



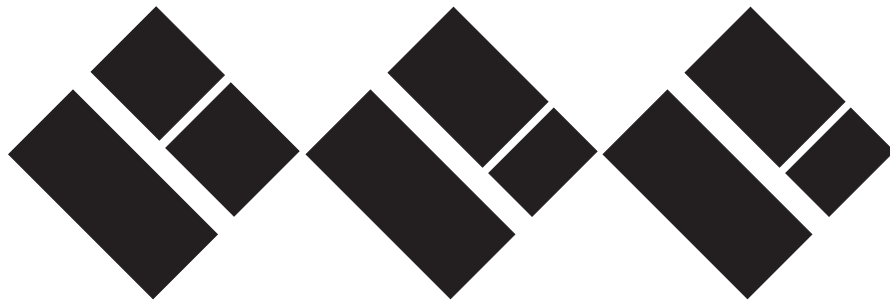
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**2012**



**B.R.R. Guardian Modaraba**  
(An Islamic Financial Institution)

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



**B.R.R. Guardian Modaraba**  
(An Islamic Financial Institution)



<b>Contents</b>	<b>Page</b>
Corporate Information	2
Mission Vision and Overall Corporate Strategy	3
Notice of Annual Review Meeting	4
Directors' Report	5
Statement of Compliance with the Code of Corporate Governance	9
Auditors' Review Report	12
Auditors' Report to the Certificate Holders	13
Balance Sheet	15
Profit and Loss Account	16
Statement of Comprehensive Income	17
Statement of Cash Flows	18
Statement of Changes in Equity	20
Notes to the Financial Statements	21
Pattern of Certificate Holding	62
Additional Information	64
Six Years Financial Summary	65



## CORPORATE INFORMATION

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



## **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 caliber;
- ( 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.



**NOTICE OF ANNUAL REVIEW MEETING (ARM - XIII)  
of B.R.R. Guardian Modaraba**

The Board of Directors of B.R.R. Investments (Pvt) Ltd Manager of B.R.R Guardian Modaraba (BRRGM) in their meeting held on September 29, 2012 have declared cash dividend of BRRGM @ Re. 0.18 per Modaraba Certificate i.e. 1.8 % for the year ended June 30, 2012.

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

The ARM-XIII of Certificate Holders of BRRGM will be held on Tuesday October 30, 2012 at 5:00 p. m. at Ground Floor, BRR Tower, Plot No. 11/14 Hassan Ali Street, off: I.I Chundrigar Road Karachi, 74000.

Place Karachi  
October 5, 2012

By Order of the Board  
Company Secretary



## DIRECTORS' REPORT

### Dear Certificate holders,

On behalf of the Board of Directors of B.R.R. Investments (Private) Limited ('BRRI' 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 year ended June 30, 2012.

### Economic Scenario

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

Pakistani currency is down against the dollar, during the period massive decline has been seen in Pakistani rupee and create whole economic down turn.

Inspite of these pressures, coupled with local challenges of, with high inflation, high interest rates and low growth, your Modaraba has continued to be profitable under very adverse condition.

### Future Outlook and Prospects

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

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

Further, the profitability and cash flow of your Modaraba would be strengthen as soon as the BRR Tower will be furnished, which we plan to rent-out. However, a portion of it may also be utilized to deleverage the Modaraba. This Building will be a great asset of your Modaraba as well as a land mark in the Karachi Financial district.

### Modaraba's Performance

Summary of the comparative financial performance is given below;

	June 30, 2012	June 30, 2011
	.....Rupees.....	
<b>Profit Before Management Fee &amp; WWF</b>	<b>33,685,313</b>	47,282,070
<b>Management Fee</b>	<b>3,368,531</b>	4,728,207
<b>Sales Tax on Management Fee</b>	<b>538,965</b>	-
<b>Provision for Workers' Welfare Fund</b>	<b>595,556</b>	851,077
<b>Profit After Management Fee &amp; WWF</b>	<b>29,182,261</b>	41,702,786
<b>Certificate Holder's Equity</b>	<b>772,805,334</b>	732,683,816
<b>Break up value – per certificate</b>	<b>9.90</b>	9.39



### **Profit Distribution**

The Board is pleased to announce 0.18 per certificate cash dividend for the year ended June 30, 2012.

### **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, 2012. 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 Certificate of Modaraba**

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

### **Code of Conduct**

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





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

#### **Staff Retirement Benefits**

BRR Guardian Modaraba operates a Provident Fund scheme for all permanent employees. The value of investment to date is Rs.21.4 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 transaction between BRR Guardian Modaraba (BRRGM) and connected person/related parties are carried out on an arm's length basis.

#### **Internal Control and Audit Function.**

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

#### **Auditors**

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

#### **Key Operating and Financial data.**

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

#### **Risk Management Framework**

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

#### **Board Meetings**

The status of the Board meetings is as follows:



### Board of Directors Meeting

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

### Audit Committee Meeting

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

### Pattern of Certificate Holding

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

### Appreciation

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.

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.

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

Karachi.

September 29, 2012.

**Rafique Dawood**  
Chairman



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

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

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

Regardless of the fact that B.R.R Investments (Private) Limited the management company of 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 and directors representing minority interest on its Board of directors. At Present, the board includes

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

2. The directors of the Management Company have confirmed that none of them is serving as a director in more than Ten listed companies.
3. All the resident directors of the Management Company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a Development Financial Institution, or a Non Banking Financial Institution and none of them is a member of a Stock Exchange.
4. No casual vacancy occurred in the Board during the year.
5. The Management Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The Board has developed a vision/mission and overall corporate strategy significant policies of modaraba. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.



7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of the Chief Executive Officer and other Executives directors have been taken by the Board.
8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Directors of the Company have been provided with copies of the Listing Regulations, Code of Corporate Governance, Modaraba Rules, Company's Memorandum and Articles of Association, Modaraba Prospectus and all other relevant rules and regulations and hence are conversant of the relevant laws applicable to the Company, its policies and procedures and provisions of memorandum and article of Associations and of their duties and responsibilities.
10. No new appointment of CFO or Company secretary has been made during the year. The BoD has approved their remuneration and terms and conditions of employment as determined by CEO.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Modaraba were duly endorsed and signed by the Chief Executive Officer and Chief Financial Officer before the approval of Board.
13. The directors, Chief Executive Officer and executives do not hold any interest in the certificates of the Modaraba other than that disclosed in the pattern of certificate holdings.
14. The Modaraba has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises 3 members. The Chairman of the committee is Non-Executive Director.
16. The meetings of the Audit Committee were held four times during the year prior to approval of the interim and final results of the Modaraba. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed an HR and Remuneration Committee. It comprises three members, of whom two are Independent non-executive directors and the chairman of the committee is an independent Non-Executive Director.



18. The board has appointed a firm of Chartered Accountants, as Internal Auditors of the Modaraba and has also approved their terms and condition for the starting form July 01, 2011. They are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Modaraba. During the period Modaraba has appointed Head of Internal Audit to act as coordinator between Firm providing internal audit services and the Board.
19. The statutory auditors of the Modaraba have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold certificates of the Modaraba and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance to the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
23. We confirm that all other material principles contained in the Code have been complied.

September 29, 2012

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

**Rafique Dawood**  
Chairman



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

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

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

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

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

Further, the Listing Regulations require the Management Company to place before the Board of Directors for their consideration and approval, related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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

**Chartered Accountants**

**Date:** September 29, 2012

**Karachi**



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

## AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

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

These financial statements are the Modaraba Management Company's [B.R.R. Investments (Private) Limited] responsibility who is also responsible to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards as applicable in Pakistan and the requirements of Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981. Our responsibility is to express an opinion on these statements based on our audit.

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

- (a) in our opinion, proper books of account have been kept by the Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, and the Modaraba Companies and Modaraba Rules, 1981;
- (b) in our opinion:
  - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes as stated in note 4.1 to the financial statements with which we concur;
  - (ii) the expenditure incurred during the year was for the purpose of the Modaraba's business; and



Ernst & Young Ford Rhodes Sidat Hyder  
Chartered Accountants

-: 2 :-

- (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Modaraba;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at 30 June 2012 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980, was deducted by the Modaraba and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

**Chartered Accountants**

**Audit Engagement Partner: Shabbir Yunus**

**Date: September 29, 2012**

**Karachi**





**B.R.R. Guardian Modaraba**  
(An Islamic Financial Institution)

## BALANCE SHEET AS AT JUNE 30, 2012

	June 30, 2012	June 30, 2011
Note	----- (Rupees) -----	
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and bank balances	7 <b>231,630,479</b>	121,699,207
Musharaka and murabaha finances	8 <b>385,061,421</b>	363,948,003
Short-term investments	9 <b>467,242,582</b>	492,827,815
Lease rentals receivable	10 <b>22,352,840</b>	15,891,797
Loans, deposits, advances and prepayments	11 <b>2,588,502</b>	3,445,595
Accrued profit	12 <b>84,579,105</b>	99,033,362
Other receivables	13 <b>9,311,552</b>	77,961,265
Taxation refundable	14 <b>5,910,372</b>	5,653,090
	<b>1,208,676,853</b>	1,180,460,134
Assets classified as held for sale	<b>461,500</b>	-
	<b>1,209,138,353</b>	1,180,460,134
<b>Non current assets</b>		
Long-term portion of musharaka and murabaha finances	8 <b>432,200,269</b>	529,730,717
Long-term loans and deposits	11 <b>13,942,253</b>	14,956,543
Fixed assets	15 <b>728,508,897</b>	578,975,887
Investment properties	16 <b>659,761,987</b>	662,676,184
	<b>1,834,413,406</b>	1,786,339,331
	<b>3,043,551,759</b>	2,966,799,465
<b>TOTAL ASSETS</b>		
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Murabaha, musharaka and finance under mark-up arrangements	17 <b>860,111,669</b>	702,955,586
Current portion of diminishing musharaka based Term Finance Certificates	22 <b>55,000,000</b>	27,500,000
Creditors, accrued and other liabilities	18 <b>39,829,606</b>	44,220,899
Accrued profit on borrowings	19 <b>338,189,472</b>	264,137,676
Customers' security deposits	20 <b>8,954,899</b>	26,072,835
Profit distribution payable	21 <b>21,061,306</b>	20,889,995
	<b>1,323,146,952</b>	1,085,776,991
<b>Non current liabilities</b>		
Diminishing musharaka based Term Finance Certificates	22 <b>717,500,000</b>	772,500,000
Long-term portion of musharaka, murabaha and finance under mark-up arrangements	17 <b>124,200,000</b>	281,881,007
Long-term portion of customers' security deposits	20 <b>105,899,473</b>	93,957,651
	<b>947,599,473</b>	1,148,338,658
	<b>2,270,746,425</b>	2,234,115,649
	<b>772,805,334</b>	732,683,816
<b>TOTAL LIABILITIES</b>		
<b>NET ASSETS</b>		
<b>Represented by:</b>		
Certificate capital	23 <b>780,462,550</b>	780,462,550
Capital reserves	24 <b>523,823,582</b>	509,373,582
General reserve	-	56,000,000
Surplus / (deficit) on revaluation of investments	26 <b>59,403,238</b>	28,952,417
Accumulated loss	<b>(590,884,036)</b>	<b>(642,104,733)</b>
	<b>772,805,334</b>	732,683,816
<b>CONTINGENCIES AND COMMITMENTS</b>		
25 The annexed notes from 1 to 47 form an integral part of these financial statements.		

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

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

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

\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director



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

	June 30, 2012	June 30, 2011
Note	----- (Rupees) -----	
<b>INCOME</b>		
Lease rentals	<b>80,564,541</b>	116,554,310
Income on musharaka and murabaha finances	<b>144,589,486</b>	239,865,475
Return on investments	27 <b>40,847,957</b>	67,870,137
Mark-up on bank balances	<b>15,366,422</b>	10,792,543
Rental income	28 <b>86,572,304</b>	82,238,693
Profit on disposal of fixed assets	-	67,732,931
Reversal of impairment	30 <b>12,874,894</b>	-
Reversal of provision against doubtful receivables - net	33 <b>35,571,607</b>	-
Other income	29 <b>7,857,515</b>	29,938,404
	<b>424,244,726</b>	614,992,493
<b>EXPENSES</b>		
Amortisation on leased assets	<b>27,773,540</b>	53,301,501
Impairment loss	30 -	33,378,720
Loss on disposal of fixed assets	<b>2,434,096</b>	-
Operating expenses	31 <b>109,743,216</b>	109,303,354
Financial charges	32 <b>239,632,647</b>	354,882,931
Provision against doubtful receivables - net	33 -	9,193,714
Profit receivable written off	<b>6,052,198</b>	-
Unrealised loss on revaluation of held-for-trading investments	<b>4,923,716</b>	7,650,203
	<b>390,559,413</b>	567,710,423
	<b>33,685,313</b>	47,282,070
Modaraba management company's fee	34 <b>3,368,531</b>	4,728,207
Sales tax on modaraba management company's fee	34 <b>538,965</b>	-
Provision for Workers' Welfare Fund	35 <b>595,556</b>	851,077
Profit before taxation	<b>29,182,261</b>	41,702,786
Taxation	36 -	-
Net profit for the year	<b>29,182,261</b>	41,702,786
Earnings per certificate - basic and diluted	37 <b>0.37</b>	0.53

The annexed notes from 1 to 47 form an integral part of these financial statements.

