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**2014**



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

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

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## **CORPORATE INFORMATION**

Modaraba Company	B.R.R. Investments (Private) Limited
Chairman	Mr. Rafique Dawood
Chief Executive	Mr. Ayaz Dawood
Directors	Mr. Waqas Anwar Qureshi - Director Syed Ali Raza - Director
Audit Committee	Mr. Waqas Anwar Qureshi - Chairman Mr. Rafique Dawood - Member Syed Ali Raza - Member
HR and Remuneration Committee	Mr. Waqas Anwar Qureshi - Chairman Mr. Rafique Dawood - Member Mr. Ayaz Dawood
Shariah Advisor	Mufti Syed Sabir Hussain
Chief Financial Officer	Syed Tariq Masood
Company Secretary	Mr. Tahir Mehmood
Auditors	BDO Ebrahim & Co. Chartered Accountants
Legal Advisor	S. & B Durani Law Associate Akbari & Javed Associates Rauf and Ghaffar Law Associates Malik & Malik Law Associates
Bankers	Al -Baraka Bank(Pakistan) Limited Habib Metropolitan Bank Limited National Bank of Pakistan
Web-site	<a href="http://www.firstdawood.com/brr">www.firstdawood.com/brr</a>
Registered Office & Head Office	18th Floor, B.R.R Tower Hassan Ali Street off. I.I Chundrigar Road, Karachi-74000 PABX 92-21-32602401-06 Fax : 92-21-3227-1912
Registrars	F.D Registrar Services (SMC-Pvt.) Ltd 1705, 17th Floor, Saima Trade Tower "A" I.I Chundrigar Road, Karachi-74000 Phone # 92-21-32271906 # 92-21- 35478192-3 Fax # 92-21-32621233
Branch Offices	Suit No. 210, 5th Floor, Siddiq Trade Centre, Main Boulevard, Gulberg - III, Lahore  Office No. 405 4th Floor, ISE Tower Jinnah Avenue, Islamabad
Security Vault	G-187, Block-2, Shahrah-e-Quaideen, PECHS Karachi-754000



## **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**

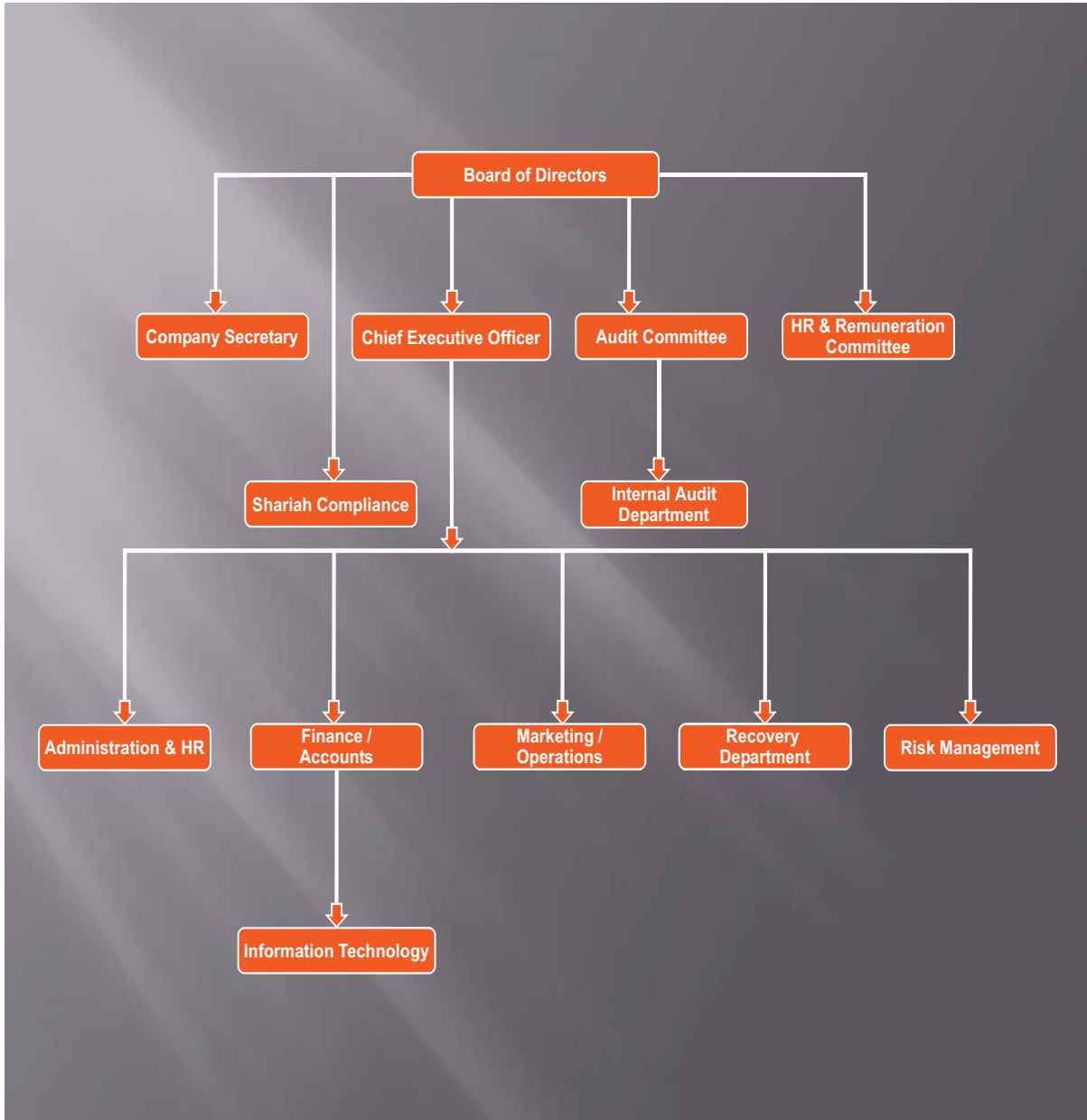
To innovate and promote Islamic Financial Products, based on Sharia Principles and to curb interest based financial systems, thereby facilitating establishment of an equitable economic system.

## **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.

## ORGANOGRAM





**B.R.R. Guardian Modaraba**  
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## BOARD OF DIRECTORS

**Rafique Dawood**  
(Chairman)



**Waqas Anwar Qureshi**  
(Director)



**Ayaz Dawood**  
(Chief Executive)



**Syed Ali Raza**  
(Director)



## MANAGEMENT

**Syed Tariq Masood**  
(Chief Financial Officer)



**Tahir Mehmood**  
(Company Secretary)



**S. Iqbal Hussain Rizvi**  
(G.M. BRR Security Vault)





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**Mr. Muhammad Zubair State Minister of Privatization Commission**  
visited  
**B.R.R. Tower**  
with  
**Mr. Rafique Dawood Chairman and**  
**Mr. Ayaz Dawood - Chief Executive Officer**  
**B.R.R. Guardian Modaraba**



**Mr. Naveed Qamar**  
visited  
**B.R.R. Tower**  
with  
**Mr. Rafique Dawood Chairman and**  
**Mr. Ayaz Dawood - Chief Executive Officer**  
**B.R.R. Guardian Modaraba**





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**Mr. Yaseen Anwar Ex-Governer State Bank of Pakistan  
visited  
B.R.R. Tower  
with  
Mr. Rafique Dawood Chairman and  
Mr. Ayaz Dawood - Chief Executive Officer  
B.R.R. Guardian Modaraba**



**Mr. Imran Samad Acting Managing Director - Bank of Khyber and  
Mr. Masood A.S Wahedna  
visited  
B.R.R. Tower  
with  
Mr. Rafique Dawood Chairman and  
Mr. Ayaz Dawood - Chief Executive Officer  
B.R.R. Guardian Modaraba**





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**Mr. Husain Lawai President & CEO of Summit Bank  
visited  
B.R.R. Tower  
with  
Mr. Rafique Dawood Chairman and  
Mr. Ayaz Dawood - Chief Executive Officer  
B.R.R. Guardian Modaraba**



**Mr. Omar Ayub Khan Ex-State Minister of Finance  
visited  
B.R.R. Tower  
with  
Mr. Rafique Dawood Chairman and  
Mr. Ayaz Dawood - Chief Executive Officer  
B.R.R. Guardian Modaraba**



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## **NOTICE OF ANNUAL REVIEW MEETING (ARM-XV) 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 30, 2014 has declared cash dividend @ Re. 0.24 per Modaraba Certificate for the year ended June 30, 2014.

