and Custodial Services		14,714,537	14,204,902
		<u>89,087,427</u>	<u>83,124,241</u>

26.1 This includes rental income amounting Rs.10,136,214/- (2009 : Rs.33,656,715/-) from Mangement Company and Associated Companies.

27. IMPAIRMENT LOSS

Impairment loss on Property, Plant and Equipment - Leased	14.1.1	431,556	45,945,099
Impairment loss on Available for Sale investments			
Impairment loss on equity securities	7.1.1	124,701,421	32,793,820
Impairment loss on Debt Securities	7.3	24,786,888	12,464,000
		<u>149,919,865</u>	<u>91,202,919</u>

	<i>Note</i>	<i>2010 Rupees</i>	<i>2009 Rupees</i>
28. OPERATING EXPENSES			
Salaries, Allowances and Benefits	34	22,936,267	26,638,517
Travelling and Conveyance		166,209	209,734
Entertainment		86,115	88,604
Electricity, Water and Gas		3,563,312	3,100,514
Telephone and Fax		638,339	890,500
Postage and Courier		294,056	481,202
Stationery and Printing		609,375	862,060
Computer Expenses		241,429	1,021,493
Subscriptions		10,944,126	1,215,735
Advertisement		15,500	24,000
Insurance		4,079,638	3,867,188
Repairs and Maintenance		7,103,128	5,697,980
Security Expenses		464,632	421,172
Property Tax		1,128,305	1,738,940
Staff Gratuity		-	2,689,524
Legal and Professional		1,687,438	2,867,790
Auditors' Remuneration			
Audit Fee		650,000	650,000
Limited Review, Special Reports, Certification and Sundry Advisory Services		385,000	285,000
Out of Pocket Expenses		219,000	212,790
		1,254,000	1,147,790
Documentation and Arrangement Fee		238,460	8,125
Depreciation			
- Assets in own use		11,337,467	12,330,100
- Investment Properties		33,359,446	31,093,725
Brokerage and Commission		1,092,196	573,466
Transaction Cost		84,748	42,921
Others		956,323	2,102,139
		102,280,509	99,113,219

28.1 During the year, the Modaraba contributed Rs.1,285,823/- (2009 : Rs.1,390,829/-) to the provident fund.

<i>Note</i>	<i>2010</i> <i>Rupees</i>	<i>2009</i> <i>Rupees</i>
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29. FINANCIAL CHARGES

Profit on		
Finance Under Murabaha Arrangements	26,684,081	77,334,562
Finance Under Musharaka Arrangements	193,621,105	87,039,584
Diminishing Musharaka Based TFCs'	109,372,642	124,605,844
Mark-up on Finance Under Mark up Arrangement	21,503,856	29,241,217
Bank Charges and Commission	543,601	241,179
	<u>351,725,285</u>	<u>318,462,386</u>

30. PROVISION / (REVERSALS) FOR DOUBTFUL RECEIVABLES

Charge for the Year			
Lease Rentals Receivable	8.1	5,523,767	49,584,677
Musharaka Finances	6.3	92,498,485	222,043,185
Provision against other receivables	9	4,165,255	8,989,359
Provision against taxation refundable	12	8,633,850	-
		110,821,357	280,617,221
Less:			
Reversals During the Year			
Lease Rentals Receivable	8.1	4,706,371	6,757,112
Musharaka Finances	6.3	88,269,292	3,201,409
		<u>(92,975,663)</u>	<u>(9,958,521)</u>
		<u>17,845,694</u>	<u>270,658,700</u>

31. OTHER INCOME

Profit on Disposal of Property, Plant and Equipment - Leased	11,563,331	2,809,058
Profit on Disposal of Property and Equipment- Own	-	134,889
Profit on Disposal of Investment Property	833,873	11,680,427
Recovery of Charges from Management Company and Associated Undertaking	-	210,000
Exchange Gain	23,271	449,780
Liabilities no longer payable written back	4,679,173	-
Miscellaneous and early termination charges	3,211,475	7,449,666
	<u>20,311,123</u>	<u>22,733,820</u>

32. TAXATION

The income of non-trading modarabas is exempt from tax, provided not less than 90% of their profits are distributed to the certificate holders. Return of income for the tax year 2009 has duly been filed and assessment up to the tax year 2009 is deemed to be finalised in term of section 120 of the Income Tax Ordinance 2001.