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

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

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

\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director



**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED JUNE 30, 2012**

	<b>June 30, 2012</b>	<b>June 30, 2011</b>
	----- (Rupees) -----	-----
<b>Profit for the year</b>	<b>29,182,261</b>	41,702,786
<b>Other comprehensive income for the year</b>		
Unrealised (deficit) / surplus on revaluation of available-for-sale investments	<b>30,450,821</b>	58,087,226
<b>Total comprehensive income for the year</b>	<b><u>59,633,082</u></b>	<u>99,790,012</u>

The annexed notes from 1 to 47 form an integral part of these financial statements.

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

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

\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2012**

	June 30, 2012	June 30, 2011
	----- (Rupees) -----	-----
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Profit before taxation</b>	<b>29,182,261</b>	41,702,786
<b>Adjustments of non-cash and other items:</b>		
Depreciation	43,216,573	42,107,145
Amortisation	27,773,540	53,301,501
Impairment loss	(12,874,894)	33,378,720
Provision for doubtful murabaha and musharaka finances	(35,571,607)	26,004,443
Profit on settlement / disposal of investment property	-	(8,262,563)
Profit on disposal of property, plant and equipment - owned	2,434,096	(62,417,552)
Loss on disposal of property, plant and equipment - leased	-	(5,315,379)
Accrued Profit on musharaka, murabaha and finance under mark-up arrangements	239,582,726	354,779,734
Gain on investments	(40,847,957)	(67,870,137)
	<b>223,712,477</b>	365,705,912
<b>(Increase) / decrease in current assets</b>		
Lease rentals receivable	(375,490)	(5,439,846)
Loans, advances and prepayments	1,871,383	4,160,392
Accrued profit	8,824,914	43,702,341
Other receivables	31,840,397	(46,464,310)
	<b>42,161,204</b>	(4,041,423)
<b>Increase / (decrease) in current liabilities</b>		
Creditors, accrued and other liabilities	(4,391,293)	(36,535,497)
Customers' security deposits	(5,176,114)	(42,083,905)
Profit distribution payable	171,311	-
	<b>(9,396,096)</b>	(78,619,402)
Income tax refunded	(257,282)	(3,139,175)
<b>Net cash generated from operating activities</b>	<b>285,402,564</b>	321,608,698



	<b>June 30, 2012</b>	<b>June 30, 2011</b>
	----- (Rupees) -----	
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Investments (made) / disposed off	<b>72,541,271</b>	223,622,453
Income received on investments	<b>38,146,230</b>	74,537,316
Murabaha and musharaka finances	<b>139,600,408</b>	426,753,419
Addition to investment property	<b>(33,000,000)</b>	(60,219,943)
Addition to property and equipment - owned	<b>(86,090,705)</b>	(2,752,829)
Addition to property, plant and equipment - leased	<b>(6,482,500)</b>	(41,315)
Addition to capital work-in-progress	<b>(94,713,117)</b>	(173,162,669)
Addition to intangibles	<b>(7,750,000)</b>	-
Addition to held-for-sale assets	<b>(461,500)</b>	-
Proceeds from disposal of property and equipment - owned	<b>(1,971,028)</b>	96,173,170
Proceeds from disposal of investment property	-	52,137,563
Proceeds from disposal of property, plant and equipment - leased	<b>17,777,067</b>	116,252,450
<b>Net cash flow generated from investing activities</b>	<b><u>37,596,126</u></b>	<b><u>753,299,615</u></b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Finance under murabaha, musharaka and finance under mark-up arrangements	<b>(28,024,924)</b>	(761,826,906)
Financial charges paid	<b>(165,530,930)</b>	(289,833,470)
Profit paid to certificate holders	<b>(19,511,564)</b>	(564,910)
<b>Net cash flow used in from financing activities</b>	<b><u>(213,067,418)</u></b>	<b><u>(1,052,225,286)</u></b>
Net increase in cash and cash equivalents	<b>109,931,272</b>	22,683,027
<b>Cash and cash equivalents at beginning of the year</b>	<b>121,699,207</b>	105,241,517
<b>Cash and cash equivalents at end of the year</b>	<b><u>231,630,479</u></b>	<b><u>127,924,544</u></b>

The annexed notes from 1 to 47 form an integral part of these financial statements.

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

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

\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director



**B.R.R. Guardian Modaraba**  
(An Islamic Financial Institution)

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

	Certificate capital	Capital reserves		**General reserve (Rupees)	Surplus / (deficit) on revaluation of investments	Accumulated loss	Total
		Profit prior to floatation	*Statutory reserve				
<b>Balance as at July 01, 2010</b>	780,462,550	10,532,683	477,989,506	56,000,000	(29,134,809)	(662,956,126)	632,893,804
Profit for the year ended June 30, 2011	-	-	-	-	-	41,702,786	41,702,786
Other comprehensive income	-	-	-	-	58,087,226	-	58,087,226
Total comprehensive income	-	-	-	-	58,087,226	41,702,786	99,790,012
Transfer to statutory reserve	-	-	20,851,393	-	-	(20,851,393)	-
<b>Balance as at June 30, 2011</b>	780,462,550	10,532,683	498,840,899	56,000,000	28,952,417	(642,104,733)	732,683,816
Profit for the year ended June 30, 2012	-	-	-	-	-	29,182,261	29,182,261
Transfer to accumulated loss	-	-	-	(56,000,000)	-	56,000,000	-
Other comprehensive income	-	-	-	-	30,450,821	-	30,450,821
Total comprehensive income	-	-	-	(56,000,000)	30,450,821	85,182,261	59,633,082
Final profit distribution for the year ended June 30, 2011 @ 0.25 paisa per certificate	-	-	-	-	-	(19,511,564)	(19,511,564)
Transfer to statutory reserve	-	-	14,450,000	-	-	(14,450,000)	-
<b>Balance as at June 30, 2012</b>	<b>780,462,550</b>	<b>10,532,683</b>	<b>513,290,899</b>	<b>-</b>	<b>59,403,238</b>	<b>(590,884,036)</b>	<b>772,805,334</b>

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

\*\* During the year, the board of directors approved a transfer of Rs.56 million from general reserve to accumulated loss.

The annexed notes from 1 to 47 form an integral part of these financial statements.

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

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

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

\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director



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

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

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, having its registered office at 19th Floor, Saima Trade Tower, I.I. Chundrigar Road, Karachi. The Modaraba is listed on the Karachi Stock Exchange (Guarantee) Limited. The Modaraba's principal activity is leasing (Ijarah) 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.

### **2. STATEMENT OF COMPLIANCE**

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

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

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

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

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

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

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

IAS 24 - Related Party Disclosures (Revised)

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

In May 2010, International Accounting Standards Board (IASB) issued amendments to various standards primarily with a view to removing inconsistencies and clarifying wording. These improvements are listed below:

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

IAS 34 - Interim Financial Reporting - Significant events and transactions

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



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

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

#### **4.2 Property, plant and equipment under Ijarah arrangements**

The Modaraba has adopted Islamic Financial Accounting Standard 2 - Ijarah in the year June 2009 for all Ijarah contracts commencing on or after July 01, 2008. The assets subject to Ijarah commencing on or after July 01, 2008 are stated at cost less accumulated amortisation and impairment losses, if any. Amortisation is charged on these assets using the 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.

#### **4.3 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.

Gain 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 .

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





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

#### **4.4 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 Intangible asset**

These are stated at cost less impairment, if any. The carrying amount is reviewed at each balance sheet date to assess whether it is in excess of its recoverable amount, and where the carrying value exceeds estimated recoverable amount, it is written down to its estimated recoverable amount.

#### **4.6 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 of 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.

#### **4.7 Investments**

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

##### **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 investments held- for- trading is to be included in profit and loss account.

##### **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 other comprehensive income under fair value reserve until sold, collected, or otherwise disposed of, at which time the cumulative gain or loss previously recognised in the other comprehensive income is included in profit and loss account.



### iii) Held to maturity

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

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.

## 4.8 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.

## 4.9 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 investments

For available-for-sale financial investments, the Modaraba assesses at each balance sheet date whether there is objective evidence that an investment or a group of investments is impaired. In 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 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 in profit and loss account.

### **4.10 Revenue recognition**

#### **4.10.1 Ijarah income / operating lease income**

Up until June 30, 2008, the Modaraba treated all leases as operating lease and from July 01, 2008, the Modaraba has adopted 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.

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

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).

#### **4.10.2 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.

#### **4.10.3 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 and recorded as "Deferred Murabaha Income". The same is then recognised on a time proportion basis.



#### **4.10.4 Rental income**

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

#### **4.10.5 Dividend income**

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

#### **4.10.6 Gains / 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.

#### **4.10.7 Income of debt securities**

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

#### **4.10.8 Income on balance with bank**

Profit on bank deposit is recognised on accrual basis

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

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

### **4.11 Taxation**

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 realisable, 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.

### **4.12 Staff Provident Fund**

The Modaraba contributes to an approved fund scheme covering all its employees who are eligible under the scheme. Equal monthly contributions are made by the Modaraba and the employees to the fund at 10% of the basic salary.

### **4.13 Foreign currencies translation**

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



#### **4.14 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.

#### **4.15 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.

#### **4.16 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).

#### **4.17 Profit distribution to the certificate holders**

Profit distributions to the certificate holders is recognised as a liability in the period in which the distributions are approved.

#### **4.18 Offsetting of financial assets and financial liabilities**

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

### **5. ACCOUNTING ESTIMATES AND JUDGMENTS**

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

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

The areas where various assumptions and estimates are significant to the Modaraba's financial statements or where judgment was exercised in application of accounting policies are as follows:

- i) classification of investments (note 9)
- ii) provision for doubtful receivables (note 8 ,10,11,12,13 and 14)



- iii) depreciation on property and equipment (note 15.1)
- iv) amortisation of property, plant and equipment - leased (note 15.2)
- v) impairment of investments, debt securities, and leased assets (note 9 and 15.2)

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

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

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

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

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

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

		<b>June 30, 2012</b>	<b>June 30, 2011</b>
	<b>Note</b>	----- (Rupees) -----	
<b>7. CASH AND BANK BALANCES</b>			
Cash in hand		<b>124,700</b>	73,091
Cash with State Bank of Pakistan - current account		<b>7,538</b>	14,662
Cash with banks in:			
- PLS savings accounts	7.1	<b>225,615,921</b>	119,875,703
- Current accounts		<b>5,882,320</b>	1,735,751
		<b><u>231,630,479</u></b>	<b><u>121,699,207</u></b>
<b>7.1</b> These carry mark-up at the rate ranging from 5% to 13% (2011: 5% to 13%) per annum.			
<b>8. MUSHARAKA AND MURABAHA FINANCES</b>			
Musharaka finances	8.1	<b>1,092,382,363</b>	1,231,657,771
Murabaha finances	8.2	<b>-</b>	325,000
		<b><u>1,092,382,363</u></b>	<b><u>1,231,982,771</u></b>
Less: Provision for doubtful receivables	8.3	<b>(275,120,673)</b>	(338,304,051)
		<b><u>817,261,690</u></b>	<b><u>893,678,720</u></b>
Less: Current portion of musharaka and murabaha finances		<b>(385,061,421)</b>	(363,948,003)
		<b><u>432,200,269</u></b>	<b><u>529,730,717</u></b>
<b>8.1</b> The expected profit receivable on these arrangements ranges from 8.5% to 19.8% (2011: 13% to 19.24%) per annum. The arrangements are secured by way of hypothecation of stock, mortgage of property and equipment and pledge of shares. These finances are receivable on various dates up to May 31, 2019.			
<b>8.2 Murabaha finances</b>			
Opening balance		<b>325,000</b>	2,383,284
Received during the year		<b>(325,000)</b>	(2,058,284)
		<b><u>-</u></b>	<b><u>325,000</u></b>
<b>8.3 Movement of provision</b>			
Opening balance		<b>338,304,051</b>	312,299,608
Charge for the year		<b>1,894,285</b>	47,474,168
Reversals during the year		<b>(65,077,663)</b>	(21,469,725)
Closing balance		<b><u>275,120,673</u></b>	<b><u>338,304,051</u></b>