To determine the names of Certificate-Holders entitled to receive dividend and to attend the Annual Review Meeting, the Register of Certificate-Holders will be closed from October 25, 2014 to October 31, 2014 (both days inclusive) the Transfers received at the Registrar Office, F.D. Registrar Services (SMC-Pvt.) Ltd at 1705, 17th Floor, Saima Trade Towers A, I.I. Chundrigar Road Karachi, before the close of business hours on October 24, 2014 will be treated in time for the purpose of above entitlement to the transferees. Further, the Certificate-Holders are advised to notify to the Registrar Office of any change in their addresses.

The ARM-XV of Certificate-Holders of BRRGM will be held on Friday October 31, 2014 at 8:00 a.m. at First Floor, BRR Tower, Hassan Ali Street, off: I.I Chundrigar Road Karachi, 74000

Place Karachi  
October 6, 2014

By Order of the Board  
Tahir Mehmood  
Company Secretary

### **REQUEST TO CERTIFICATE-HOLDERS**

Pursuant to the directives of the Securities and Exchange Commission of Pakistan (SECP) CNIC number of Modaraba Certificate-Holders has become mandatory to be mentioned on Dividend Warrant. Therefore, all those physical Modaraba Certificate-Holders not yet submitted their CNIC are hereby requested to immediately send valid copy of CNIC at above mentioned address of Shares Registrar Office.

In order to comply with the directives of SECP vide their SRO 831(1)/2012 dated July 5, 2012 the Registrar Office may withhold the dispatch of Dividend Warrant under Section 251(2) (a) of the Companies Ordinance, 1984 of those Certificate-Holders who fails to submit the copy of CNIC before the close of book of Certificate-Holders for entitlement of dividend as for the year ended June 30, 2014 announced by the Board of Directors in their meeting held on September 30, 2014.



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## **DIRECTORS' REPORT**

On behalf of the Board of Directors of B.R.R. Investments (Private) Limited ('BRRRI' or 'the company'), manager of B.R.R. Guardian Modaraba ('BRRGM' or 'the Modaraba'), it gives me pleasure to present to you the Annual Report and Audited Financial Statements for the year ended June 30, 2014.

### **MODARABA'S PERFORMANCE:**

Summary of the comparative financial performance is given below;

	<b>June 30, 2014</b>	<b>June 30, 2013</b>
	.....Rupees.....	
<b>Profit Before Management Fee &amp; WWF</b>	<b>47,843,699</b>	61,651,386
<b>Management Fee</b>	<b>4,784,370</b>	6,165,139
<b>Sales Tax on Management Fee</b>	<b>765,499</b>	986,422
<b>Provision for Workers' Welfare Fund</b>	<b>845,877</b>	1,089,997
<b>Profit After Management Fee &amp; WWF</b>	<b>41,447,953</b>	53,409,828
<b>Earning per certificate</b>	<b>0.53</b>	0.68
<b>Certificate Holder's Equity</b>	<b>854,297,600</b>	802,061,184
<b>Break up value - per certificate</b>	<b>10.94</b>	10.28

### **Dividend:**

The Board is pleased to announce Rs. 0.24 per certificate cash dividend for the year ended June 30, 2014 versus Rs. 0.31 per certificate last year.

### **NATURE OF BUSINESS AND MARKET DYNAMICS:**

B.R.R Guardian Modaraba (BRRGM) is pioneer in the field of Modaraba in Pakistan, it was founded in 1983. Being the pioneer and the oldest Modaraba, BRRGM has got uniqueness, which has made it to be the leading Modaraba in many ways. Last year, BRRGM successfully completed three decades of operations and service to businesses and economy of Pakistan through Sharia-compliant modes of financial products. There was time when 'Modaraba sector' constituted of over than 50 Modarabas, but because of non-support this sector has shrunk to a handful active and performing ones. BRRGM, itself has acquired / merged a few Modarabas, thus supporting the sector, which at times has been left on its own. BRRGM, apart from other innovative business plans undertaken during prior years, last year successfully completed a 20 storey TOWER in the business district (I.I. Chundrigar Road) of the country. This bold and courageous step by the management of BRRGM has now consolidated the Modaraba, which always stood on strong foundations. The construction of BRR Tower has secured the interest of all stakeholders in many, many years to come. The management of BRRGM has invested in; security, cleanliness, efficiency, services and outlook, this is the reason that not only corporate, but leading multi-nationals are approaching to take your tower on rent. So far, two floors have been rented-out to a foreign company, while negotiations for another 3-4 floors are at very advance levels. The benefit of renting-out to 'AAA' corporate and foreign companies will assist and ensure prompt collection of receivables (rentals).



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## **ECONOMIC REVIEW**

The economic indicators during the last 6-9 months have somewhat improved, as for the first time in 5 years, GDP growth has crossed the 4% mark, clocking in at 4.1 % in FY14 against 3.7% in FY13. Progress is made on key structural reforms - the privatization process was resumed after a gap of 8 years and two capital market transactions were completed during FY14. The process of privatizing public sector enterprises has also been initiated on a fast track basis and financial advisors for various entities have already been appointed.

The Country's fiscal deficit came down substantially to 5.8% of GDP (PKR 1.65 trillion) from 8.8% of GDP (PKR 1.95 trillion) last year. This was achieved through a 27% growth in total revenues to PKR 3.6 trillion along with restricting total expenditures growth to 8% or to PKR 3.84 trillion. For FY15, the government has budgeted a fiscal deficit of 4.9% of GDP (PKR 1.71 trillion), by a way of expanding country's tax revenue and further cutting back on subsidies, eventually curtailing total expenditure growth.

Having said the above, it is believed that these are only short term improvement and may not be sustainable, as the country is facing turmoil both on political and economic fronts. Nevertheless, we are hopeful that outcome soon or later will be positively in favor Pakistan and its people.

## **ECONOMIC CHALLENGES**

Pakistan has been ranked 129 out of the 144 economies around the world in a recent report released by the World Economic Forum (WEF)'s Global Competitiveness Report (GCR) 2014-2015, in Geneva.

Pakistan faces significant economic, governance and security challenges to achieve durable development outcomes. The persistent internal terrorism, security threat, conflict in the border areas and security challenges throughout the country is a reality that affects all aspects of life in Pakistan and impedes development. A range of governance and business environment indicators suggest that deep improvements in governance are needed to unleash Pakistan's growth potential.

The most problematic areas in doing business in Pakistan include corruption as the leading factor, along with policy instability, access to financing, inefficient government bureaucracy, inflation, inadequate supply of infrastructure, government instability/coups, crime and theft, inadequately educated workforce, tax rates, tax regulations, poor public health and insufficient capacity to innovate.

However, achieving fiscal sustainability has been a major recurring challenge for policy makers. The tax to GDP ratio has remained between 8.5% to 9.5% in recent years, one of the lowest in the region and reflects structural Imbalances. The country has relied largely on loan based and foreign remittances.

## **STRATEGY FOR BUSINESS SUSTAINABILITY**

Recently government has formed Steering Committee for promotion of Islamic Banking and finance within the country. Modaraba sector has also become the part of this committee formed by the government having representation of SBP and SECP. It is likely that work undertaken by these committees will provide comprehensive solutions across the board for further promotion of Islamic Finance within banking and non-banking sector.



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As our business strategy, we shall remain focused on following area in FY 2014 -2015;

- Add new good customer within the portfolio.
- Enhance size of investment in sound, stable and dividend paying Shariah compliant listed securities along with Sukuk and Musharaka based TFCs.
- Refresh tool of risk management processes particularly credit risk management in line with latest techniques.
- Further strengthen Shariah governance and compliance culture.
- Further develop operation capacity of human resource through proper training.