Provision for tax is not required on non-trading income due to tax loss during the year. As the income of non-trading modarabas is exempt from tax, provided not less than 90% of their profits are distributed to certificate holders, therefore, deferred tax assets on this tax loss is not accounted for because Management has intention to avail this tax exemption in future periods.

Appeals filed by the Modaraba with the Income Tax Appellate Tribunal relating to the assessment years 1994-95 through to 1997-98 and with Commissioner of Income Tax (Appeals) for the assessment year 1998-99 have been decided by the respective Appellate Authorities in the favour of the Modaraba however appeal effect orders for the said decisions are pending with the Tax Authorities.

2010 **2009**

33. BASIC / DILUTED EARNINGS PER CERTIFICATE

Loss for the Year	Rs.	<u>(161,233,731)</u>	<u>(502,747,978)</u>
Weighted Average Number of Certificates		<u>78,046,255</u>	<u>78,046,255</u>
Earnings per Certificate	Rs.	<u>(2.07)</u>	<u>(6.44)</u>

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

34. REMUNERATION OF OFFICERS AND OTHER EMPLOYEES

	<i>Officers</i>		<i>Other Employees</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	<----- <i>Rupees</i> ----->			
Remuneration	17,273,500	16,669,000	3,143,776	7,269,313
Medical Expenses Reimbursed	511,405	466,759	470,976	638,016
Retirement Benefits	1,198,566	997,312	338,044	598,117
	<u>18,983,471</u>	<u>18,133,071</u>	<u>3,952,796</u>	<u>8,505,446</u>
Number of Employees at the end of the Year	<u>16</u>	<u>13</u>	<u>43</u>	<u>49</u>

The officers and other few employees are also provided with the free use of Vehicles owned and maintained by the Modaraba.

35. FUTURE MINIMUM LEASE RENTALS RECEIVABLE

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

Receivable - Not Later than One Year	135,741,592	274,706,021
Receivable - Later than One Year and Not Later than Five Years	<u>200,809,234</u>	<u>283,231,366</u>
	<u>336,550,826</u>	<u>557,937,387</u>

36. CAPITAL RISK MANAGEMENT

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

The capital structure of the modaraba consists of debts as disclosed in note 17 and 21, cash and cash equivalents as disclosed in note 5 and equity attributable to equity holders, reserves and accumulated loss as disclosed in statement of changes in equity.

The Modaraba monitor capital using a gearing ratio. Due to losses in past two years Modaraba's equity eroded which has resulted its adverse gearing ratio:

	2010	2009
	Rupees	Rupees
Debts	2,546,663,499	1,915,390,016
Cash and cash equivalents	(105,241,517)	(66,287,941)
Net Debt	<u>2,441,421,983</u>	<u>1,849,102,075</u>
Equity	<u>632,893,804</u>	<u>740,419,931</u>
Net Debt to Equity Ratio	79 : 21	71 : 29

37. FINANCIAL RISK MANAGEMENT

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

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

The Modaraba's principal financial liabilities, comprise morabaha and finance under markup arrangement, diminishing musharaka based TFCs' and creditor accrued and other liabilities. The main purpose of these financial liabilities is to raise finance for the Modaraba's operations. The Modaraba has musharaka and murabaha finance, ijrah finance, receivable against operating lease rental loan, advance and prepayments, other receivables, cash and deposits that arrive directly from its operations. The Modaraba also holds available-for-sale investments and investment in associates.