**June 30,**  
**2012**  
----- **(Rupees)** -----

**June 30,**  
**2011**

#### 8.4 Ageing of musharaka and murabaha finances

Neither past due nor impaired	<b>650,398,845</b>	868,547,328
Past due but not impaired	<b>183,139,163</b>	88,323,789
Past due and impaired	<b>258,844,355</b>	275,111,654
	<b><u>1,092,382,363</u></b>	<b><u>1,231,982,771</u></b>

#### 9. SHORT-TERM INVESTMENTS

##### Held-for-trading

- Listed Ordinary shares	9.1	<b>47,873,832</b>	37,063,403
- Open end Mutual Fund Units	9.2	<b>1,563,559</b>	934,320
		<b>49,437,391</b>	37,997,723

##### Available-for-sale

- Listed Ordinary shares	9.3	<b>98,419,472</b>	92,945,221
- Open end Mutual Fund Units	9.4	<b>6,032,414</b>	4,538,521
- Unlisted Ordinary shares	9.5	<b>178,661,305</b>	224,322,600
- Unlisted debt securities	9.6	<b>134,692,000</b>	133,023,750
		<b>417,805,191</b>	454,830,092
		<b>467,242,582</b>	492,827,815

#### 9.1 Held-for-trading: Listed Ordinary shares

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

<b>Number of shares</b>		<b>Name of investee</b>		
<b>2012</b>	<b>2011</b>			
<b>Pharma and bio tech</b>				
-	1,575	Abbott Laboratories (Pakistan) Limited	-	147,247
<b>Personal goods</b>				
<b>10,000</b>	10,000	Artistic Denim Mills Limited	<b>240,000</b>	250,000
<b>30,000</b>	-	Azgard Nine Limited	<b>210,000</b>	-
<b>2,053</b>	7,800	BATA Pakistan Limited	<b>1,439,297</b>	4,789,356
<b>99,998</b>	99,998	Zephyr Textiles Limited	<b>446,991</b>	347,993
<b>37,505</b>	28,000	Nishat Mills Limited	<b>1,784,488</b>	1,409,520
<b>20,000</b>	-	Nishat (Chunian) Limited	<b>347,800</b>	-





<u>Number of shares</u>			<u>June 30,</u>	<u>June 30,</u>
<u>2012</u>	<u>2011</u>		<u>2012</u>	<u>2011</u>
			----- (Rupees) -----	
		<b>Name of investee</b>		
		<b>Construction and materials</b>		
<b>63,000</b>	48,000	D.G. Khan Cement Company Limited	<b>2,480,940</b>	1,103,520
<b>1,673</b>	-	Akzonobel Pakistan Limited (note 9.1.1)	<b>219,280</b>	-
<b>17,500</b>	30,000	Lucky Cement Limited	<b>2,019,325</b>	2,125,200
		<b>Electricity</b>		
<b>5,000</b>	5,000	Japan Power Generation Limited	<b>8,750</b>	6,350
<b>500</b>	-	The Hub Power Company Limited	<b>20,945</b>	-
<b>144,746</b>	-	Karachi Electric Supply Company Limited	<b>468,977</b>	-
<b>25,000</b>	25,000	Nishat Power Limited	<b>367,500</b>	386,000
		<b>Oil and gas</b>		
<b>46,999</b>	34,000	Attock Refinery Limited	<b>5,774,767</b>	4,172,820
<b>6,250</b>	-	Mari Gas Company Limited	<b>586,313</b>	-
<b>16,850</b>	-	National Refinery Limited	<b>3,898,922</b>	-
<b>2,000</b>	-	Oil and Gas Development Company Limited	<b>320,880</b>	-
<b>24,000</b>	20,000	Pakistan Petroleum Limited	<b>4,518,960</b>	4,141,400
		<b>Gas water and multiutilities</b>		
<b>183,750</b>	175,000	Sui Southern Gas Company Limited	<b>3,583,125</b>	3,792,250
<b>38,108</b>	36,293	Sui Northern Gas Pipelines Limited	<b>643,644</b>	722,957
		<b>Automobile and parts</b>		
<b>20,000</b>	20,000	Indus Motor Company Limited	<b>4,901,600</b>	4,400,000
		<b>Chemicals</b>		
<b>2,000</b>	2,000	Dawood Hercules Chemicals Limited	<b>66,020</b>	130,040
<b>54,239</b>	-	Fatima Fertilizer Company Limited	<b>1,338,076</b>	-
<b>40,000</b>	75,000	Fauji Fertilizer Bin Qasim Limited	<b>1,632,800</b>	3,161,250
<b>20,000</b>	-	Fauji Fertilizer Company Limited	<b>2,221,000</b>	-
<b>3,327</b>	-	ICI Pakistan Limited (note 9.1.1)	<b>436,430</b>	-
<b>15,000</b>	-	Sitara Peroxide Limited	<b>148,500</b>	-
<b>435,000</b>	400,000	Lotte Pakistan PTA Limited	<b>3,058,050</b>	5,532,000
		<b>Engineering</b>		
<b>2,000</b>	-	Millat Tractors Limited	<b>965,700</b>	-



<u>Number of shares</u>			<u>June 30,</u>	<u>June 30,</u>
<u>2012</u>	<u>2011</u>		<u>2012</u>	<u>2011</u>
			----- (Rupees) -----	
		<b>Name of investee</b>		
		<b>Industrial transportation</b>		
4,500	-	Pakistan National Shipping Corporation Limited	69,345	-
2,500	-	Pakistan International Bulk Terminal Limited	-	-
		<b>Support services</b>		
105,000	-	TRG Pakistan Limited	359,100	-
		<b>Fixed line telecommunication</b>		
40,000	-	Telecard Limited	59,600	-
10,000	-	Wateen Telecom Limited	20,000	-
		<b>Financial services</b>		
220,202	-	Jahangir Siddiqui & Company Limited	2,732,707	-
		<b>Forestry and paper</b>		
11,000	11,000	Security Papers Limited	484,000	445,500
			<u>47,873,832</u>	<u>37,063,403</u>

9.1.1 The scheme of arrangement for reconstruction of ICI Pakistan Limited was executed on June 27, 2012 whereby the paints business and all assets, rights, liabilities and obligations pertaining thereto have been separated and vested into Akzonobel Pakistan Limited. As a consequence of the transfer and vesting, Akzonobel Pakistan Limited issued Ordinary shares of Rs.10 each and such allotment is made in proportion of 66.54:33.46 based on the net assets of the paints business with reference to the total net assets of ICI Pakistan Limited. Consequently the Modaraba's holding of 5,000 shares of ICI Pakistan Limited as on June 27, 2012 is reduced to 3,327 Ordinary shares of ICI Pakistan Limited and 1,673 Ordinary shares of Akzonobel Pakistan Limited issued to the Modaraba.

## 9.2 Held-for-trading: Open end Mutual Fund Units

Unless stated otherwise, the holdings are in fully paid units of Rs.100 each.

<u>Number of units</u>				
<u>2012</u>	<u>2011</u>			
		<b>Name of investee</b>		
408,240	408,000	First Dawood Mutual Fund - a related party	<u>1,563,559</u>	<u>934,320</u>



### 9.3 Available-for-sale: Listed Ordinary shares

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

<u>Number of shares</u>			<b>June 30,</b>	<b>June 30,</b>
<b>2012</b>	<b>2011</b>		<b>2012</b>	<b>2011</b>
			----- (Rupees) -----	
		<b>Name of investee</b>		
		<b>Oil and gas</b>		
<b>18,750</b>	15,000	Mari Gas Company Limited	<b>1,758,938</b>	1,610,550
<b>41,500</b>	41,500	Pakistan Refinery Limited	<b>2,384,175</b>	3,338,675
<b>11,356</b>	17,556	Pakistan State Oil Company Limited	<b>2,678,199</b>	4,644,966
<b>16,500</b>	24,000	Brushane LPG Pakistan Limited (Formerly Shell Gas LPG Pakistan Limited)	<b>788,865</b>	594,720
<b>18,750</b>	15,000	Shell Pakistan Limited	<b>2,396,813</b>	3,375,150
		<b>Chemicals</b>		
<b>50,052</b>	50,052	Linde Pakistan Limited (Formerly BOC Pakistan Ltd)	<b>6,353,601</b>	4,799,420
<b>277</b>	277	Dawood Hercules Corporation Limited	<b>9,144</b>	18,011
<b>-</b>	24,480	Engro Corporation Limited	<b>-</b>	3,996,360
<b>75,769</b>	50,513	Fauji Fertilizer Company Limited	<b>8,414,147</b>	7,580,130
<b>14,999</b>	14,999	Sitara Chemical Industries Limited	<b>1,575,645</b>	1,497,050
		<b>Industrial metals and mining</b>		
<b>52,655</b>	57,655	International Industries Limited	<b>1,487,504</b>	2,853,923
		<b>Construction and materials</b>		
<b>90</b>	90	Maple Leaf Cement Factory Limited	<b>417</b>	185
		<b>Industrial engineering</b>		
<b>22,500</b>	22,500	Al Ghazi Tractors Limited	<b>4,620,150</b>	5,175,900
<b>56,000</b>	56,000	KSB Pumps Company Limited	<b>3,058,720</b>	1,839,040
		<b>Industrial transportation</b>		
<b>4,000</b>	5,000	Terminal Limited	<b>584,000</b>	406,250
<b>5,000</b>	5,000	Pakistan National Shipping Corporation	<b>77,050</b>	120,000



<u>Number of shares</u>			<u>June 30,</u>	<u>June 30,</u>
<u>2012</u>	<u>2011</u>		<u>2012</u>	<u>2011</u>
			----- (Rupees) -----	
		<b>Name of investee</b>		
		<b>Automobile and parts</b>		
-	7,698	Exide Pakistan Limited	-	1,686,709
		<b>Food producers</b>		
<b>5,390</b>	5,390	Unilever Pakistan Limited (Par value Rs.50 each)	<b>38,154,948</b>	28,165,391
		<b>Personal goods</b>		
<b>35,000</b>	35,000	Artistic Denim Mills Limited	<b>840,000</b>	875,000
<b>300</b>	300	Ghazi Fabrics International Limited	<b>1,140</b>	1,320
<b>23,000</b>	23,000	Nishat Mills Limited	<b>1,094,340</b>	1,157,820
<b>3,234</b>	3,234	Sapphire Fibres Limited	<b>399,334</b>	381,612
<b>8,890</b>	8,890	Sapphire Textile Mills Limited	<b>1,244,600</b>	1,057,910
<b>20,000</b>	10,000	Gul Ahmed Textile Mills Limited	<b>422,200</b>	517,300
		<b>Pharma and bio tech</b>		
<b>46,276</b>	50,500	Abbott Laboratories (Pakistan) Limited	<b>5,509,158</b>	4,721,245
<b>31,625</b>	28,750	GlaxoSmithKline Pakistan Limited	<b>1,999,965</b>	2,208,000
<b>564</b>	564	Highnoon Laboratories Limited	<b>20,699</b>	18,127
		<b>Electricity</b>		
<b>80,100</b>	80,100	The Hub Power Company Limited	<b>3,355,389</b>	3,003,750
		<b>Gas water and multiutilities</b>		
<b>31,500</b>	30,000	Sui Northern Gas Pipelines Limited	<b>532,035</b>	597,600
<b>22,954</b>	21,861	Sui Southern Gas Company Limited	<b>447,603</b>	473,728
		<b>Financial services</b>		
		Dawood Capital Management Limited		
<b>1,935,506</b>	1,935,506	- a related party	<b>2,612,933</b>	2,980,679
<b>2,499,000</b>	2,499,000	Dawood Equities Limited	<b>5,597,760</b>	3,248,700
		First Dawood Investment Bank Limited		
<b>3,339,922</b>	3,339,922	- a related party	<b>10,253,561</b>	10,253,561
		Less: Provision for impairment	<b>(10,253,561)</b>	(10,253,561)
			-	-
			<b>98,419,472</b>	<b>92,945,221</b>



#### 9.4 Available-for-sale: Open end Mutual Fund units

Unless stated otherwise, the holdings are in the fully paid units of Rs.100 each.