### **MARKET SHARE INFORMATION**

#### **Total Assets Of Modaraba Sector**

<b>Financial Year</b>	<b>Rupees in Million</b>
2009	23,087
2010	24,469
2011	26,343
2012	29,195
2013	31,434

The market share of BRRGM as per the MAP Year Book 2013 of NBFI & Modaraba Association of Pakistan for the financial year ended June 30th, 2013 is presented below:

	<b>----- Rs. In million-----</b>		
	<b>Combine position of 24 modarabas</b>	<b>BRRGM's share</b>	<b>% of BRRGM's share to all modarabas</b>
Total Equity	13,824	854.298	6.18%
Total Assets	31,434	2,305.808	7.34%
Net Profit	2,035	41.448	2.04%

### **RESOURCES, OPPORTUNITIES, BUSINESS RISKS AND MITIGANTS:**

Your Modaraba is a pioneer of Islamic financial Institutions in Pakistan and operating for last more than three decades in the country. Modarabas are the trend setters of Islamic modes of financing and creates a distinctive value proposition that meets the needs of its customers and ensure Shariah compliant business and Halal income practices.

Resource Mobilization is now a key challenge for most of the NBFC's because generally banks are reluctant in providing fresh credit lines and they need fuel for their survival. To get out of this predicament the Modaraba sector would need to mobilize funds at a cost which enables it to take risk on lending under various modes. In this connection Registrar Modaraba has lately introduced two modes through which Modaraba sector would be able to mobilize funds directly from the public. One of the modes is Certificate of Investment Modaraba (COIM) and the other is Commodity Finance Certificate (CFC). These modes are under review by the Modarabas and it is hoped once implemented could prove as very important vehicle for resource mobilization for the Modaraba sector.



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### **COMPLIANCE WITH THE BEST PRACTICE OF THE CODE OF CORPORATE GOVERNANCE:**

Your Management Company has implemented provisions of the code of corporate governance relevant for the year ended June 30, 2013. The external auditors review report on the statement of compliance with the code of corporate governance is annexed with this report.

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

- The financial statements prepared by management present fairly Modaraba's state of affairs, the result of its operations, cash flows and changes in equity.
- Your Modaraba has maintained proper books of accounts.
- Appropriate accounting policies have been consistently applied in the preparation of financial statements on reasonable and prudent judgment.
- Relevant International Accounting Standards and Islamic Financial Accounting Standards, as applicable in Pakistan, provisions of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the Modaraba Companies & Modaraba Rules, 1981 and directives of the Securities and Exchanges Commission of Pakistan have been followed in the preparation of financial statements.
- The system of internal controls is sound in design and has been effectively implemented and monitored.
- There are no significant doubts over the ability to continue as going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- There are no statutory payments on account of taxes, duties, levies and charges outstanding, except as disclosed in the financial statements. The Sindh High Court grant relief against payment of Sales tax on management fee under C.P No. 3896 of 2013.
- 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 certificate of the Modaraba was carried out by the Directors, CFO, Company Secretary, and their spouse or minor children except for the purchase 3,221,770 BRRGM's Certificates by the CEO.

### **CODE OF CONDUCT:**

The Board of Directors of the Management Company has adopted the required 'Code of Conduct' to which the management company & Modaraba 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.



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**STAFF RETIREMENT BENEFITS:**

BRR Guardian Modaraba operates a Provident Fund scheme for all permanent employees. The value of investments as at June 30, 2014 is Rs. 23.74 million approx.

**POST BALANCE SHEET EVENTS:**

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

**TRANSACTION WITH CONNECTED PERSONS / RELATED PARTIES:**

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

**AUDITORS:**

We would also like to share the certificate-holders that on recommendation of Audit Committee M/s BDO Ebrahim & Company - Chartered Accountants have been appointed as auditors for the year ended 2014-15 subject to approval of Registrar Modaraba Companies and Modarabas.

**KEY OPERATING AND FINANCIAL DATA:**

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

**RISK MANAGEMENT FRAMEWORK:**

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 of Directors Meetings**

The following changes have been taken place in board of Directors of BRR Investments (Private) Limited, the management company of BRR Guardian Modaraba during the year ending June 30, 2014 with the approval of Registrar of Modaraba

Mr. Waqas Anwer Qureshi	approval received on October 31, 2013
Syed Ali Raza	approval received on December 06, 2013

The status of Board of Directors Meetings is as follows:





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

#### **Audit Committee Meetings**

The status of Board Audit Committee Meetings is as follows

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

#### **AUDITORS' OBSERVATIONS:**

While reporting results of the last year, we take this opportunity to address certain comments of the External Auditors for the benefit of our certificate holders and all concerned:

- a) Refer to note 12.1, Other receivables includes Rs 6.006 m from the First Dawood Mutual Fund and Dawood Islamic Fund, the said funds are revoked by SECP and the management of said funds has applied the order to the SECP and interim stay has been granted by SECP, due which the Net Assets Value (NAV) could not be furnished and amount is till owing from them and management is in view that on disposal of appeal full amount will be recovered.
- b) Your Modaraba is in negotiation to settle this liability against properties.
- c) Refer to Note 1.2 to the financial statement, the modaraba having sufficient statutory reserve to wipe off the accumulated loss and amount of loss would not be breach after getting the approval from the concern authorities,
- d) Refer to note 1.3 to the financial statements which primarily highlights a development being directions issued by Registrar Modaraba under Section 18-A of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 to the Modaraba in April 2013 in the backdrop of disposal of a property by the Modaraba. To dispel any misconception in the matter we further clarify that the Modaraba possessed a large office space about three years back being 15th Floor in Tower 'A' of Saima Trade Towers, I. I. Chundrigar, Karachi. Due to shrinkage of operations since it had the opportunity to shift in the adjacent Tower 'B' of the same building which was 1/3rd less in size, the Modaraba decided to dispose of the 15th Floor. Since recession in the market prevented its sale at a desired market price, the Modaraba got an opportunity to sell through its associated concern which yielded better price to the Modaraba as it involved payment of consideration through cash and other assets. The issue of 15th floor has never caused any loss to the Modaraba. On the contrary it proved beneficial as Modaraba was able to fetch better price through the deal executed to which nothing is outstanding.



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- e) The property 19th Floor valuing Rs. 70.00 Million acquired by the Modaraba was received in settlement and had allowed its acquisition by an associated concern which was purchased by the Modaraba having injunction of the Court against its transfer. Since Modaraba holds the title documents and physical possession of the property as well as generates rent for the Modaraba its commercial value cannot be undermined. Since the case is sub judice and vendor is intervener in the case, we cannot make any comments except keeping full details in front of the certificate holders
- f) Refer to note 7.3 to the financial statements; The Modaraba has already approached the Trustees of the Sukuk Issue to allow it to square the transaction whereby receivable from Equity International Limited (EIL) will be adjusted against the Sukuk liability payable by the Modaraba. Since the Sukuk with EIL were accepted at discounted value this will benefit the Modaraba. Hence we can say with assurance that Modaraba's interest was never hurt at all.
- g) Refer to note 9.3.4 to the financial statements and related emphasis we wish to point out that investment threshold of 5% of the equity under the Prudential Regulations was compromised due to receipt of shares in settlement in the year 2010 and were not specifically purchased by the Modaraba.

#### **INTERNAL CONTROL AND AUDIT FUNCTION:**

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

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

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

Further, your Modaraba has appointed an Internal Shariah Auditor, Mufti Zeeshan Abdul-Aziz, from July 01, 2013, for adhering to the highest standards of Shariah Compliance.

#### **ACHIEVEMENT AND FUTURE STRATEGY:**

##### **BRR TOWER:**

For over three decades we have been recognized as pioneer in Modaraba companies in Pakistan. We take pride in the solid reputation we have built within the industry and with our share holders. B.R.R. Guardian Modaraba is the only Modaraba among the existing ones which does not belong to any banking group nor is a trading Modaraba that has not only survived but has taken great strides despite adverse circumstances.



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With our real estate knowledge and clear understanding of firm and greater return on investment, we have redefining the high end of financial district of Karachi city by making a 20 story building named as 'B.R.R Tower' on I.I Chundrigar Road.