Financial instruments by Category	2010	2009
Financial assets as per balance sheet	Rupees	Rupees
Financial assets as per balance sheet		
Available for sale		
- Short term investment	695,288,932	470,662,154
- Long term investments	-	163,296,882
Loans and receivables		
Musharaka and morabaha finance	1,346,436,582	804,662,124
Receivable against operating lease rentals and maintenance service	10,451,951	49,475,014
Advances, deposits, prepayments and other receivables	194,300,032	44,535,794
	<u>2,246,477,496</u>	<u>1,532,631,968</u>

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

Financial liabilities as per balance sheet at amortised cost

Murabaha, Musharaka and Finance Under Markup Arrangements	1,746,663,499	1,115,390,016
Diminishing Musharaka Based TFCs'	800,000,000	800,000,000
Creditors accrued and other liabilities	80,756,396	64,711,321
Accrued Profit on Borrowings	199,191,412	83,742,362
Profit Payable	21,454,898	21,475,327
	<u>2,848,066,205</u>	<u>2,085,319,026</u>

37.1 Liquidity Risk Management

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

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

The modaraba manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

37.1.1 Liquidity and Interest Risk Table

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

		Less than 6 months	6 month - 1 year	1 year - 5 year	More than 5 year	Total Contractual Cashflows
< ----- Rupees ----- >						
2010						
Murabaha and Finance under						
Mark-up Arrangements	9.5% - 16.10%	181,813,435	1,277,525,622	287,324,442	-	1,746,663,499
Diminishing Musharaka Based TFCs'	13.59% - 16.98%	-	80,000,000	720,000,000	-	800,000,000
Creditor accrued and other liabilities		-	72,534,814	8,221,582	-	80,756,396
Accrued profit on borrowing		-	199,191,412	-	-	199,191,412
Profit payable		-	-	21,454,898	-	21,454,898
		<u>181,813,435</u>	<u>1,629,251,848</u>	<u>1,037,000,922</u>	<u>-</u>	<u>2,848,066,205</u>
2009						
Murabaha and Finance under						
Mark-up Arrangements	9% - 18%	485,657,863	-	209,232,153	-	1,115,390,016
Diminishing Musharaka Based TFCs'	15.4% - 16.9%	-	-	800,000,000	-	800,000,000
Creditor accrued and other liabilities		-	60,827,864	3,883,457	-	64,711,321
Accrued profit on borrowing		-	83,742,362	-	-	83,742,362
Profit payable		-	-	21,475,327	-	21,475,327
		<u>485,657,863</u>	<u>144,570,226</u>	<u>1,034,590,937</u>	<u>-</u>	<u>2,085,319,026</u>

Effective rates of interest are mentioned in respective notes to the financial statements.

37.2 Credit Risk and Concentration of Credit

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

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

	June 30, 2010	June 30, 2009
Rupees.....	
Morabaha and musharaka finance	1,346,436,582	804,662,124
Short term investments	695,288,932	470,662,154
Long term investments	-	163,296,882
Receivable against operating lease rentals and maintenance fee	10,451,951	49,475,014
Loan, advances and receivables	47,625,101	32,978,294
Accrued Profit	146,674,931	36,251,369
Cash and Bank Balance	105,241,517	66,287,941
	<u>2,351,719,013</u>	<u>1,623,613,778</u>

The Modaraba has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. This information is supplied by independent rating agencies where available and, if not available, the Modaraba uses other publicly available financial information and its own trading records to rate its major customers. The Modaraba's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee.

Credit risk from balances with banks and financial institutions is managed by finance department in accordance with the Modaraba's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are approved by the Board of Directors. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty failure.