<u>Number of units</u>			<u>June 30,</u>	<u>June 30,</u>
<u>2012</u>	<u>2011</u>	<u>Name of investee</u>	<u>2012</u>	<u>2011</u>
			------(Rupees) -----	
		<b>Open-end mutual fund</b>		
<b>55,415</b>	55,415	National Investment Trust units	<b>1,676,858</b>	1,781,038
		<b>Equity Investment Instruments</b>		
		First Dawood Mutual Fund		
<b>1,046,281</b>	1,046,281	- a related party	<b>4,007,256</b>	2,395,983
<b>81,000</b>	75,000	NAMCO Balance Fund	<b>348,300</b>	361,500
			<b>6,032,414</b>	<b>4,538,521</b>

#### 9.5 Available-for-sale: Investment in Unlisted Ordinary Shares

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

<u>Number of shares</u>				
<u>2012</u>	<u>2011</u>			
<b>956,172</b>	956,172	Systems Limited	<b>9,999,990</b>	19,998,654
<b>10,160,000</b>	16,320,000	Burj Bank Limited	<b>94,661,315</b>	140,905,361
<b>7,400,000</b>	7,400,000	Dawood Family Takaful Limited	<b>74,000,000</b>	63,418,585
			<b>178,661,305</b>	<b>224,322,600</b>

#### June 30, 2012

	<u>Systems Limited</u>	<u>Burj Bank Limited</u>	<u>Dawood Family Takaful Limited</u>
Break-up value as per audited financial statements for the year ended December 31, 2011 (Rupees)	<b>17,834,826</b>	<b>79,582,815</b>	<b>54,501,522</b>
% of holding of the investee's paid-up capital	<b>2.46%</b>	<b>1.37%</b>	<b>9.87%</b>
Auditors	Ernst & Young Ford Rhodes Sidat Hyder	A.F. Fergusons & Co.	KPMG Taseer Hadi & Co.

#### June 30, 2011

Break-up value as per audited financial statements for the year ended December 31, 2010 (Rupees)	19,998,654	140,905,361	63,418,585
% of holding of the investee's paid-up capital	3.69%	3.26%	9.87%
Auditors	Ernst & Young Ford Rhodes Sidat Hyder	A.F. Fergusons & Co.	KPMG Taseer Hadi & Co.

## 9.6 Available-for-sale: Investment in unlisted debt securities

<u>Number of certificates</u>		Name of investee	June 30,	June 30,
2012	2011		2012	2011
			----- (Rupees) -----	
<b>Term Finance Certificates (TFCs)</b>				
<b>8,673</b>	8,673	Vision Developers (Private) Limited	<b>34,692,000</b>	43,365,000
-	500	Flying Paper Industries Limited	-	500,000
			<b>34,692,000</b>	43,865,000
<b>Sukuk</b>				
<b>20,000</b>	20,000	Al Razi Health Care (Private) Limited	<b>100,000,000</b>	100,000,000
			<b>134,692,000</b>	143,865,000
Less: Provision for impairment			-	(10,841,250)
			<b>134,692,000</b>	<b>133,023,750</b>

### 9.6.1 Details of particulars of unlisted Term Finance Certificates / Sukuk

Name of the investee	Profit		Maturity date	Secured / unsecured
	Repayment frequency	Rate per annum		
Vision Developers (Private) Limited	Semi-Annually	Six Months KIBOR + 2.5%	November 30, 2013	Secured
Al-Razi Health Care (Private) Limited	Semi-Annually	Six Months KIBOR + 2.5%	November 04, 2012	Secured
<b>10. LEASE RENTALS RECEIVABLE</b>	<b>Note</b>		<b>June 30, 2012</b>	<b>June 30, 2011</b>
			----- (Rupees) -----	
Considered good			<b>22,352,840</b>	15,891,797
Considered doubtful			<b>120,621,695</b>	126,707,248
			<b>142,974,535</b>	142,599,045
Less: Provision for doubtful receivables	10.1		<b>(120,621,695)</b>	(126,707,248)
			<b>22,352,840</b>	<b>15,891,797</b>

### 10.1 Particulars of provision for doubtful receivables

Opening balance	<b>126,707,248</b>	163,101,537
Charge for the year	<b>3,463,228</b>	610,284
Reversals during the year	<b>(9,548,781)</b>	(19,837,031)
Written off during the year	-	(17,167,542)
Closing balance	<b>120,621,695</b>	<b>126,707,248</b>

	Note	June 30, 2012	June 30, 2011
		----- (Rupees) -----	
<b>10.2 Ageing of lease rentals receivables</b>			
Neither past due nor impaired		-	-
Past due but not impaired - over 180 days		22,352,840	15,891,797
Past due and impaired		120,621,695	126,707,248
		<u>142,974,535</u>	<u>142,599,045</u>
<b>11. LOANS, DEPOSITS, ADVANCES AND PREPAYMENTS</b>			
<b>Loans - Secured, Considered good</b>			
To employees	11.1	2,082,716	2,849,473
Less: Long-term portion of loans to employees		(1,920,716)	(2,453,473)
		162,000	396,000
To executives	11.1 &	1,645,674	1,767,422
Less: Long-term portion of loans to executives	11.2	(1,519,674)	(1,647,422)
		126,000	120,000
<b>Deposits</b>		9,162,337	9,162,337
Less: Long-term portion of deposits		(9,162,337)	(9,162,337)
<b>Advances</b>		-	-
Against purchase of shares - considered doubtful		5,285,255	5,285,255
Less: Provision for doubtful receivable	11.3	(5,285,255)	(5,285,255)
		-	-
Against expenses - unsecured, considered good		-	471,690
Against salary - unsecured considered good		2,481,456	3,236,250
Less: Long-term portion of advance against salary		(1,339,526)	(1,693,311)
		1,141,930	1,542,939
<b>Prepayments</b>			
Insurance		1,145,089	914,966
Others		13,483	-
		<u>2,588,502</u>	<u>3,445,595</u>
<b>11.1</b>	These represent house loans disbursed to employees and executives under the terms of employment. These loans carry mark-up at the rate of 5% (2011: 5%) per annum and are secured against the mortgage of properties.		
<b>11.2</b>	The maximum amount of loans and advances due from executives at the end of any month during the year was Rs.1,757,507 (2011: Rs.2,175,812).		
<b>11.3 Particulars of provision for doubtful receivable</b>			
Opening balance		5,285,255	4,165,255
Charge for the year		-	1,120,000
Closing balance		<u>5,285,255</u>	<u>5,285,255</u>



## 12. ACCRUED PROFIT

	June 30, 2012	June 30, 2011
Note	----- (Rupees) -----	-----
Accrued profit on:		
- PLS savings accounts	5,594,074	2,482,082
- Debt securities	5,286,290	14,027,625
- Musharaka and murabaha finances	73,698,741	82,523,655
	<u>84,579,105</u>	<u>99,033,362</u>

## 13. OTHER RECEIVABLES

Dividend receivable - unsecured, considered doubtful	<b>245,870</b>	245,870
Less: Provision for doubtful receivables	<b>(245,870)</b>	(245,870)
Due from associated undertakings-unsecured, considered good		
- Crescent Standard Modaraba	-	1,441
- Dawood Capital Management Limited	-	8,707,890
- B.R.R. Investments (Private) Limited	4,912,560	7,451,700
- First Dawood Investment Bank Limited	125,583	-
	<b>5,038,143</b>	16,161,031
Receivable against sale of securities-unsecured, considered good	<b>2,421,126</b>	21,894,336
Receivable against sale of securities-unsecured, considered doubtful	<b>1,068,785</b>	-
	<b>3,489,911</b>	21,894,336
Less: Provision for doubtful receivable	<b>(1,068,785)</b>	-
	<b>2,421,126</b>	21,894,336
Rent receivable - unsecured, considered good	<b>1,852,283</b>	7,277,359
Termination dues receivable - considered doubtful	<b>32,628,539</b>	32,628,539
Less: Provision for doubtful receivable	<b>(32,628,539)</b>	-
	-	32,628,539
Other receivables - secured, considered doubtful	<b>1,296,018</b>	1,296,018
Less: Provision for doubtful receivable	<b>(1,296,018)</b>	(1,296,018)
	-	-
Receivable from ex-employees - unsecured, considered doubtful	<b>51,274,920</b>	51,274,920
Less: Provision for doubtful receivable	<b>(51,274,920)</b>	(51,274,920)
	-	-
	<b>9,311,552</b>	<b>77,961,265</b>





- 13.1** This represents amount receivable from a lessee in respect of lease termination dues. The management is in negotiation with the lessee for the recovery of the outstanding amount. Subsequently, the management has filed a lawsuit against the counter party for recovery, which is pending adjudication. As a matter of abundant caution, full provision in respect of the said receivable has been made in these financial statements.
- 13.2** The Modaraba has made provision against the said balance which mainly comprises of balance receivable in respect of outstanding rent and miscellaneous receivables.
- 13.3** This represents balance receivable from certain ex-employees and other parties in respect of embezzlement of funds. The matter is pending before the Honourable Lahore High Court and National Accountability Bureau-Government of Pakistan. As a matter of prudence, full provision in respect of the said receivable has been made in these financial statements.

	Note	June 30, 2012 ----- (Rupees) -----	June 30, 2011 -----
<b>14. TAXATION REFUNDABLE</b>			
Taxation refundable		<b>28,782,530</b>	28,525,248
Less: Provision for doubtful receivables		<b>(22,872,158)</b>	(22,872,158)
		<b><u>5,910,372</u></b>	<u>5,653,090</u>
<b>15. FIXED ASSETS</b>			
Property and equipment - owned	15.1	<b>104,282,688</b>	25,957,426
Property, plant and equipment - leased / Ijarah	15.2	<b>97,729,235</b>	128,984,604
Intangible asset	15.3	<b>7,750,000</b>	-
Capital work-in-progress (CWIP)	15.4	<b>518,746,974</b>	424,033,857
		<b><u>728,508,897</u></b>	<u>578,975,887</u>

### 15.1 PROPERTY AND EQUIPMENT - OWNED

June 30, 2012	Cost			Accumulated depreciation			Book value as at June 30, 2012	Rate of depreciation %
	As at July 01, 2011	Additions / (disposals)	As at June 30, 2012	As at July 01, 2011	For the year / (on disposals)	As at June 30, 2012		
	(Rupees)							
Leasehold land	2,527,890	-	2,527,890	985,879	50,558	1,036,437	1,491,453	2
Building on leasehold land (note 15.1.1)	28,554,266	80,500,000	109,054,266	21,492,015	2,481,157	23,973,172	85,081,094	5
Lockers	19,565,218	-	19,565,218	14,649,402	356,849	15,006,251	4,558,967	5
Furniture and fixtures	9,217,408	-	9,217,408	5,948,469	814,445	6,762,914	2,454,494	10
Vehicles	18,387,748	5,488,705 (3,196,435)	20,680,018	10,118,539	3,006,576 (2,733,367)	10,391,748	10,288,270	20
Office equipment and appliances	19,057,924	102,000	19,159,924	18,158,724	592,790	18,751,514	408,410	33.33
	97,310,454	86,090,705 (3,196,435)	180,204,724	71,353,028	7,302,375 (2,733,367)	75,922,036	104,282,688	

June 30, 2011	Cost			Accumulated depreciation			Book value as at June 30, 2011	Rate of depreciation %
	As at July 01, 2010	Additions / (disposals)	As at June 30, 2011	As at July 01, 2010	For the year / (on disposals)	As at June 30, 2011		
	(Rupees)							
Leasehold land	2,527,890	-	2,527,890	935,321	50,558	985,879	1,542,011	2
Building on leasehold land	76,734,707	- (48,180,441)	28,554,266	34,283,082	1,982,821 (14,773,888)	21,492,015	7,062,251	5
Lockers	19,565,218	-	19,565,218	14,272,919	376,483	14,649,402	4,915,816	5
Furniture and fixtures	9,217,408	-	9,217,408	5,125,824	822,645	5,948,469	3,268,939	10
Vehicles	21,860,660	2,406,950 (5,879,862)	18,387,748	12,286,431	3,362,962 (5,530,854)	10,118,539	8,269,209	20
Office equipment and appliances	22,063,494	345,879 (3,351,449)	19,057,924	18,946,640	2,563,476 (3,351,392)	18,158,724	899,200	33.33
	151,969,377	2,752,829 (57,411,752)	97,310,454	85,850,217	9,158,945 (23,656,134)	71,353,028	25,957,426	

**15.1.1** Additions during the year include (a) an office premises of Rs.10.5 million received in settlement from a lessee against outstanding lease rental receivable and (b) an office premises of Rs.70 million received in settlement from a related party, the title of which is in the process of being transferred in the name of the Modaraba.