B.R.R. TOWER is a landmark for visitors and community members of NBFC's. We assembled a team of recognized architecture and contractors. We have utilized their skills and expertise to handle the toughest issues throughout the construction process and that is how a 120,000 square feet area has turned into a classic state of the art symbol of construction. The building is one of its kind which has six large parking floors to accommodate around 300 cars' at a time. In addition to KESC power it has its own power generation capacity through 1200 KVA standby diesel operated power generating unit.

The tower is now finished form in all respects and so far offices have been rented to a well renowned multinational firm 'Regus' on the 14th and 15th floors of the building. Besides negotiations on renting the remaining floors are in the advanced stages.

#### **ENERGY SAVING ENVIRONMENTAL MEASURES;**

Energy conservation plays a vital role for the economic development. In today's changing scenario, the continuous price hike in petroleum and the gap between electricity demand and supply is widening with every passing day. It has become imperative to look for alternate energy resources to ensure economic, effective and un-interruptive power supply to enhance productivity. Pakistan is facing the worst energy crisis that has affected all segments of society.

With this perspective in mind, a renewable source of energy production is silent feature at BRR Tower to generate 35 KVA power through Wind Turbines and Solar system installed on the roof top of the building. This renewable source of power will be sufficient to keep the common areas of the building lit at all the times. But above all it will be a constant reminder for new entrants to harness the potential of renewable source of energy in Pakistan. Such renewable source of energy in a commercial building is a true reflection of the vision and necessity for promoting cleaner and pollution free environment. Another characteristic that has attributes towards the conservation of energy is the installation of LED lights would ensure energy cost efficiency while the use of low e-glass, sandwich panel would reduce the heat by 70%.

The most essential requirement in any high-rise building is about ensuring safety precautions. The building has separate fire exit and fire detectors and availability of latest equipment and arrangement for extinguishing fire in case it breaks out God forbid.

#### **FUTURE PROSPECTS**

As a modaraba we aim to increase our corporate value through sustainable growth, offering innovative services and fully Shariah Compliant products. We are gearing ourselves to reinvest I our future, venturing beyond our core competencies, in sector offering potential to augment earnings of our shareholders and contributing towards national economy.

#### **HUMAN RESOURCE MANAGEMENT POLICIES & SUCCESSION PLANNING:**

We are 'an equal opportunity employer' and the Management of BRRGM is committed to induct talented professionals through a transparent and competitive process while complying with best legal and ethical practices that has prescribed in our Human Resource Policy.



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Our employees are our biggest asset and we go to great lengths to facilitate them. The compensation and benefit policies are designed not only to keep the employees motivated but also to attract and retain the competent valued workforce.

Employees' career management is being managed in parallel lines through utilizing a multidimensional approach. Performance management and annual appraisal are important part of career management. The Modaraba provides training to various disciplines and with a view to extend support to the Accounting & Finance professional as part of our CRS program.

### **SUCCESSION PLAN;**

Our management policy is not only to take on board talented & dedicated professionals but also grooms and develops their skills for future leadership roles.

At BRRGM, we believe in empowering people by providing them challenging opportunities to enhance their potential and develop their abilities. Succession plan contain information on performance and potential. In many cases succession plan is prepared for possible moves of key personnel and therefore treated in a highly confidential manner.

### **CORPORATE SUSTAINABILITY;**

At BRRGM, we recognize that we have responsibilities not only towards our customers, employees and shareholders, but also the communities in which we operate.

We believe that a sustainable company must be consistently profitable, but not solely concerned with making a profit. Success for BRRGM means providing our customers with the products and services they need and want, understanding and managing the impact we have on society and the environment, and investing in the future of our employees and the communities we serve. These measures help us to carry out our work in a way that is both commercially astute and ethically sound.

### **Corporate Social Responsibility:**

In an age in which environmental and social issues are top of mind for many consumers, businesses can no longer exist in a bubble. Today's shoppers aren't just looking for the best price and quality - they expect the companies they patronize to do well with their money and make a positive impact on the world around them. To this end, many organizations are now making social responsibility a top priority.

We envision initiate and successfully see through the interventions in the field of sustainable and responsible business practices, setting up precedents for others to emulate. Sustainable and responsible development has remained our primary concern since inception. BRRGM duly realizes its role and contributing towards CRS program which focuses of empowerment of underprivileged communities, employee welfare, educational support for needy students.

All non-Shariah income and dividend have been purified by the Shariah Advisor of the Modaraba and will be given to charity.



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

### **Health, Safety & Environment**

At BRRGM, we are committed to maintain a safe and healthy working environment for our employees. Through our proactive approach, we ensured that occupational safety is upheld by relevant contract workforce through code of conduct contractors. We are confident that our office premises have proper electric wiring, installation of fire extinguisher, ready first aid to office inmates while maintaining smoking free environment.

BRRGM has valid Takaful policies against all possible perils relating to the property. BRRGM has also provided group family and health Takaful to all its employees against natural and incidental health related hazards.

### **PATTERN OF CERTIFICATE HOLDING:**

The pattern of certificate holding as on June 30, 2014 along with disclosure as required under the Code of Corporate Governance is annexed.

### **CONCLUSION & APPRECIATION:**

Looking ahead, 2014-15 we will strive to enhance market outreach and add quality assets through costume base portfolio. We always adopt best practices in its endeavor to create certificate holders wealth and gain market-confidence. BRRGM remains determined in maintaining its status amongst the top tier Modarabas of the country and committed for its smooth operations.

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

Karachi.  
September 30, 2014.

**Rafique Dawood**  
**Chairman**



**B.R.R. Guardian Modaraba**  
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## **STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2013.**

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

Regardless of the fact that B.R.R Investments (Private) Limited the management company of B.R.R. Guardian Modaraba (the Modaraba) is a Private Limited Company, the Board of Directors are pleased to confirm that the Modaraba complied with all material principles contained in CCG.

The Management Company of the Modaraba has applied the principles contained in the CCG in the following manner:

1. The Management Company encourages representation of independent non-executive directors and directors representing minority interest on its Board of directors. At present the board includes.

<b>Independent Directors</b>	<b>Mr. Waqas Anwer Qureshi</b> <b>Syed Ali Raza</b>
<b>Executive Director</b>	<b>Mr. Ayaz Dawood</b>
<b>Non-Executive Director</b>	<b>Mr. Rafique Dawood</b>

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

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Modaraba (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Management Company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs and none of them is a member of any Stock Exchange.
4. Two casual vacancies have occurred during the year on the board and same were filled up by the directors within stipulated time, subject to approval of Registrar.
5. The Management Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures. It has also been placed on the website of the Modaraba.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Modaraba. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.



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





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

September 30, 2014

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

**Ayaz Dawood**  
Chief Executive Officer



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2nd Floor, Block-C  
Lakson Square, Building No.1  
Sarwar Shaheed Road  
Karachi-74200  
Pakistan

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended June 30, 2014 prepared by the Board of Directors of **B.R.R. INVESTMENT (PRIVATE) LIMITED (the Modaraba Company)** in respect of **B.R.R. GUARDIAN MODARABA (the Modaraba)** to comply with the Listing Regulations of the Karachi Stock Exchange Limited, where the Modaraba is listed.

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

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


Further, the code requires 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 of Compliance does not appropriately reflect the Modaraba's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance, for the year ended June 30, 2014.