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

37.2.1 Segment by class of business for Property, Plant and Equipment -Leased

	2010		2009	
	Rupees	%	Rupees	%
Miscellaneous	80,547,118	27.81%	151,984,560	30.04%
Sugar and Allied	104,944,114	36.23%	138,580,269	27.39%
Textile Industry	39,594,368	13.67%	51,446,002	10.17%
Cement	5,000,000	1.73%	20,457,673	4.04%
Oil and Gas	4,157,018	1.44%	22,635,079	4.47%
Transport	5,247,719	1.81%	15,927,351	3.15%
Technology and Communication	5,503,768	1.90%	16,296,073	3.22%
Investment Banks/Cos./Securities	518,912	0.18%	20,571,049	4.07%
Chemical and Pharmaceutical	3,885,349	1.34%	18,192,220	3.60%
Food and Confectioneries	9,629,594	3.32%	16,302,355	3.22%
Engineering and Metals	13,620,518	4.70%	13,406,583	2.65%
Paper and Board	4,097,495	1.41%	3,862,366	0.76%
Power Generation	7,788,946	2.69%	7,788,944	1.54%
Glass and Ceramics	1,598,609	0.55%	4,487,641	0.89%
Printing and Packaging	372,400	0.13%	852,929	0.17%
Insurance	3,128,753	1.08%	3,018,869	0.60%
Education and Health	-	0.00%	100,943	0.02%
Fibre, Synthetic and Rayon	-	0.00%	78,500	0.02%
	<u>289,634,681</u>	<u>100%</u>	<u>505,989,406</u>	<u>100%</u>

The above balances represent written down value of assets leased out.

37.2.2 Segment by class of business for Musharaka and Murabaha Finances

	2010		2009	
	Rupees	%	Rupees	%
Textile Industry	12,770,509	0.77%	70,581,669	6.34%
Miscellaneous	883,771,616	53.28%	474,037,077	42.60%
Oil and Lubricant	155,638,830	9.38%	155,639,066	13.99%
Sugar and Allied	81,085,999	4.89%	125,738,061	11.30%
Leasing and Modaraba	5,000,000	0.30%	123,869,703	11.13%
Chemical and Pharmaceutical	92,926,788	5.60%	49,816,252	4.48%
Engineering	371,286,212	22.38%	63,050,711	5.67%
Auto & Transportation	56,256,236	3.39%	50,000,000	4.49%
Investment Banks/Cos./Securities	-	0.00%	2,119,703	0.19%
Mutual Fund	-	0.00%	50,000,000	4.49%
	<u>1,658,736,190</u>	<u>100%</u>	<u>1,112,732,539</u>	<u>100%</u>

37.2.3 Segment by class of business for investments in Debt Securities- TFC's

Financial Services	1,664,130	0.63%	2,484,822	1.74%
Miscellaneous	87,522,347	33.11%	63,423,507	44.51%
Leasing	10,177,735	3.85%	12,500,000	8.77%
Oil and Gas	-	0.00%	37,395,000	26.25%
Cement	14,990,500	5.67%	-	0.00%
Health Care Equipment & Services	100,000,000	37.83%	26,676,873	18.72%
Forestry And Paper	50,000,000	18.91%	-	0.00%
	<u>264,354,712</u>	<u>100%</u>	<u>142,480,202</u>	<u>100%</u>

37.3 Market Risk

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

37.3.1 Interest Rate Risk Management

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

<i>Interest bearing financial instruments</i>	<i>June 30, 2010 Rupees</i>	<i>June 30, 2009 Rupees</i>
Bank balances	105,241,517	66,287,941
Morabaha finance	1,346,436,582	804,662,124
Short term investments	264,354,712	142,480,202
Liability against Diminshing Musharaka Based TFCs	800,000,000	800,000,000
Liability against Muharaka and Morabaha Finance	1,746,663,499	1,115,390,016
	<u>4,262,696,310</u>	<u>2,928,820,283</u>

Fair value sensitivity analysis for interest bearing financial instruments instruments

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

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Modaraba's loss / profit for the year ended June 30, 2010 would increase/decrease by Rs 4,167,465 (2009: decrease/increase by Rs 4,290,471). This is mainly attributable to the Modaraba's exposure to interest rates on its variable rate of borrowings.