**15.1.2 Disposal of property and equipment - (owned) - during the year**

Property and equipment	Cost	Accumulated depreciation	Written	Disposal proceed	Gain / (Loss)	Mode of disposal	Particulars of purchaser
			down value (Rupees)				
Vehicle	58,500	58,499	1	5,850	5,849	Company policy	Mr. Navroze Patel Employee
Vehicle	35,500	23,665	11,835	11,835	-	Transfer	First Dawood Investment Bank
Vehicle	38,000	15,803	22,197	22,197	-	Transfer	First Dawood Investment Bank
Vehicle	54,000	53,999	1	5,400	5,399	Company policy	Mr. Nasir Khan Employee
Vehicle	71,000	70,999	1	7,100	7,099	Company policy	Mr. Khadim Hussain Employee
Vehicle	40,000	29,333	10,667	21,000	10,333	Company policy	Mr. Mohammad Umer Employee
Vehicle	54,000	53,999	1	5,400	5,399	Company policy	Mr. Mohammed Aslam Employee
Vehicle	560,000	559,999	1	56,000	55,999	Company policy	Mr. Yaqoob Employee
Vehicle	879,000	878,999	1	-	(1)	Company policy	Mr. Saeed Siddiqui Employee
Vehicle	315,000	314,999	1	31,500	31,499	Company policy	Mr. Fida Hussain Employee
Vehicle	501,435	142,073	359,362	409,506	50,144	Company policy	Mr. Farooq Patel Ex-employee
Vehicle	590,000	531,000	59,000	127,834	68,834	Settlement	Major Pervez Ex-employee
<b>2012</b>	<b>3,196,435</b>	<b>2,733,367</b>	<b>463,068</b>	<b>703,622</b>	<b>240,554</b>		
<b>2011</b>	<b>57,411,752</b>	<b>23,656,134</b>	<b>33,755,618</b>	<b>96,173,170</b>	<b>62,417,552</b>		

15.2 PROPERTY, PLANT AND EQUIPMENT - LEASED / IJARAH	Note	June 30,	June 30,
		2012	2011
		----- (Rupees) -----	
Property, plant and equipment - leased	15.2.1	<b>64,293,938</b>	88,503,614
Property, plant and equipment - Ijarah	15.2.3	<b>33,435,297</b>	40,480,990
		<b>97,729,235</b>	<b>128,984,604</b>

### 15.2.1 Property, plant and equipment - leased

June 30, 2012	Rate of depreciation / lease term	Cost			Accumulated amortisation			Accumulated impairment	Carrying value as at June 30, 2012
		As at July 01, 2011	Additions / (disposals)	As at June 30, 2012	As at July 01, 2011	For the year / (on disposals)	As at June 30, 2012		
		(Rupees)							
Land and building (leasehold)	3 - 5 years	30,000,000	-	30,000,000	16,528,655	6,622,428	23,151,083	-	6,848,917
Plant and machinery	4 - 9 years	532,399,109	(84,846,000)	447,553,109	451,570,472	7,737,152 (77,611,686)	381,695,938	18,551,286	47,305,885
Vehicles	3 - 5 years	137,523,913	(18,260,098)	119,263,815	72,615,859	1,192,790 (9,925,142)	63,883,507	46,106,234	9,274,074
Office equipment and appliances	3 - 5 years	11,818,600	(5,692,100)	6,126,500	10,322,180	331,564 (5,122,890)	5,530,854	-	595,646
Motor boat	5 years	2,694,300	-	2,694,300	2,424,884	-	2,424,884	-	269,416
		714,435,922	(108,798,198)	605,637,724	553,462,050	15,883,934 (92,659,718)	476,686,266	64,657,520	64,293,938

June 30, 2011	Rate of depreciation / lease term	Cost			Accumulated amortisation			Accumulated impairment	Carrying value as at June 30, 2011
		As at July 01, 2010	Additions / (disposals)	As at June 30, 2011	As at July 01, 2010	For the year / (on disposals)	As at June 30, 2011		
		(Rupees)							
Land and building (leasehold)	3 - 5 years	70,690,000	(40,690,000)	30,000,000	46,892,992	6,388,346 (36,752,683)	16,528,655	-	13,471,345
Plant and machinery	4 - 9 years	800,565,749	(268,166,640)	532,399,109	605,309,298	18,522,759 (172,261,585)	451,570,472	18,551,286	62,277,351
Vehicles	3 - 5 years	228,412,334	(90,888,421)	137,523,913	137,005,360	10,707,369 (75,096,870)	72,615,859	53,918,972	10,989,082
Office equipment and appliances	3 - 5 years	13,256,155	(1,437,555)	11,818,600	9,185,749	2,437,629 (1,301,198)	10,322,180	-	1,496,420
Motor boat	5 years	2,694,300	-	2,694,300	2,424,884	-	2,424,884	-	269,416
		1,115,618,538	(401,182,616)	714,435,922	800,818,283	38,056,103 (285,412,336)	553,462,050	72,470,258	88,503,614

In view of the large amount of disposal of property, plant and equipment given on lease / Ijarah, the directors of the Management Company are of the opinion that no practical purpose will be served to give detail of such disposals. Further, all the lease / Ijarah assets are disposed off to the relevant lessees.

	June 30, 2012	June 30, 2011
	----- (Rupees) -----	
<b>15.2.2 Particulars of impairment loss</b>		
Opening balance	72,470,258	80,850,962
Reversal for the year	<u>(7,812,738)</u>	<u>(8,380,704)</u>
Closing balance	<u>64,657,520</u>	<u>72,470,258</u>

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

**15.2.3 Property, plant and equipment - Ijarah**

	Rate of depreciation / lease term	Cost			Accumulated amortisation			Carrying value as at June 30, 2012
		As at July 01, 2011	Additions / (disposals)	As at June 30, 2012	As at July 01, 2011	For the year / (on disposals)	As at June 30, 2012	
June 30, 2012		----- (Rupees) -----						
Land and building (leasehold)	3 - 5 years	46,000,000	-	46,000,000	19,320,012	6,440,004	25,760,016	20,239,984
Plant and machinery	4 - 9 years	9,905,200	- (6,390,000)	3,515,200	7,032,359	1,273,371 (5,751,000)	2,554,730	960,470
Vehicles	3 - 5 years	22,951,390	6,482,500 (7,154,390)	22,279,500	12,036,054	4,169,906 (6,154,803)	10,051,157	12,228,343
Office equipment and appliances	3 - 5 years	65,000	-	65,000	52,175	6,325	58,500	6,500
		<u>78,921,590</u>	<u>6,482,500</u> <u>(13,544,390)</u>	<u>71,859,700</u>	<u>38,440,600</u>	<u>11,889,606</u> <u>(11,905,803)</u>	<u>38,424,403</u>	<u>33,435,297</u>

	Rate of depreciation / lease term	Cost			Accumulated amortisation			Carrying value as at June 30, 2011
		As at July 01, 2010	Additions / (disposals)	As at June 30, 2011	As at July 01, 2010	For the year / (on disposals)	As at June 30, 2011	
June 30, 2011		----- (Rupees) -----						
Land and building (leasehold)	3 - 5 years	46,000,000	-	46,000,000	12,880,008	6,440,004	19,320,012	26,679,988
Plant and machinery	4 - 9 years	9,905,200	-	9,905,200	4,060,463	2,971,896	7,032,359	2,872,841
Vehicles	3 - 5 years	22,910,075	41,315	22,951,390	6,222,056	5,813,998	12,036,054	10,915,336
Office equipment and appliances	3 - 5 years	65,000	-	65,000	32,675	19,500	52,175	12,825
		<u>78,880,275</u>	<u>41,315</u>	<u>78,921,590</u>	<u>23,195,202</u>	<u>15,245,398</u>	<u>38,440,600</u>	<u>40,480,990</u>



	<b>June 30, 2012</b>	<b>June 30, 2011</b>
	----- (Rupees) -----	
<b>15.3 INTANGIBLE ASSETS</b>		
Membership Card	<u><b>7,750,000</b></u>	<u>-</u>

During the year, the Modaraba obtained a Membership Card of Islamabad Stock Exchange (Guarantee) Limited on settlement of Musharaka Facility with a customer.

In accordance with the requirements of the Stock Exchanges (Corporatisation, Demutualization and Integration) Act, 2012 (The Act), the Modaraba was entitled to receive equity shares of Islamabad Stock Exchange (ISE) and a trading right entitlement in lieu of its membership card of ISE.

The said process of demutualization was finalized subsequent to the year end whereby the Modaraba received shareholding in ISE based on their revalued assets and liabilities and a trading right entitlement in respect thereof.

**15.4 CAPITAL WORK-IN-PROGRESS (CWIP)**

Civil work - BRR Tower	<b>452,326,974</b>	366,702,857
Advance against purchase of property - Jofa Tower Karachi	<u><b>66,420,000</b></u>	<u>57,331,000</u>
	<u><b>518,746,974</b></u>	<u>424,033,857</u>

	<b>Civil work - B.R.R. Tower</b>	<b>Advance against purchase of property - Jofa Tower Karachi</b>	<b>Total</b>
	----- (Rupees) -----		

**15.4.1 Movement in capital work-in-progress**

Opening balance	366,702,857	57,331,000	424,033,857
Addition	<u>85,624,117</u>	<u>9,089,000</u>	<u>94,713,117</u>
Closing balance	<u><u>452,326,974</u></u>	<u><u>66,420,000</u></u>	<u><u>518,746,974</u></u>

## 16. INVESTMENT PROPERTIES

June 30, 2012	Cost			Accumulated depreciation			Written down value as at June 30, 2012	Rate of Depreciation %
	As at July 01, 2011	Additions	As at June 30, 2012	As at July 01, 2011	For the year	As at June 30, 2012		
	(Rupees)							
Leasehold land	197,802,400	-	197,802,400	16,299,402	3,956,048	20,255,450	177,546,950	2
Buildings on leasehold land	136,190,001	-	136,190,001	26,097,385	6,809,500	32,906,885	103,283,116	5
Office premises (note 16.2)	484,077,397	33,000,000	517,077,397	112,996,827	25,148,649	138,145,476	378,931,921	5
	<b>818,069,798</b>	<b>33,000,000</b>	<b>851,069,798</b>	<b>155,393,614</b>	<b>35,914,197</b>	<b>191,307,811</b>	<b>659,761,987</b>	

June 30, 2011	Cost			Accumulated depreciation			Written down value as at June 30, 2011	Rate of Depreciation %
	As at July 01, 2010	Additions / (disposals)	As at June 30, 2011	As at July 01, 2010	For the year / (on disposal)	As at June 30, 2011		
	(Rupees)							
Leasehold land	197,802,400	-	197,802,400	12,343,354	3,956,048	16,299,402	181,502,998	2
Buildings on leasehold land	182,990,001	- (46,800,000)	136,190,001	20,955,386	8,066,999 (2,925,000)	26,097,385	110,092,616	5
Office premises	423,857,454	60,219,943	484,077,397	92,071,675	20,925,152	112,996,827	371,080,570	5
	<b>804,649,855</b>	<b>60,219,943</b> <b>(46,800,000)</b>	<b>818,069,798</b>	<b>125,370,415</b>	<b>32,948,199</b> <b>(2,925,000)</b>	<b>155,393,614</b>	<b>662,676,184</b>	

**16.1** The fair value of investment property as at June 30, 2012 as per valuation report of independent valuer is Rs.1,224.46 million (2011: Rs.2,041.24 million).

**16.2** Additions during the year represent office premises, of Rs.31 million and Rs.2 million respectively, received in settlement from customers against musharaka facilities. The title of both properties is in the process of being transferred in the name of the Modaraba.