KARACHI

DATED: September 30, 2014

CHARTERED ACCOUNTANTS

 Engagement Partner: Zulfikar Ali Causer

BDO Ebrahim & Co. Chartered Accountants

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Karachi-74200  
Pakistan

#### AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of B.R.R. GUARDIAN MODARABA ("the Modaraba") as at June 30, 2014 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

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

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

1. As disclosed in note 12.1 to the financial statements, the balance under the head "other receivables" includes an amount of Rs. 6.006 million receivable in respect of investment in First Dawood Mutual Fund and Dawood Islamic Fund in respect of which sufficient and appropriate evidence has not been furnished to us. These funds were directed to be revoked by the Central Depository Company of Pakistan Limited vide SECP's directive dated March 22, 2013. Further, we have not received independent confirmation of this balance from Central Depository Company of Pakistan Limited, Trustee of the Funds. These balances have been presented in the financial statements as per the books of accounts. In the absence of any supporting information, we are unable to confirm the existence and completeness of these balances.
2. As disclosed in note 19.1 to the financial statements, Modaraba has not met its past due obligation towards the commercial bank on its respective repayment dates. The Modaraba has applied for restructuring which has not been finalized to date by the bank and the Modaraba continues to accrue markup at rates mentioned in the last agreement between Modaraba and bank. Further, we have not received independent confirmation of this balance from the commercial bank along with accrued markup balance. These balances have been presented in the financial statements as per the books of accounts. In the absence of any supporting information, we are unable to confirm the existence and completeness of these balances.

Except for the adjustments in respect of matters stated above:

- a) in our opinion proper books of account have been kept by the Modaraba Company in respect of the Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981;

#### BDO Ebrahim & Co. Chartered Accountants

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- b) in our opinion:
- i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation And Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of account and are further in agreement with accounting policies consistently applied;
  - ii) the expenditure incurred during the year was for the purpose of the Modaraba 's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba;
- c) except for the adjustments in respect of matters stated above, in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at June 30, 2014 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 (XVIII of 1980), was deducted by the Modaraba and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Without further modifying our opinion, we draw attention to:

- (i) note 1.2 to the financial statements which states that accumulated losses of the Modaraba, amounting to Rs. 560.797 million, exceed 50 percent of the total amount subscribed by the holders of the Modaraba Certificates by Rs. 170.565 million. The management believes that the Modaraba has sufficient statutory reserve available which could be applied against the accumulated losses with the approval of the concerned authorities.
- (ii) note 1.3 to the financial statements which states that the Modaraba has received directions under section 18A of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) from the Registrar Modaraba (the Registrar), under which prior approval of the Registrar is required by the Modaraba before entering into certain transactions.
- (iii) note 5.1.1 to the to the financial statements which states that the Modaraba had swapped certain assets with an office premises valuing Rs. 70 million from an associated undertaking, the title of which has not been transferred in the name of Modaraba as a commercial bank has obtained a stay order against the same. However, the original title documents and possession of the property rest with Modaraba.

**BDO Ebrahim & Co. Chartered Accountants**

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
- (iv) note 7.3 and 9.3.4 to the financial statements which describes certain non compliances with the requirement of the Modaraba Companies and Modaraba Rules, 1981 and the Prudential Regulations for Modarabas.

The financial statements for the year ended June 30, 2013 were audited by another firm of chartered accountants who had expressed an unqualified opinion thereon vide their report dated November 07, 2013. However, their opinion included an emphasis of matter in respect of items (i) (ii), (iii) and (iv) above.

**KARACHI**

DATED: September 30, 2014

**CHARTERED ACCOUNTANTS**

 Engagement Partner: Zulfikar Ali Causer

**BDO Ebrahim & Co. Chartered Accountants**

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## SHARI'AH ADVISOR'S REPORT

I have conducted the Shari'ah review of **B.R.R. Guardian Modaraba** managed by B.R.R. Investments Pvt. Limited for the year ended 30th June, 2014. In accordance with the requirements of the Shari'ah Compliance and Shari'ah Audit Mechanism for Modaraba that except the observation as reported hereunder. In my opinion:

1. All agreement(s) entered into by the Modaraba are Shari'ah compliant and the financing agreement(s) have been executed on the formats as approved by the Religious Board and all the related conditions have been met;
2. To the best of my information and according to the explanations given to me, the business transactions undertaken by the Modaraba and all other matters incidental thereto are in conformity with the Shari'ah requirements as well as the requirements of the Prospectus, Islamic Financial Accounting Standards as applicable in Pakistan and the Shari'ah Compliance and Shari'ah Audit Regulations for Modarabas
3. Profit Sharing ratios, profits and charging of losses (if any) relating to any deposit raising product conform to the basis and principles of Shari'ah
4. The dividend that have been realized from System Ltd amounting to PKR.107569/ it must be purified and 5% of this realized dividend shall be credited to Charity account. it should be paid to any recognized Charitable institution obtaining prior approval from Shari'ah Advisor.

### Observation:

1. Following Instruments of the Modaraba are held in Shares which are not included in the list screened by the Shari'ah Advisor of Modaraba Association list:

Investments	Name of Company
3,339,922	First Dawood Investment Bank - Fully impaired
1,935,506	Dawood Capital Management Limited

The earnings that have been realized from the above mentioned instruments must be charitized.

Further, management has decided to sell out the shares of First Dawood Investment Bank Ltd and Dawood Capital Management, but since they are in a blocked account, they cannot be sold to anyone except a sponsor approved by Securities and Exchange Commission of Pakistan (SECP) and kept in a blocked account.

The Modaraba has received first trench of First Dawood Mutual Funds and the final trench of it is yet awaited

2. Surplus funds have been invested in the avenues prescribed in the circular referred above.

### Recommendation(s);

1. Non Shari'ah shares should be divested on immediate basis and also the earnings that have been realized from the sources or by means prohibited by Shari'ah have been credited to Charity Accounts on immediate basis.

2. All Charity amount should be paid to any recognized Charitable institution/organization obtaining prior approval from Shari'ah Advisor.
3. No Ijarah/lease of premises of BRR Tower to any conventional Banks as well or Insurance companies

**Conclusion**

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



**Mufit Syed Sabir Hussain**

Shari'ah Advisor

Date; September 01, 2014





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

## BALANCE SHEET AS AT JUNE 30, 2014

	Note	2014 Rupees	2013 Rupees
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Fixed assets	5	259,956,486	207,926,129
Investment properties	6	1,241,609,552	1,234,272,420
Long-term portion of musharaka finances	7	118,461,034	321,889,948
Long-term loans and deposits	8	10,625,429	11,639,640
		1,630,652,501	1,775,728,137
<b>CURRENT ASSETS</b>			
Short-term investments	9	455,539,260	376,346,710
Musharaka finances	7	97,534,762	351,303,409
Ijarah / lease rental receivable	10	5,248,645	9,346,427
Loans, deposits, advances and prepayments	8	9,586,731	3,233,515
Accrued profit	11	14,820,765	83,655,523
Other receivables	12	19,902,845	9,718,261
Taxation	13	3,020,843	7,152,367
Cash and bank balances	14	69,501,445	395,169,287
<b>TOTAL CURRENT ASSETS</b>		675,155,296	1,235,925,499
<b>TOTAL ASSETS</b>		2,305,807,797	3,011,653,636
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Authorized capital		870,000,000	870,000,000
87,000,000 (2013: 87,000,000) Modaraba certificates of Rs. 10/- each		780,462,550	780,462,550
Issued, subscribed and paid-up certificate capital	15	780,462,550	780,462,550
Statutory reserve	16	570,986,500	550,351,082
Accumulated loss		(581,431,838)	(578,050,034)
Surplus on revaluation of investments	17	84,280,388	49,297,586
		854,297,600	802,061,184
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Diminishing musharaka based Term Finance Certificates	18	382,566,250	572,500,000
Long-term portion of murabaha, musharaka and finance under mark-up arrangements	19	28,950,000	514,750,000
Long-term portion of customers' security deposits	20	97,965,207	103,456,954
<b>TOTAL NON-CURRENT LIABILITIES</b>		509,481,457	1,190,706,954
<b>CURRENT LIABILITIES</b>			
Murabaha, musharaka and finance under mark-up arrangements	19	365,749,098	385,749,097
Current portion of diminishing musharaka based Term Finance Certificates	18	171,953,125	145,000,000
Current portion of customers' security deposits	20	136,493	5,288,048
Creditors, accrued and other liabilities	21	86,445,624	68,893,435
Accrued profit on borrowings	22	295,399,481	391,387,569
Profit distribution payable	23	22,344,919	22,567,349
<b>TOTAL CURRENT LIABILITIES</b>		942,028,740	1,018,885,498
<b>TOTAL EQUITY AND LIABILITIES</b>		2,305,807,797	3,011,653,636
<b>CONTINGENCIES AND COMMITMENTS</b>	24		

The annexed notes from 1 to 48 form an integral part of these financial statements.