37.3.2 Foreign exchange risk management

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

37.3.3 Equity Price Risk Management

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

At the balance sheet date, the exposure to listed equity securities at fair value was Rs 211.85 million (2009: Rs 320 million). An Increase / (decrease) of 5% on the KSE market index would have an impact of approximately Rs 9.72 (2009: Rs 3.6) million on the surplus / (deficit) on Revaluation of Investments attributable to the Modaraba.

37.3.4 Segment by class of business for investments in Equity Securities

	2010		2009	
	Rupees	Percentage of total	Rupees	Percentage of total
Financial Services	16,545,633	8.04%	37,502,568	11.72%
Personal Goods	7,467,082	3.63%	2,945,278	0.92%
Open-end Mutual Funds	6,133,559	2.98%	65,875,983	20.58%
Equity Investments Instruments	17,061,339	8.29%	29,668,697	9.27%
Electricity	3,039,396	1.48%	2,440,809	0.76%
Cement	5,756,980	2.80%	7,667,161	2.40%
Oil & Gas	31,166,009	15.14%	46,330,716	14.48%
Gas, Water & Multiutilities	1,111,950	0.54%	1,299,196	0.41%
Engineering	2,690,096	1.31%	2,842,744	0.89%
Sugar and allied industries	4,816,000	2.34%	15,840,000	4.95%
Automobile Assembler	13,772,585	6.69%	16,234,588	5.07%
Industrial Transport	574,450	0.28%	-	0.00%
Fixed Line Communication	1,156,000	0.56%	481,275	0.15%
Pharmaceuticals	8,601,657	4.18%	10,373,966	3.24%
Chemicals	58,446,775	28.39%	61,319,189	19.16%
General Industrial	4,975,700	2.42%	5,191,250	1.62%
Food & Personal Care	21,393,600	10.39%	12,823,752	4.01%
Household Goods	70,483	0.03%	-	0.00%
Software & Computer Services	1,125,450	0.55%	-	0.00%
Commercial Banks	-	0.00%	21,270	0.01%
Jute	-	0.00%	1,169,494	0.37%
	205,904,744	100.00%	320,027,935	100.00%

37.4 Fair Value Risk

Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction other than in a forced or liquidation sale. The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

Fair value hierarchy

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

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

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

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

June 30, 2010

	Level 1	Level 2	Level 3
	Rupees		
Assets carried at fair value			
Available for sale investments	-	-	695,288,932

June 30, 2009

Assets carried at fair value			
Available for sale investments	-	-	470,662,154

38. 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, retirement benefit funds, 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. These transactions are executed on the same terms as those prevailing at the time for comparable transactions with unrelated parties.

The detail of transactions with related parties and balances with them, apart from compensation to executives as disclosed in Note 35, is given below: -

<i>Relationship with the Company</i>	<i>Nature of Transactions</i>	<i>2010 Rupees</i>	<i>2009 Rupees</i>
Management Company	Management Fee	-	-
	Rent Received	3,477,792	4,133,384
Associated Undertakings	Short Term Borrowing Received	-	147,000,000
	Repayment of Short Term Borrowing	35,000,000	197,000,000
	Profit Paid on Short Term Borrowing	2,334,657	8,095,044
	Rent Received	6,658,422	29,534,331
	Share of Common Expenses Received	22,866,623	20,254,859
	Share of Common Expenses Paid	-	2,729,551
	Investment Made	-	12,087,883
	Settlement of investment proprty	20,177,350	-
	Investment Redeemed	56,897,866	-
	Lease Rentals Received	16,845,580	24,877,199
	Deposits made	-	1,995,024,585
	Deposits withdrawn	-	1,935,142,524
	Profit on Deposits	-	417,438
Provident Fund	Transfer to provident fund	1,285,823	1,390,829

39. SEGMENT REPORTING

The modaraba considers itself as a single operating segment modaraba and the Modaraba's performance is evaluated on an overall basis. Therefore, there is no segments requirement.