	Note	June 30, 2012 ----- (Rupees) -----	June 30, 2011 -----
<b>17. MURABAHA, MUSHARAKA AND FINANCE UNDER MARK-UP ARRANGEMENTS</b>			
Finance under murabaha arrangements	17.1	<b>152,500,000</b>	152,500,000
Finance under musharaka arrangements	17.2	<b>775,800,000</b>	766,015,489
Finance under mark-up arrangements:			
Term finance	17.3	<b>6,249,998</b>	16,672,006
Running finance	17.4	<b>49,761,671</b>	49,649,098
		<b>984,311,669</b>	984,836,593
Less: Long-term portion:			
Finance under musharaka arrangements		<b>124,200,000</b>	271,455,340
Finance under mark-up arrangements		-	10,425,667
		<b>124,200,000</b>	281,881,007
		<b>860,111,669</b>	702,955,586

- 17.1** The Modaraba has entered into Murabaha (purchase and sale) agreements with a commercial bank. As per the original contract, the Murabaha sale price was payable on deferred payment basis in quarterly/monthly installments by June 27, 2011. However, on the request of the Modaraba, the bank has granted its consent to settle the finance against the properties offered by the Modaraba. The finance is subject to expected mark-up ranging from 13.88% to 15.78% (2011: 14.3% to 15.78%) per annum. The arrangements are secured by way of hypothecation of the leased assets and future rentals receivable.
- 17.2** The Modaraba has entered into Musharaka agreements with the commercial banks / financial institutions and other companies. These Musharaka arrangements are on profit and loss sharing basis and payable upto December 28, 2014. Estimated rate of profit on Musharaka arrangements ranges from 9.5% to 16% (2011:7% to 16%) per annum.
- 17.3** The aggregate facilities for term finance from a commercial bank amounted to Rs.25 million (2011: Rs.25 million). These facilities are subject to expected mark-up rate of 14.17% to 15.79% (2011: 14.5% to 15%) per annum and are secured by way of hypothecation of the leased assets and future rentals receivable.
- 17.4** The aggregate facility for running finance from a commercial bank amounted to Rs.50 million (2011: Rs.50 million). These facilities are subject to expected mark-up rate of 14.5% to 14.67% (2011: 14.5% to 15%) per annum and are secured by way of hypothecation of the leased assets and future rentals receivable.



## 18. CREDITORS, ACCRUED AND OTHER LIABILITIES

	Note	June 30, 2012 ----- (Rupees) -----	June 30, 2011 -----
Management fee payable	34	<b>3,368,531</b>	4,728,207
Sales tax on management fee payable	34	<b>538,965</b>	-
Provision for Workers' Welfare Fund	35	<b>595,556</b>	851,077
Accrued liabilities		<b>4,338,413</b>	8,944,780
Due to associated undertakings			
- First Dawood Investment Bank Limited		-	196,252
Rentals received in advance			
- Lease		<b>2,849,456</b>	-
- Lockers		<b>14,521,650</b>	13,911,967
- Properties		<b>3,957,824</b>	7,067,579
Others		<b>9,659,211</b>	8,521,037
		<b><u>39,829,606</u></b>	<b><u>44,220,899</u></b>

## 19. ACCRUED PROFIT ON BORROWINGS

Finance under murabaha arrangements	<b>40,378,762</b>	17,683,998
Finance under musharaka arrangements	<b>99,238,762</b>	138,914,875
Finance under mark-up arrangements	<b>14,547,090</b>	7,263,587
Diminishing musharaka based TFCs	<b>184,024,858</b>	100,275,216
	<b><u>338,189,472</u></b>	<b><u>264,137,676</u></b>

## 20. CUSTOMERS' SECURITY DEPOSITS

Lease/Ijarah	<b>79,343,700</b>	87,786,201
Investment properties	<b>22,785,782</b>	22,335,785
Lockers	<b>12,724,890</b>	9,908,500
	<b>114,854,372</b>	120,030,486
Less: Long-term portion	<b>(105,899,473)</b>	(93,957,651)
	<b><u>8,954,899</u></b>	<b><u>26,072,835</u></b>

## 21. PROFIT DISTRIBUTION PAYABLE

Unclaimed profit payable to certificate holders	<b>21,061,306</b>	20,889,995
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## 22. DIMINISHING MUSHARAKA BASED TERM FINANCE CERTIFICATES

Diminishing musharaka based Term Finance Certificates (TFCs)	<b>772,500,000</b>	800,000,000
Less: Current maturity	<b>55,000,000</b>	27,500,000
	<b><u>717,500,000</u></b>	<b><u>772,500,000</u></b>



The above TFCs represent privately placed instruments in the form of Diminishing Musharaka and are secured against investment properties and CWIP of the Modaraba. The tenure of the above TFCs is six years redeemable semi annually with six months grace period. Rate of profit is based on 1 month KIBOR on the last business day prior to the beginning of each semi-annual period. The TFC was restructured prior to the year end.

<b>23. CERTIFICATE CAPITAL</b>	<b>June 30, 2012</b>	<b>June 30, 2011</b>
	----- (Rupees) -----	
<b>Authorised</b> 87,000,000 Certificates of Rs.10 each	<b>870,000,000</b>	<b>870,000,000</b>
<b>Issued, subscribed and paid-up</b> Modaraba certificates of Rs.10 each		
<b>Number of certificates</b>		
<b>2012</b>	<b>2011</b>	
<b>39,359,741</b>	39,359,741	Certificates issued as fully paid in cash
		<b>393,597,410</b>
<b>8,833,724</b>	8,833,724	Certificates issued as fully paid bonus certificates
		<b>88,337,240</b>
<b>29,852,790</b>	29,852,790	Certificates issued to certificate holders of Guardian Modaraba under the Scheme of Amalgamation
<b>78,046,255</b>	<b>78,046,255</b>	<b>298,527,900</b>
		<b>780,462,550</b>

B.R.R. Investments (Private) Limited (the Management Company) held 12,981,496 (16.63%) certificates of Rs.10 each as at June 30, 2012 [2011: 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, 2012 [2011: 3,393,474 (4.35%) certificates].

#### 24. STATUTORY RESERVE

Prudential Regulations for Modarabas issued by Securities and Exchange Commission of Pakistan requires creation of reserve fund to which shall be credited:

- a) an amount not less than 20% and not more than 50% of its after tax profits till such time the reserve fund equals the amount of paid up capital; and
- b) thereafter a sum not less than 5% of its after tax profits.

During the year, the Modaraba has credited 49.52% of its profit to this reserve.

## 25. CONTINGENCIES AND COMMITMENTS

- 25.1 There were no contingencies as at June 30, 2012.
- 25.2 Commitments in respect of capital expenditure on Dawood Islamic Tower amounting to Rs.74,106,710 (2011: Rs.55,345,063).

	June 30, 2012	June 30, 2011
Note	----- (Rupees) -----	
<b>26. SURPLUS / (DEFICIT) ON REVALUATION OF INVESTMENTS</b>		
Listed Ordinary shares	<b>62,768,778</b>	40,683,843
Open end mutual fund units	<b>(3,365,540)</b>	-
Unlisted Ordinary shares	-	(11,731,426)
	<u><b>59,403,238</b></u>	<u>28,952,417</u>

## 27. RETURN ON INVESTMENTS

Gain on sale of investments	<b>11,443,062</b>	25,944,126
Profit on debt securities	<b>18,617,678</b>	32,651,864
Dividend income	<b>10,787,217</b>	9,274,147
	<u><b>40,847,957</b></u>	<u>67,870,137</u>

## 28. RENTAL INCOME

Investment properties	28.1 <b>67,541,874</b>	66,813,586
Lockers and custodial services	<b>19,030,430</b>	15,425,107
	<u><b>86,572,304</b></u>	<u>82,238,693</u>

- 28.1 This includes rental income amounting Rs.5,689,908 (2011: Rs.5,689,980) from Management Company and associated companies.

## 29. OTHER INCOME

Profit on disposal of investment property	-	8,262,563
Liabilities no longer payable written back	<b>4,657,878</b>	8,172,750
Miscellaneous and early termination charges	<b>3,199,637</b>	13,503,091
	<u><b>7,857,515</b></u>	<u>29,938,404</u>

	Note	June 30, 2012	June 30, 2011
----- (Rupees) -----			
<b>30. IMPAIRMENT LOSS</b>			
Reversal of impairment loss on property, plant and equipment - leased	15.2.2	<b>(7,812,738)</b>	(8,380,704)
Impairment loss on available-for-sale investments:			
Equity securities		<b>5,779,094</b>	15,926,674
Debt securities		<b>(10,841,250)</b>	25,832,750
		<b>(12,874,894)</b>	33,378,720
<b>31. OPERATING EXPENSES</b>			
Salaries, allowances and other benefits	38	<b>29,804,899</b>	30,253,142
Travelling and conveyance		<b>249,604</b>	306,184
Entertainment		<b>335,029</b>	652,825
Electricity, water and gas		<b>3,132,131</b>	1,423,862
Telephone and fax		<b>628,070</b>	517,234
Postage and courier		<b>436,477</b>	397,509
Stationery and printing		<b>951,650</b>	677,227
Computer expenses		<b>306,824</b>	236,337
Subscriptions		<b>4,002,360</b>	8,496,882
Advertisement		<b>221,700</b>	114,800
Insurance		<b>3,919,915</b>	3,848,207
Repairs and maintenance		<b>9,465,988</b>	8,166,881
Rent, rates and taxes		<b>2,328,743</b>	3,894,238
Security expenses		<b>631,649</b>	497,022
Brokerage and commission		<b>494,694</b>	874,375
Legal and professional		<b>6,695,664</b>	4,459,760
Auditors' remuneration	31.1	<b>1,164,440</b>	1,159,560
Depreciation			
- Assets in own use		<b>7,302,375</b>	9,158,945
- Investment properties		<b>35,914,198</b>	32,948,200
Donation		<b>70,000</b>	70,000
Zakat		<b>27,061</b>	12,426
Others		<b>1,659,745</b>	1,137,738
		<b>109,743,216</b>	109,303,354
<b>31.1 Auditors' remuneration</b>			
Audit fee		<b>650,000</b>	650,000
Limited review, special reports, certification and sundry advisory services		<b>350,000</b>	350,000
Out of pocket expenses		<b>164,440</b>	159,560
		<b>1,164,440</b>	1,159,560



31.2 During the year, the Modaraba contributed Rs.2,048,217 (2011: Rs.1,571,893) to the provident fund.

	June 30, 2012	June 30, 2011
<b>Note</b>	-----	-----
	<b>(Rupees)</b>	
<b>32. FINANCIAL CHARGES</b>		
Profit on:		
Finance under murabaha arrangements	<b>22,694,764</b>	22,520,360
Finance under musharaka arrangements	<b>32,019,082</b>	36,525,971
Diminishing musharaka based TFCs	<b>98,749,642</b>	107,069,041
Finance under mark-up arrangement	<b>86,119,238</b>	188,664,362
Bank charges and commission	<b>49,921</b>	103,197
	<b><u>239,632,647</u></b>	<b><u>354,882,931</u></b>

### 33. PROVISION AGAINST DOUBTFUL RECEIVABLES - net

#### Charge for the year

Lease rentals receivable	10.1	<b>3,463,228</b>	610,284
Musharaka finances	8.3	<b>1,894,285</b>	47,474,168
Provision against other receivables	13	<b>33,697,324</b>	2,416,018
		<b>39,054,837</b>	50,500,470

#### Less: Reversals during the year

Lease rentals receivable	10.1	<b>9,548,781</b>	19,837,031
Musharaka finances	8.3	<b>65,077,663</b>	21,469,725
		<b>(74,626,444)</b>	(41,306,756)
		<b><u>(35,571,607)</u></b>	<b><u>9,193,714</u></b>

### 34. MODARABA MANAGEMENT COMPANY'S FEE

In accordance with the Modaraba Companies and Modaraba Rules, 1981 management fee at the rate of 10% of annual profits is payable to the Management Company amounting to Rs.3,368,531 (2011: Rs.4,728,207). Furthermore, during the current year an amount of Rs.538,965 (2011: Rs.Nil) was charged on account of sales tax on management fee levied through Sindh Sales Tax on Services Act, 2011.

### 35. WORKERS' WELFARE FUND

The Finance Act, 2008 made certain changes to the Workers' Welfare Fund Ordinance, 1971. As a result of these amendments, Workers' Welfare Fund (WWF) is payable at the rate of 2% of the profit before taxation as per the financial statements or taxable income as per the return of income, whichever is higher. During the current year, the management has made a provision of Rs.595,556 (2011: Rs.851,055) in respect of this liability.

### 36. TAXATION

The income of non-trading modarabas is exempt from tax under clause 100 of the second schedule of the



Income Tax Ordinance 2001, provided not less than 90% of its profits {after appropriation to statutory (mandatory) reserves as required under Modaraba Regulations} are distributed to the certificate holders. The modaraba has decided to continue availing the tax exemption and hence no provision has been made in these financial statements for tax liabilities for the current year.