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

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

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

\_\_\_\_\_  
**Syed Ali Raza**  
Director



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

## **PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2014**

	<b>Note</b>	<b>2014 Rupees</b>	<b>2013 Rupees</b>
<b>INCOME</b>			
Ijarah/lease rentals		31,070,023	41,681,649
Income on musharaka finances		52,193,275	116,087,701
Return on investments - net	25	41,728,342	109,253,823
Profit on bank balances		18,475,793	26,770,417
Rental income	26	90,917,228	83,546,045
Reversal of provision against doubtful receivables - net	27	64,508,512	9,147,653
Unrealized gain on revaluation of held-for-trading investment		14,543,500	12,844,350
Other income	28	14,315,216	3,176,502
		<u>327,751,889</u>	<u>402,508,140</u>
<b>EXPENSES</b>			
Amortization on Ijarah assets	5.2.3	26,617,916	17,974,779
Loss on disposal of ijarah assets		468,504	5,215,812
Administrative expenses	29	103,892,200	100,646,153
Financial charges	30	135,559,907	202,994,571
Bad debt expenses		1,054,002	6,447,008
Loss arising on impairment of assets - net	31	12,315,661	7,578,431
		<u>279,908,190</u>	<u>340,856,754</u>
		47,843,699	61,651,386
Modaraba management company's fee	32	4,784,370	6,165,139
Sales tax on Modaraba management company's fee		765,499	986,422
Provision for Workers' Welfare Fund	33	845,877	1,089,997
<b>Profit before taxation</b>		<u>41,447,953</u>	<u>53,409,828</u>
Taxation	34	-	-
<b>Net profit for the year</b>		<u>41,447,953</u>	<u>53,409,828</u>
Earnings per certificate - basic and diluted	35	<u>0.53</u>	<u>0.68</u>

The annexed notes from 1 to 48 form an integral part of these financial statements.

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

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

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

\_\_\_\_\_  
**Syed Ali Raza**  
Director



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

## **STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2014**

	<b>2014 Rupees</b>	<b>2013 Rupees</b>
Profit for the year	41,447,953	53,409,828
<b>Other comprehensive income for the year</b>		
Items that will be subsequently reclassified to profit or loss:		
Unrealized surplus / (deficit) on revaluation of available-for-sale investments - net	34,982,802	(10,105,652)
<b>Total comprehensive income for the year</b>	<u>76,430,755</u>	<u>43,304,176</u>

The annexed notes from 1 to 48 form an integral part of these financial statements.

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

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

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

\_\_\_\_\_  
**Syed Ali Raza**  
Director



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

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

	2014 Rupees	2013 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	41,447,953	53,409,828
Adjustment of non-cash and other items:		
Depreciation	33,103,286	32,331,502
Amortization on ijarah assets	26,617,916	17,974,779
Liabilities no longer payable written back	(4,536,072)	(944,769)
Reversal of provision against musharaka and ijarah finances	(31,879,973)	(28,951,736)
Gain on disposal of property and equipment - owned	(225,207)	(511,022)
Loss on disposal of property, plant and equipment - leased / ijarah	468,504	5,350,447
Profit on musharaka, murabaha and finance under mark-up arrangements	135,510,719	202,965,465
Unrealized gain on revaluation of held-for-trading investment	(14,543,500)	(12,844,350)
Loss arising on impairment of assets - net	12,315,661	-
Return on investments - net	(41,728,342)	(110,904,273)
	115,102,992	104,466,043
	156,550,945	157,875,871
<b>Decrease in current assets</b>		
Ijarah / lease rentals receivable	4,363,132	13,006,413
Loans, advances and prepayments	(5,339,005)	818,193
Accrued profit	68,834,758	923,582
Other receivables	(10,184,584)	406,709
	57,674,301	15,154,897
<b>Increase in current liabilities</b>		
Creditors, accrued and other liabilities	17,773,595	12,035,818
Rent received in advance	4,314,667	13,242,403
Customers' security deposit	(10,643,302)	(6,109,368)
	11,444,960	19,168,853
Income tax refunded / (paid)	4,131,524	(402,572)
Net cash generated from operating activities	229,801,730	191,797,049
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investments (purchased) / disposed off	(41,512,274)	88,459,060
Income received on investments	41,728,342	127,277,762
Musharaka finances	488,812,184	156,397,619
Addition to property and equipment - owned	(4,265,734)	(4,501,180)
Addition to property, plant and equipment - ijarah	(76,040,917)	(71,208,955)
Addition to capital work-in-progress	(61,693,510)	(52,298,709)
Transfer from held-for-sale assets	-	461,500
Proceeds from disposal of property and equipment - owned	282,954	1,204,268
Proceeds from disposal of property, plant and equipment - leased / ijarah	21,915,583	27,072,616
Net cash generated from investing activities	369,226,628	272,863,981
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Profit paid to certificate holders	(24,416,769)	(12,542,283)
Finance under murabaha, musharaka and finance under mark-up arrangements	(668,780,624)	(138,812,571)
Financial charges paid	(231,498,807)	(149,767,368)
Net cash used in financing activities	(924,696,200)	(301,122,222)
<b>Net (decrease) / increase in cash and cash equivalents</b>	(325,667,842)	163,538,808
<b>Cash and cash equivalents at the beginning of the year</b>	395,169,287	231,630,479
<b>Cash and cash equivalents at the end of the year</b>	69,501,445	395,169,287

The annexed notes from 1 to 48 form an integral part of these financial statements.

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

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

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

\_\_\_\_\_  
**Syed Ali Raza**  
Director



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

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2014

	Issued, subscribed and paid-up certificate capital	Capital reserves		General reserve	Surplus on revaluation of investment	Accumulated loss	Total
		Profit prior to floatation	*Statutory reserve				
----- (Rupees) -----							
<b>Balance as at July 01, 2012</b>	780,462,550	10,532,683	513,290,899	-	59,403,238	(590,884,036)	772,805,334
Profit for the year ended June 30, 2013	-	-	-	-	-	53,409,828	53,409,828
Other comprehensive income	-	-	-	-	-	-	-
Unrealized (deficit) on revaluation of available-for-sale investments - net	-	-	-	-	(10,105,652)	-	(10,105,652)
Total comprehensive income for the year	-	-	-	-	(10,105,652)	53,409,828	43,304,176
Profit distribution for the year ended June 30, 2012	-	-	-	-	-	-	-
@ Re.0.18 per certificate	-	-	-	-	-	(14,048,326)	(14,048,326)
Transfer to statutory reserve	-	-	26,527,500	-	-	(26,527,500)	-
<b>Balance as at June 30, 2013</b>	780,462,550	10,532,683	539,818,399	-	49,297,586	(578,050,034)	802,061,184
Profit for the year ended June 30, 2014	-	-	-	-	-	41,447,953	41,447,953
Other comprehensive income	-	-	-	-	-	-	-
Unrealized surplus on revaluation of available- for-sale investments - net	-	-	-	-	34,982,802	-	34,982,802
Total comprehensive income for the year	-	-	-	-	34,982,802	41,447,953	76,430,755
Profit distribution for the year ended June 30, 2013	-	-	-	-	-	-	-
@ Re.0.31 per certificate	-	-	-	-	-	(24,194,339)	(24,194,339)
Transfer to statutory reserve	-	-	20,635,418	-	-	(20,635,418)	-
<b>Balance as at June 30, 2014</b>	780,462,550	10,532,683	560,453,817	-	84,280,388	(581,431,838)	854,297,600

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

The annexed notes from 1 to 48 form an integral part of these financial statements.

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

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

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

\_\_\_\_\_  
**Syed Ali Raza**  
Director

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014**

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

- 1.1** B.R.R. Guardian Modaraba (the Modaraba) is a multipurpose, perpetual Modaraba floated under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Rules framed there under and is managed by B.R.R. Investments (Private) Limited, having its registered office at 18th Floor, BRR Tower, Hassan Ali Street of I.I. Chundrigar Road, Karachi.