40. DATE OF ISSUE

These financial statements were authorised for issue on October 5,2010 by the Board of Directors of the B.R.R. Investments (Private) Limited.

41. GENERAL

Figures have been rounded off to the nearest Rupee.

Chief Executive Officer

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

Director

B.R.R. GUARDIAN MODARBA
Pattern of Shareholding As On 30-June-2010

Number of Certificate Holders	Certificate Holding		Total Certificate Held
	From	To	
1605	1	-	75,529
1391	101	-	381,226
2767	501	-	1,888,880
1034	1,001	-	2,405,844
226	5,001	-	1,715,170
88	10,001	-	1,122,831
56	15,001	-	993,846
35	20,001	-	789,560
29	25,001	-	815,305
20	30,001	-	645,886
9	35,001	-	336,135
3	40,001	-	129,500
22	45,001	-	1,074,461
5	50,001	-	258,609
6	55,001	-	353,986
3	60,001	-	182,952
1	65,001	-	70,000
6	70,001	-	439,476
4	75,001	-	308,990
4	80,001	-	325,493
2	85,001	-	173,000
5	95,001	-	500,000
2	100,001	-	205,000
3	105,001	-	325,745
4	115,001	-	472,296
1	120,001	-	125,000
2	125,001	-	252,313
2	130,001	-	261,985
1	135,001	-	136,500
1	140,001	-	141,532
1	145,001	-	149,537
1	150,001	-	152,400
1	155,001	-	156,000
3	170,001	-	520,463
1	175,001	-	178,500
4	180,001	-	728,330
1	190,001	-	193,690
1	195,001	-	200,000
1	200,001	-	200,812
2	210,001	-	426,900
1	215,001	-	215,480
1	225,001	-	228,500
1	235,001	-	236,850
1	250,001	-	253,000
1	255,001	-	257,322
1	280,001	-	282,328
1	300,001	-	305,000
1	310,001	-	314,500
1	325,001	-	328,966

B.R.R. GUARDIAN MODARBA
Pattern of Shareholding As On 30-June-2010

Number of Certificate Holders	Certificate Holding			Total Certificate Held
	From		To	
1	335,001	-	340,000	340,000
1	390,001	-	395,000	393,474
1	395,001	-	400,000	400,000
1	400,001	-	405,000	403,000
1	410,001	-	415,000	412,360
1	430,001	-	435,000	431,880
1	455,001	-	460,000	456,000
1	525,001	-	530,000	530,000
1	635,001	-	640,000	639,790
1	725,001	-	730,000	727,296
1	750,001	-	755,000	750,571
1	955,001	-	960,000	955,026
1	995,001	-	1,000,000	1,000,000
1	1,015,001	-	1,020,000	1,020,000
1	1,040,001	-	1,045,000	1,041,500
1	1,105,001	-	1,110,000	1,105,985
1	1,140,001	-	1,145,000	1,141,500
1	1,240,001	-	1,245,000	1,243,507
1	1,595,001	-	1,600,000	1,597,500
1	1,995,001	-	2,000,000	2,000,000
1	2,985,001	-	2,990,000	2,985,279
1	3,705,001	-	3,710,000	3,706,750
1	4,860,001	-	4,865,000	4,864,351
1	7,310,001	-	7,315,000	7,310,943
1	9,040,001	-	9,045,000	9,041,190
1	11,310,001	-	11,315,000	11,312,725
7388				78,046,255