Return of income for the tax year 2010 has duly been filed and assessment upto the tax year 2011 is deemed to be finalised in terms of section 120 of the Income Tax Ordinance, 2001. 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 favour of the Modaraba, however, appeal effect orders for the said decisions are pending with the Tax Authorities.

	<b>June 30, 2012</b>	<b>June 30, 2011</b>
	----- (Rupees) -----	
<b>37. EARNINGS PER CERTIFICATE -BASIC AND DILUTED</b>		
Profit for the year	<u><b>29,182,261</b></u>	<u>41,702,786</u>
	---- (number of certificates) ----	
Weighted average number of certificates outstanding	<u><b>78,046,255</b></u>	<u>78,046,255</u>
	----- (Rupees) -----	
Earnings per certificate	<u><b>0.37</b></u>	<u>0.53</u>

**37.1** There were no convertible dilutive potential Ordinary certificates outstanding as on June 30, 2012 and 2011.

### **38. REMUNERATION OF OFFICERS AND EXECUTIVES**

Remuneration	23,206,938	16,832,400
Medical expenses	672,000	498,000
Retirement benefits	<u>1,956,275</u>	<u>1,177,650</u>
	<u><b>25,835,213</b></u>	<u>18,508,050</u>
Number of employees at the end of the year	<u><b>25</b></u>	<u>17</u>

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

### **39. FUTURE MINIMUM LEASE RENTALS RECEIVABLE**

Future minimum lease rentals receivable on the basis of lease agreements executed up to June 30, 2012 are as follows:

Receivable - not later than one year	27,568,854	92,872,104
Receivable - later than one year and not later than five years	<u>147,493,209</u>	<u>88,188,271</u>
	<u><b>175,062,063</b></u>	<u>181,060,375</u>



## **40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

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

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

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

### **40.1 Market risk**

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

#### **40.1.1 Profit rate risk**

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market profit rates. As of June 30, 2012, the Modaraba's exposure to the risk of changes in market interest rates relates primarily to bank balances in PLS saving accounts, musharaka and murabaha agreements and debt securities. The bank balances in PLS saving accounts are subject to profit rates as declared by the respective banks on periodic basis while, the musharaka and murabaha agreements and debt securities are subject to floating profit rates. As at June 30, 2012, approximately 58.00% (June 30, 2011: 50.%) of the Modaraba's financial assets are subject to floating profit rates. Management of the Modaraba estimates that an increase of 100 basis points in the market profit rate, with all other factors remaining constant, would increase the Modaraba's income by Rs.9.42 (June 30, 2011: Rs.2.83) million and a decrease of 100 basis points would result in a decrease in the Modaraba's income by the same amount. However, in practice, the actual results may differ from the sensitivity analysis.

#### **40.1.2 Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instruments will fluctuate because of changes in foreign exchange rates. The Modaraba does have any financial instruments in foreign currencies and hence is not exposed to such risk.

#### **40.1.3 Equity price risk**

Equity price risk is the risk of volatility in share prices resulting from their dependence on market sentiments, speculative activities, supply and demand for shares and liquidity in the market. The



value of investments may fluctuate due to change in business cycles affecting the business of the company in which the investment is made, change in business circumstances of the company, its business sector, industry and / or the economy in general.

At the balance sheet date, the exposure to listed equity securities is Rs.146.293 (2011: Rs.130.008) million. Management of the Modaraba estimates that 5% increase or decrease in the overall equity prices in the market with all other factors remaining constant would result in increase or decrease of Modaraba's net assets by Rs.7.315 (2011: Rs.6.500) million. However, in practice, the actual results may differ from the sensitivity analysis.

#### 40.1.4 Segment by class of business for investments in equity securities

	2012		2011	
	Rupees	%	Rupees	%
Oil and gas	25,106,832	17.16%	21,878,281	16.83%
Chemicals	24,816,983	16.96%	26,714,261	20.55%
Forestry and papers	484,000	0.33%	445,500	0.34%
Industrial metals and mining	1,487,504	1.02%	2,853,923	2.20%
Construction and materials	4,500,682	3.08%	3,228,905	2.48%
Industrial engineering	8,644,570	5.91%	7,014,940	5.40%
Industrial transportation	730,395	0.50%	526,250	0.40%
Automobile and parts	4,901,600	3.35%	6,086,709	4.68%
Food producers	38,154,948	26.08%	28,165,391	21.66%
Personal goods	8,470,190	5.79%	10,787,831	8.30%
Pharma and bio tech	7,529,822	5.15%	7,094,619	5.46%
Electricity	4,221,561	2.89%	3,396,100	2.61%
Gas water and multiutilities	5,206,407	3.56%	5,586,535	4.30%
Financial services	10,943,400	7.48%	6,229,379	4.79%
Equity investment instrument	655,710	0.45%	-	0.00%
Support services	359,100	0.25%	-	0.00%
Technology and communication	20,000	0.01%	-	0.00%
Fixed line telecommunication	59,600	0.04%	-	0.00%
	<b>146,293,304</b>	<b>100%</b>	<b>130,008,623</b>	<b>100.00%</b>

#### 40.2 Liquidity risk

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



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

June 30, 2012	Less than 6 months	6 month - 1 year	1 year - 5 year	More than 5 year	Total contractual cash flows
	----- (Rupees) -----				
Musharaka, murabaha and finance under mark-up arrangements 9.5%-16%	34,632,155	825,479,514	124,200,000		984,311,669
Diminishing musharaka based TFCS' 1 month KIBOR	15,000,000	40,000,000	717,500,000	-	772,500,000
Creditors, accrued and other liabilities	-	39,829,606	-	-	39,829,606
Accrued profit on borrowing	27,547,866	310,641,606	-	-	338,189,472
Profit distribution payable	-	21,061,306	-	-	21,061,306
	<b>77,180,021</b>	<b>1,237,012,032</b>	<b>841,700,000</b>	-	<b>2,155,892,053</b>

June 30, 2011	Less than 6 months	6 month - 1 year	1 year - 5 year	More than 5 year	Total contractual cash flows
	----- (Rupees) -----				
Musharaka, murabaha and finance under mark-up arrangements 7%-16%	213,835,087	489,120,499	281,881,007	-	984,836,593
Diminishing musharaka based TFCS' 1 month KIBOR	12,500,000	15,000,000	772,500,000	-	800,000,000
Creditor accrued and other liabilities	-	44,220,899	-	-	44,220,899
Accrued profit on borrowing	-	264,137,676	-	-	264,137,676
Profit distribution payable	-	20,889,995	-	-	20,889,995
	<b>226,335,087</b>	<b>833,369,069</b>	<b>1,054,381,007</b>	-	<b>2,114,085,163</b>

### 40.3 Credit risk

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

	June 30, 2012	June 30, 2011
	----- (Rupees) -----	
Musharaka and murabaha finances	<b>817,261,690</b>	893,678,720
Short-term investments	<b>467,242,582</b>	492,827,815
Lease rentals receivable	<b>22,352,840</b>	15,891,797
Loan, advances and other receivables	<b>25,842,307</b>	87,201,066
Accrued profit	<b>84,579,105</b>	99,033,362
Cash and bank balances	<b>231,498,241</b>	121,611,454
	<b><u>1,648,776,765</u></b>	<b><u>1,710,244,214</u></b>

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

#### 40.3.1 Segment by class of business for property, plant and equipment - leased

	2012		2011	
	Rupees	%	Rupees	%
Sugar and allied	-	<b>0.00%</b>	6,968,038	5.40%
Textile industry	-	<b>0.00%</b>	23,578,516	18.28%
Oil and gas	<b>3,725,616</b>	<b>3.81%</b>	3,818,438	2.96%
Transport	<b>4,986,087</b>	<b>5.10%</b>	4,986,087	3.87%
Technology and communication	<b>341,083</b>	<b>0.35%</b>	940,865	0.73%
Chemical and pharmaceutical	<b>514,997</b>	<b>0.53%</b>	1,301,706	1.01%
Food and confectioneries	<b>2,940,944</b>	<b>3.01%</b>	4,046,515	3.14%
Engineering and metals	<b>7,234,646</b>	<b>7.40%</b>	7,514,642	5.83%
Power generation	<b>7,788,944</b>	<b>7.97%</b>	7,788,946	6.04%
Insurance	<b>1,661,750</b>	<b>1.70%</b>	1,788,750	1.39%
Miscellaneous	<b>68,535,168</b>	<b>70.13%</b>	66,252,101	51.36%
	<b><u>97,729,235</u></b>	<b><u>100.00%</u></b>	<b><u>128,984,604</u></b>	<b><u>100.00%</u></b>

#### 40.3.2 Segment by class of business for musharaka and murabaha finances

	2012		2011	
	Rupees	%	Rupees	%
Textile industry	-	0.00%	57,538,420	4.67%
Oil and lubricant	133,786,430	12.25%	144,431,849	11.72%
Sugar and allied	51,507,499	4.72%	69,803,499	5.67%
Leasing and modaraba	1,350,000	0.12%	2,700,000	0.22%
Chemical and pharmaceutical	49,114,014	4.50%	84,515,360	6.86%
Engineering	57,993,178	5.31%	82,748,044	6.72%
Auto and transportation	49,071,065	4.49%	48,021,000	3.90%
Food and confectioneries	21,679,025	1.98%	-	0.00%
Technology and communication	7,019,563	0.64%	-	0.00%
Miscellaneous	720,861,589	65.99%	742,224,599	60.25%
	<b>1,092,382,363</b>	<b>100%</b>	<b>1,231,982,771</b>	<b>100%</b>

#### 40.3.3 Segment by class of business for investments in debt securities - TFC's / Sukuk

Health care equipment and services	100,000,000	74.24%	100,000,000	75.17%
Forestry and paper	-	-	500,000	0.38%
Miscellaneous	34,692,000	25.76%	32,523,750	24.45%
	<b>134,692,000</b>	<b>100%</b>	<b>133,023,750</b>	<b>100%</b>

#### 40.4 Fair value hierarchy

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

- Level 1: quoted prices in active markets for identical assets.
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at June 30, 2012, the Modaraba held the following financial instruments measured at fair value:

	June 30, 2012		
	Level 1	Level 2	Level 3
	(Rupees)		
<b>Investments at fair value through profit or loss - held-for-trading</b>			
- Listed Ordinary shares	47,873,832	-	-
- Open end mutual fund units	1,563,559	-	-

	<b>June 30, 2012</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
	----- (Rupees) -----		
<b>Available-for-sale investments</b>			
- Listed Ordinary shares	<b>98,419,472</b>	-	-
- Listed preference shares	-	-	-
- Open end mutual fund units	<b>6,032,414</b>	-	-
- Unlisted Ordinary shares	-	-	<b>178,661,305</b>
- Unlisted debt securities	-	<b>34,692,000</b>	<b>100,000,000</b>
	<b>153,889,277</b>	<b>34,692,000</b>	<b>278,661,305</b>
	-----		
	<b>June 30, 2011</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
	----- (Rupees) -----		
<b>Investments at fair value through profit or loss - held-for-trading</b>			
- Listed Ordinary shares	37,063,403	-	-
- Open end mutual fund units	934,320	-	-
<b>Available-for-sale investments</b>			
- Listed Ordinary shares	92,945,221	-	-
- Listed preference shares	-	-	-
- Open end mutual fund units	4,538,521	-	-
- Unlisted Ordinary shares	-	-	224,322,600
- Unlisted debt securities	-	33,023,750	100,000,000
	135,481,465	33,023,750	324,322,600
	-----		

The following table presents the movement in level 3 instruments.

	<b>June 30, 2012</b>	<b>June 30, 2011</b>
	----- (Rupees) -----	
Opening balance	<b>324,322,600</b>	325,029,476
Sales during the year	<b>53,179,281</b>	-
Unrealized loss during the year	<b>(98,840,576)</b>	(706,876)
Closing balance	<b>278,661,305</b>	324,322,600
	-----	



#### 41. CAPITAL MANAGEMENT

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

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

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

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

	<b>June 30, 2012</b>	<b>June 30, 2011</b>
	----- (Rupees) -----	
Debts	<b>1,756,811,669</b>	1,784,836,593
Cash and cash equivalents	<b>(231,630,479)</b>	(121,699,207)
Net debt	<b><u>1,525,181,190</u></b>	<u>1,663,137,386</u>
Equity	<b><u>772,805,334</u></b>	<u>732,683,816</u>
Net debt to equity ratio	<b><u>92:45</u></b>	<u>69:31</u>

#### 42. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently differences can arise between carrying values and the fair value estimates.