The Modaraba is listed on the Karachi Stock Exchange 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.

- 1.2** As per section 23 of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, a Modaraba shall be wound up by the Tribunal on an application made by the Registrar if the accumulated losses of the Modaraba exceeds 50 percent of the total amount subscribed by the holders of the Modaraba Certificates. As at June 30, 2014, the accumulated losses of the Modaraba amounted to Rs. 581.432 million which exceed 50 percent of the total amount subscribed by the holders of the Modaraba Certificates by Rs. 191.201 million. The management believes that the Modaraba has sufficient statutory reserves available which could be applied against the accumulated losses with the approval of the concerned authorities. Taking into consideration the statutory reserves amounting to Rs. 570.986 million (2013: Rs. 550.351 million), accumulated losses net of reserves are less than 50 percent of the paid up capital. Further, management is of the view that during the year construction work on BRR Tower is completed due to which rental income of the Modaraba is expected to increase significantly in future period.

- 1.3** In April 2013, the Registrar Modaraba issued directions under section 18A of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 not to sell, convey, transfer, mortgage, encumber, alienate or create any third party interest in respect of any asset of the Modaraba valuing Rs. 1 million and above without prior approval of Registrar Modaraba.

The management has replied to the above directions of the Registrar Modaraba explaining their position and maintain that the swap deal of the office premises against three different assets of the associated undertaking was a beneficial proposition for the Modaraba and its certificate holders at that time. They have also clarified that these assets were neither non-performing nor in any doubtful category.

As a consequence of the above directions, a transaction with an associated undertaking for the disposal of Modaraba investment in equity securities of Burj Bank Limited (at par value) has not been recorded in the books of the Modaraba as the approval for the same has not been received. The Modaraba has sought an approval from the Registrar Modaraba for completion of the above mentioned transaction which is currently pending.

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

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

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

## **2.2 Basis of measurement**

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

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

## **2.3 Functional and presentation currency**

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

## **2.4 Significant accounting estimates and judgments**

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

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

### **Amortization of property, plant and equipment - leased**

For details please refer note 4.2.1 to these financial statements.

### **Depreciation on property and equipment**

For details please refer note 4.2.2 to these financial statements.

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

For details please refer note 4.5 to these financial statements.

### **Provision for doubtful receivables**

For details please refer note 4.6 to these financial statements.

### **Impairment of investments, debt securities and leased assets**

For details please refer note 4.9 to these financial statements.

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

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

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



	<b>Effective date (annual periods beginning on or after)</b>
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
IAS 27 Separate Financial Statements	January 01, 2013
IAS 28 Investments in Associates and Joint Ventures	January 01, 2013
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	January 01, 2013

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

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

IFRS 1 First-time Adoption of International Financial Reporting	January 01, 2013
IFRS 7 Financial Instruments Disclosures - Amendments related to the offsetting of assets and liabilities	January 01, 2013
IFRS 10 Consolidated Financial Statements - Amendments to transitional guidance	
IFRS 11 Joint Arrangements - Amendments to transitional guidance	January 01, 2013
IFRS 12 Disclosure of Interests in Other Entities - Amendments to transitional guidance	January 01, 2013
IAS 1 Presentation of Financial Statements - Amendments resulting from Annual Improvements 2009-2011 Cycle (comparative information)	January 01, 2013
IAS 16 Property, Plant and Equipment - Amendments resulting from Annual Improvements 2009-2011 Cycle (servicing equipment)	January 01, 2013
IAS 19 Employee Benefits - Amended standard resulting from the post-employment benefits and termination benefits projects	January 01, 2013

	<b>Effective date (annual periods beginning on or after)</b>
IAS 32 Financial Instruments: Presentation - Amendments resulting from Annual Improvements 2009-2011 Cycle (tax effect of equity distributions)	January 01, 2013
IAS 34 Interim Financial Reporting - Amendments resulting from Annual Improvements 2009-2011 Cycle (interim reporting of segment assets)	January 01, 2013

### **3.3 Amendments not yet effective**

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

IFRS 2 Share-based Payment - Amendments resulting from Annual Improvements 2010-2012 Cycle (definition of 'vesting condition')	July 01, 2014
IFRS 3 Business Combinations - Amendments resulting from Annual Improvements 2010-2012 Cycle (accounting for contingent consideration) and 2011-2013 Cycle (scope exception for joint ventures)	July 01, 2014
IFRS 7 Financial Instruments: Disclosures - Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	January 01, 2018
IFRS 8 Operating Segments - Amendments resulting from Annual Improvements 2010-2012 Cycle (aggregation of segments, reconciliation of segment assets)	July 01, 2014
IFRS 9 Financial Instruments - Reissue to incorporate a hedge accounting chapter and permit the early application of the requirements for presenting in other comprehensive income the 'own credit' gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of IFRS 9	January 01, 2018
IFRS 9 Financial Instruments - Reissue to include requirements for the classification and measurement of financial liabilities and incorporate existing derecognition requirements	January 01, 2018
IFRS 9 Financial Instruments - Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures	January 01, 2018

	<b>Effective date (annual periods beginning on or after)</b>
IFRS 10 Consolidated Financial Statements - Amendments for investment entities	January 01, 2014
IFRS 12 Disclosure of Interests in Other Entities - Amendments for investment entities	January 01, 2014
IFRS 13 Fair Value Measurement - Amendments resulting from Annual Improvements 2011-2013 Cycle (scope of the portfolio exception in paragraph 52)	July 01, 2014
IAS 16 Property, Plant and Equipment - Amendments resulting from Annual Improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on revaluation)	July 01, 2014
IAS 16 Amendments regarding the clarification of acceptable methods of depreciation and amortization and amendments bringing bearer plants into the scope of IAS 16	January 01, 2016
IAS 19 Employee Benefits - Amended to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service	July 01, 2014
IAS 24 Related Party Disclosures - Amendments resulting from Annual Improvements 2010-2012 Cycle (management entities)	July 01, 2014
IAS 27 Separate Financial Statements - Amendments for investment entities	January 01, 2014
IAS 32 Financial Instruments - Presentation - Amendments relating to the offsetting of assets and liabilities	January 01, 2014
IAS 36 Impairment of Assets - Amendments arising from recoverable amount disclosures for non financial assets	January 01, 2014
IAS 38 Intangible Assets - Amendments resulting from Annual Improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on revaluation)	July 01, 2014

	<b>Effective date (annual periods beginning on or after)</b>
IAS 38 Amendments regarding the clarification of acceptable methods of depreciation and amortization	January 01, 2016
IAS 39 Financial Instruments: Recognition and Measurement - Amendments for novations of derivatives	January 01, 2014
IAS 39 Financial Instruments: Recognition and Measurement: Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception	January 01, 2018
IAS 41 Amendments bringing bearer plants into the scope of IAS 16	January 01, 2016
IAS 40 Investment Property - Amendments resulting from Annual Improvements 2011-2013 Cycle (interrelationship between IFRS 3 and IAS 40)	July 01, 2014

### **3.4 Standards or interpretations not yet effective**

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

IFRS 9 Financial Instruments	January 01, 2018
IFRS 14 Regulatory Deferral Accounts	January 01, 2016
IFRS 15 Revenue from Contracts with Customers	January 01, 2017
IFRIC 21 Levies	January 01, 2014

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

## **4 SIGNIFICANT ACCOUNTING POLICIES**

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

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

The Modaraba has adopted Islamic Financial Accounting Standard 2 - Ijarah in the year ended 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 amortization and impairment losses, if any. Amortization 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, amortization is charged proportionately to the period of ijarah.

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

## **4.2 Property, plant and equipment**

### **4.2.1 Leased out and amortization**

Leased assets are stated at cost less accumulated amortization and impairment loss (if any). Amortization 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, amortization is charged proportionately to the period of lease.

Gain or loss on disposal of leased assets is recognized as income or expense as and when incurred.

### **4.2.2 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 recognized as separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Modaraba and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit and loss account during the period in which they are incurred.

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

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

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

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

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

## **4.3 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 and investment property category as and when the assets are available for intended use.