Categories of Holder's	Certificate	No. of Certificate Holder(s)	Certificate(s) Held	Percentage
Individuals		7,295	38,286,480	49.06
Mutual Funds		2	2,385,007	3.06
Modarba Management Companies		2	10,082,690	12.92
Joint Stock Companies		48	2,405,576	3.08
Investment Companies		7	406,724	0.52
Insurance Companies		3	7,318,593	9.38
Financial Institutions		19	12,945,323	16.59
Cooperative Societies		1	100	0.00
Others		7	241,950	0.31
Charitable Trusts		1	33,500	0.04
Associated Companies		2	3,940,305	5.05
Modarba Companies		1	7	0.00
		7,388	78,046,255	100.00

BRR GUARDIAN MODARABA**Additional Information As on June 30, 2010**

S. No.	Categories Certificateholders	Numbers	Certificates Held	% Age
1	Associated Companies			
	B.R.R. Investment (Pvt.) Ltd.	1	12,981,495	16.63
2	NIT / ICP			
	National Bank of Pakistan - Trustee Wing	1	4,864,351	6.23
3	Directors, CEO and their Spouse and Minor Children	3	85,581	0.11
	Ayaz Dawood		45,812	0.06
	Majid Dawood		2,500	0.00
4	Banks, DFIs, NBFIs, Insurance Companies, Modarabas, Mutual Funds and Other Companies	91	21,913,929	28.08
5	Certificateholders holding ten percent or more Certificates	2	24,294,220	31.13
	B.R.R. Investment (Pvt.) Ltd.		12,981,495	16.63
	S.M. Atiq ur Rehman		11,312,725	14.49

**B.R.R. GURADIAN MODARABA
SIX YEARS' FINANCIAL SUMMARY**

2010	2009	2008	2007	2006	2005
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Key Financial Figures

(Rs. In million)

Profit & Loss Account

Operating income	611.11	557.01	921.62	885.53	883.49	580.95
Other income	20.31	22.73	8.76	13.14	3.64	28.75
Amortisation	170.88	300.48	362.26	377.4	493.21	414.07
Financial charges	351.73	318.46	249.836	253.08	183.74	45.41
Operating expenses	149.91	99.11	98.87	90.59	66.1	45.60
Provision/(Reversal) for doubtful debts/receivables	17.85	270.66	21.82	17.73	(2.69)	(6.79)
Provision for diminution in the value of investments - charge/(written back)	-	-	27.57	-	0.09	6.98
Net Profit	(161.23)	(502.75)	151.671	147.1	140.46	82.21
Dividend	-	-	70.24	66.33	64.32	53.01

Balance Sheet

Paid-up Capital	780.46	780.46	780.46	780.46	780.46	481.93
Reserves	147.57	(40.04)	1052.82	854.68	644.3	390.84
Certificate Holders Equity	632.89	740.42	1,833.28	1,635.14	1424.76	872.77
Borrowings	2,546.66	1,915.39	2325.11	2210.17	2122.92	874.30
Lease portfolio	289.63	505.99	907.87	1100.08	1301.05	1,187.46
Morabaha & Musharaka Portfolio	1,346.43	804.66	1179.33	1069.9	800.7	326.27

Performance Indicators

(Loss)/Earnings per certificate (Rs.)	(2.07)	(6.44)	1.94	1.88	1.80	1.71
Profit paid per certificate (Rs.)	-	-	0.90	0.85	0.70	1.10
Profit paid per certificate (%)	-	-	9.00	8.50	7.00	11.00
Profit payout (after statutory reserves) (%)	-	-	92.62	90.19	92.81	92.11
Break-up value per certificate (Rs.)	8.11	9.49	23.49	20.95	18.26	18.11
Market value per certificate (Rs.)	1.29	2.70	7.13	8.70	6.85	7.95
Price Earnings ratio	0.62	0.42	3.67	4.63	3.81	4.66
Income/Expense ratio	0.81	0.72	1.31	1.25	1.19	1.21
Financial Charges/Total Expenses (%)	45.39	39.36	35.14	35.10	24.73	8.99