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

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

#### 43. 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.

The detail of transactions with related parties and balances with them, apart from compensation to executives as disclosed in note 37, is given below:

<b>Relationship with the Company</b>	<b>Nature of transactions</b>	<b>June 30, 2012</b>	<b>June 30, 2011</b>
		----- (Rupees) -----	
Management Company	Management fee	<b>3,368,531</b>	4,728,207
	Rent received	<b>5,082,240</b>	1,912,716
Associated undertakings	Rent received	<b>964,640</b>	3,777,192
	Share of common expenses received	<b>11,809,672</b>	9,423,166
	Share of common expenses paid	<b>3,370,682</b>	2,091,700
	Investment made	<b>90,000,000</b>	25,632,400
	Settlement of fixed assets	<b>70,000,000</b>	-
	Investment redeemed	<b>(90,000,000)</b>	(25,000,000)
	Lease rentals received	-	1,577,301
	Musharaka facilities transfer	<b>(8,793,019)</b>	(10,000,000)
	Debts securities	-	(51,811,771)
	Musharaka facilities received	<b>7,151,194</b>	215,093,017
	Sale of investment property	-	(95,000,000)
	Equity securities	<b>(61,600,000)</b>	(47,227,732)
	Cash received	<b>2,600,000</b>	37,111,655
Provident fund	Transfer to provident fund	<b>2,048,217</b>	1,571,893

#### **44. SEGMENT REPORTING**

As per IFRS 8, operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The Chief Executive Officer of the Management Company has been identified as the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.

The Chief Operating Officer is responsible for the Modaraba's entire product portfolio and considers the business to have a single operating segment. The Modaraba's asset allocation decisions are based on a single integrated investment strategy and the Modaraba's performance is evaluated on an overall basis.



The internal reporting provided to the Chief Executive Officer for the Modaraba's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of approved accounting standards as applicable in Pakistan.

The Modaraba is domiciled in Pakistan. All of the Modaraba's income is from investments in entities incorporated in Pakistan.

#### **45. NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE**

The Board of Directors of the Management Company in their meeting held on September 29, 2012 have approved profit distribution at the rate of 1.80% i.e. Rs. 14,048,326 (2011: 2.5% i.e. Re.0.25 per certificate) for the year ended June 30, 2012. These financial statements do not reflect this distribution.

#### **46. DATE OF AUTHORISATION FOR ISSUE**

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

#### **47. GENERAL**

47.1 Figures have been re-arranged and re-classified, wherever necessary, for the purpose of better presentation. Major reclassifications made are as follows:

<b>From</b>	<b>To</b>	<b>June 30, 2012 -- (Rupees) --</b>
<b>Balance sheet</b>		
Long-term deposits	Long-term loans and deposits	<b>9,162,337</b>

47.2 Figures have been rounded off to the nearest rupee.

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

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

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

\_\_\_\_\_  
**Chairman**

\_\_\_\_\_  
**Director**

\_\_\_\_\_  
**Director**



**B.R.R. Guardian Modaraba**  
(An Islamic Financial Institution)

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

<b>Number of Certificate Holders</b>	<b>Certificate Holding</b>			<b>To</b>	<b>Certificate Held</b>
	<b>From</b>				
1613	1	-	100	75,083	
1340	101	-	500	365,294	
2701	501	-	1,000	1,834,970	
949	1,001	-	5,000	2,210,168	
192	5,001	-	10,000	1,452,038	
81	10,001	-	15,000	1,021,419	
41	15,001	-	20,000	725,692	
37	20,001	-	25,000	847,891	
27	25,001	-	30,000	765,000	
20	30,001	-	35,000	652,930	
9	35,001	-	40,000	335,963	
3	40,001	-	45,000	128,592	
17	45,001	-	50,000	826,348	
7	50,001	-	55,000	368,563	
8	55,001	-	60,000	468,932	
2	60,001	-	65,000	121,012	
1	65,001	-	70,000	70,000	
4	70,001	-	75,000	297,590	
5	75,001	-	80,000	383,629	
3	80,001	-	85,000	245,764	
2	85,001	-	90,000	176,628	
7	95,001	-	100,000	696,074	
3	100,001	-	105,000	308,611	
2	105,001	-	110,000	215,556	
1	110,001	-	115,000	114,477	
5	115,001	-	120,000	587,444	
1	120,001	-	125,000	125,000	
1	130,001	-	135,000	130,962	
2	135,001	-	140,000	274,600	
1	140,001	-	145,000	141,532	
1	150,001	-	155,000	152,378	
1	160,001	-	165,000	161,003	
1	165,001	-	170,000	170,000	
2	170,001	-	175,000	347,100	
2	180,001	-	185,000	366,000	
1	190,001	-	195,000	190,285	
2	200,001	-	205,000	400,969	
1	210,001	-	215,000	212,000	
2	215,001	-	220,000	431,310	
1	225,001	-	230,000	228,500	
1	230,001	-	235,000	230,560	
1	235,001	-	240,000	236,852	
2	250,001	-	255,000	506,124	





**B.R.R. Guardian Modaraba**  
(An Islamic Financial Institution)

<b>Number of Certificate Holders</b>	<b>Certificate Holding</b>			<b>Certificate Held</b>
	<b>From</b>		<b>To</b>	
1	270,001	-	275,000	273,988
1	280,001	-	285,000	282,328
1	300,001	-	305,000	305,000
1	310,001	-	315,000	314,500
1	335,001	-	340,000	340,000
1	360,001	-	365,000	361,994
2	365,001	-	370,000	735,403
2	390,001	-	395,000	784,585
1	400,001	-	405,000	403,000
1	455,001	-	460,000	456,000
1	470,001	-	475,000	470,558
1	495,001	-	500,000	500,000
1	820,001	-	825,000	820,341
1	845,001	-	850,000	847,036
1	955,001	-	960,000	955,026
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	1,141,498
1	1,450,001	-	1,455,000	1,454,465
1	1,995,001	-	2,000,000	2,000,000
1	2,985,001	-	2,990,000	2,985,279
1	4,860,001	-	4,865,000	4,864,351
1	5,780,001	-	5,785,000	5,784,844
1	7,310,001	-	7,315,000	7,310,943
1	9,040,001	-	9,045,000	9,041,190
1	12,845,001	-	12,850,000	12,845,598
<b>7132</b>				<b>78,046,255</b>

<b>S. No.</b>	<b>Categories of Certificate holders</b>	<b>Number of Certificate</b>	<b>Certificate Held</b>	<b>Percentage</b>
6	Individuals	7066	41,030,720	246.04
7	Financial Institutions	6	2,460,755	14.76
4	Investment Companies	19	4,387,536	26.31
5	Insurance Companies	3	7,325,693	43.93
3	Joint Stock Companies	26	6,165,156	36.97
1	Mutual Fund	2	6,005,849	36.01
2	Modarba Management Companies	2	10,082,690	60.46
11	Modarbas	3	305,107	1.83
8	Cooperative Societies	1	100	0
9	Others	3	249,149	1.49
10	Charitable Trust	1	33,500	0.2
		<b>7132</b>	<b>16,676,395</b>	<b>100</b>



**B.R.R. Guardian Modaraba**  
(An Islamic Financial Institution)

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

<b>S. No.</b>	<b>Categories Certificate holders</b>	<b>Numbers</b>	<b>Certificates Held % Age</b>	
<b>1</b>	<b>Associated Companies</b>			
	B.R.R. Investment (Pvt.) Ltd.	<b>1</b>	<b>12,981,495</b>	<b>16.64</b>
<b>2</b>	<b>NIT / ICP</b>	<b>3</b>	<b>4,926,717</b>	<b>6.31</b>
	National Bank of Pakistan - Trustee Wing		4,864,351	6.23
	National Investment Trust		30,968	0.04
	Investment Corporation of Pakistan		31,398	0.04
<b>3</b>	<b>Directors, CEO their Spouse &amp; Minor Childr</b>	<b>1</b>	<b>45,812</b>	<b>0.06</b>
	Ayaz Dawood		47,638	0.06
<b>4</b>	<b>Banks, DFIs, NBFIs, Insurance Companies, Modarabas, Mutual Funds and Other Companies</b>	<b>62</b>	<b>19,107,323</b>	<b>24.48</b>
<b>Certificate holders holding ten percent or more Certificates</b>				
<b>Paid up Capital</b>		<b>78,046,255</b>		
	B.R.R. Investment (Pvt.) Ltd.		12,981,495	16.63
	S.M. Atiq ur Rehman		13,098,722	16.78

## SIX YEARS' FINANCIAL SUMMARY

2012	2011	2010	2009	2008	2007
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### Key Financial Figures

(Rs. In million)

#### Profit & Loss Account

Operating income	380.82	585.05	611.11	557.01	921.62	885.53
Other income	7.85	29.94	20.31	22.73	8.76	13.14
Amortization	27.73	53.30	170.88	300.48	362.26	377.40
Financial charges	239.63	354.88	351.73	318.46	249.83	253.08
Operating expenses	109.74	109.30	102.28	99.11	98.87	90.59
Provision/(Reversal) for doubtful debts/receivables	(35.57)	9.19	17.85	270.66	21.82	17.73
Provision for diminution in the value of investments - charge/(written back)	4.92	7.65	-	-	27.57	-
Net Profit	29.18	41.70	(161.23)	(502.75)	151.67	147.10
Dividend	-	-	-	-	70.24	66.33

#### Balance Sheet

Paid-up Capital	780.46	780.46	780.46	780.46	780.46	780.46
Reserves	(7.65)	(47.77)	(147.57)	40.04	1,052.82	854.68
Certificate Holders Equity	772.81	732.69	632.89	740.42	1,833.28	1,635.14
Borrowings	1,756.81	1,784.83	2,546.66	1,915.39	2,325.11	2,210.17
Lease portfolio	97.72	128.98	289.63	505.99	907.87	1,100.08
Morabaha & Musharaka Portfolio	784.63	893.68	1,346.43	804.66	1,179.33	1069.90

#### Performance Indicators

(Loss)/Earnings per certificate (Rs.)	0.37	0.53	(2.07)	(6.44)	1.94	1.88
Profit paid per certificate (Rs.)	0.18	0.25	-	-	0.90	0.85
Profit paid per certificate (%)	1.80	0.25%	-	-	9.00	8.50
Profit payout (after statutory reserves) (%)	14.04	-	-	-	92.62	90.19
Break-up value per certificate (Rs.)	9.90	9.39	8.11	9.49	23.49	20.95
Market value per certificate (Rs.)	2.45	2.19	1.29	2.70	7.13	8.70
Price Earnings ratio	6.62	4.13	0.62	0.42	3.67	4.63
Income/Expense ratio	1.03	1.19	0.88	0.72	1.31	1.25
Financial Charges/Total Expenses (%)	60.54	68.58	49.13	39.36	35.14	35.10

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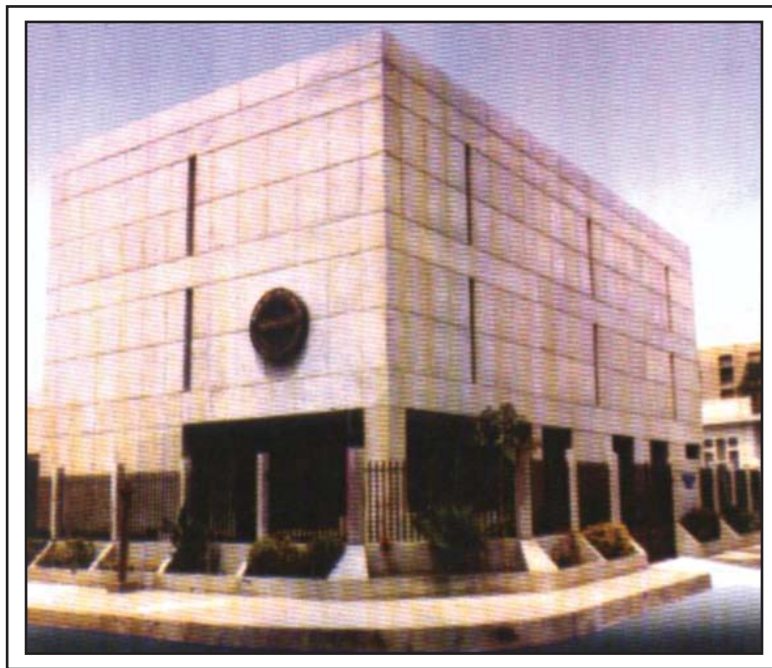
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