## **4.4 Investment properties**

Property held to earn rentals or for capital appreciation or for sale in the ordinary course of business is classified as investment property. The investment property of the Modaraba comprises of buildings including capital work-in-progress 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 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.

## **4.5 Investments**

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

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

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

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

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

#### **4.5.3 Held to maturity**

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

#### **4.5.4 Loans and receivables**

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

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

#### **4.6 Provisions**

Provisions are recognized 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.

#### **4.7 Trade date accounting**

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

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

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

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

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

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

#### **4.9 Impairment**

##### **4.9.1 Financial assets**

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

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

##### **4.9.2 Available-for-sale investments**

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

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortized cost. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the income statement, the impairment loss is reversed through the profit and loss account.

All impairment losses are recognized in profit or loss. Any cumulative loss in respect of available for-sale financial assets recognized previously in equity is transferred to profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and available-for-sale financial assets that are debt securities, the reversal is recognized in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in equity.

##### **4.9.3 Non-financial assets**

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

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

#### **4.10 Revenue recognition**

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

Up until June 30, 2008, the Modaraba treated all leases as operating leases 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 amortized 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 recognized on straight line on an accrual basis.

#### **4.10.2 Murabaha and musharaka transactions**

Profit from musharaka transactions is recognized 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 recognized on a time proportion basis.

#### **4.10.3 Rental income**

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

#### **4.10.4 Dividend income**

Dividend is recognized as income when the Modaraba's right to receive dividend is established.

#### **4.10.5 Gain and 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.

#### **4.10.6 Income on debt securities**

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

#### **4.10.7 Income on balances with banks**

Profit on bank deposit is recognized on accrual basis.

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

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

### **4.11 Taxation**

#### **4.11.1 Current**

The charge for current taxation is based on taxable income at the current rates of taxation after taking into account tax credit and tax rebates 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 reserves as required under Modaraba Regulations, are distributed to the certificate holders.

#### **4.11.2 Deferred**

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

#### **4.12 Staff Provident Fund**

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

#### **4.13 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 recognized in profit and loss account.

#### **4.14 Financial assets**

Financial assets include lease rentals receivable, investments, musharaka and murabaha finances, deposits and other receivables, excluding taxation. Lease rentals receivable, musharaka, murabaha 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, murabaha 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 at cost. For the purpose of the cash flow statement, cash and cash equivalents consist of cash in hand, balances at banks in current and deposit accounts and stamps in hand, as well as balance held with the State Bank of Pakistan (SBP).

#### **4.17 Profit distribution and other appropriations of profit**

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

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

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

#### **4.19 Related party transactions**

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

	Note	2014 Rupees	2013 Rupees
Property and equipment-owned	5.1	97,755,449	72,294,370
Property, plant and equipment-leased/Ijarah	5.2	162,201,037	135,631,759
		<u>259,956,486</u>	<u>207,926,129</u>

## 5 FIXED ASSETS

Particulars	2014							
	Cost			Depreciation			Written down value as at June 30, 2014	Rate of depreciation per annum
	As at July 01, 2013	Additions / (disposals) / transfer* during the year	As at June 30, 2014	As at July 01, 2013	For the year / (on disposals) / (on transfers*)	As at June 30, 2014		
	Rupees							
Leasehold land	2,527,890	-	2,527,890	1,086,995	50,558	1,137,553	1,390,337	2%
Building on leasehold land (note 5.1.1, 5.1.2 and 5.1.3)	79,271,363	67,688,108	103,710,454	23,754,905	2,546,517	22,156,748	81,553,706	5%
		(43,249,017)*			(4,144,674)*			
Lockers	19,565,218	660,000	20,225,218	15,363,100	362,766	15,725,866	4,499,352	5%
Furniture and fixtures	9,217,408	-	9,217,408	7,566,852	803,945	8,370,797	846,611	10%
Vehicles	19,966,093	3,267,176	20,916,679	10,562,296	3,468,362	11,771,815	9,144,864	20%
		(2,316,590)			(2,258,843)			
Office equipment and appliances	18,942,060	338,558	19,280,618	18,861,514	98,525	18,960,039	320,579	33.33%
Total	149,490,032	71,953,842	175,878,267	77,195,662	7,330,673	78,122,818	97,755,449	
		(2,316,590)			(2,258,843)			
		(43,249,017)*			(4,144,674)*			

Particulars	2013							
	Cost			Depreciation			Written down value as at June 30, 2013	Rate of depreciation per annum
	As at July 01, 2012	Additions / (disposals) / transfer* during the year	As at June 30, 2013	As at July 01, 2012	For the year / (on disposals) / (on transfers*)	As at June 30, 2013		
	Rupees							
Leasehold land	2,527,890	-	2,527,890	1,036,437	50,558	1,086,995	1,440,895	2%
Building on leasehold land (note 5.1.1, 5.1.2 and 5.1.3)	82,303,283	1,400,000	79,271,363	23,415,860	3,514,929	23,754,905	55,516,458	5%
		(4,431,920)*			(3,175,884)*			
Lockers	19,565,218	-	19,565,218	15,006,251	356,849	15,363,100	4,202,118	5%
Furniture and fixtures	9,217,408	-	9,217,408	6,762,914	803,938	7,566,852	1,650,556	10%
Vehicles	20,680,018	3,101,180	19,966,093	10,391,748	3,292,408	10,562,296	9,403,797	20%
		(3,815,105)			(3,121,860)			
Office equipment and appliances	19,159,924	-	18,942,060	18,751,514	327,863	18,861,514	80,546	33.33%
		(217,864)			(217,863)			
Total	153,453,741	4,501,180	149,490,032	75,364,724	8,346,545	77,195,662	72,294,370	
		(4,032,969)			(3,339,723)			
		(4,431,920)*			(3,175,884)*			

- 5.1.1** This includes an office premises costing Rs. 70 million, which was swapped by the Modaraba in March 2012 from First Dawood Investment Bank Limited (FDIBL), an associated undertaking with 6.1 million unlisted shares of Burj Bank Limited (at par value) along with a receivable from Equity International Limited (EIL), an associated undertaking. FDIBL earlier acquired the said property from a borrower as a settlement of its liabilities who has also defaulted in its obligation to commercial bank. The said commercial bank has obtained a stay order against the property due to which the execution of the sale deed for the said property and transfer of title in the name of the Modaraba are in abeyance. FDIBL has filed an application of intervention with the Honourable High Court of Sindh for removal of stay of the commercial bank and to effect the transfer of title in its favour, which is pending adjudication. As soon as the case in question is decided, FDIBL will be able to execute the sale deed in favour of the Modaraba. Nevertheless, the original title documents and possession of the property rest with the Modaraba. Further Modaraba has rented out a portion of the above property to its associated undertakings and earned a rental income. Consequently, the cost of the property has been bifurcated between fixed assets and investment property on the basis of floor space occupied.
- 5.1.2** During the year, work on BRR Tower is completed which is now available for both administrative and investment purpose. Management has bifurcated the cost of BRR Tower between fixed assets and investment property on the basis of separately identifiable estimated selling price as determined by an independent valuer. Modaraba has transferred an amount from capital work in progress of Rs. 67.688 million to building on lease hold land, from the cost of BRR Tower, which represents the cost of floor space occupied by the Modaraba for its administrative purpose while an amount of Rs. 498.631 million is recorded as investment property which is held by the Modaraba to earn rental income.
- 5.1.3** During the year, the Modaraba transferred an office from owned fixed assets to investment property, amounting to Rs. 43.249 million, due to change in the use of the asset.
- 5.1.4** The Modaraba, agreed to swap its investment in equity securities of Burj Bank Limited (at par value) with a property valuing Rs.55.880 million (the title and possession of which has been transferred in the name of the Modaraba), alongwith other assets, from an associated undertaking. However, the above transaction has not been recorded in the books of the Modaraba as the Registrar Modaraba under section 18A of Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 has directed the management not to sell, convey, transfer, mortgage, encumber, alienate or create any third party interest in respect of any asset of the Modaraba valuing Rs.1 million and above without his approval. The Modaraba has sought an approval from the Registrar Modaraba for completion of the abovementioned transaction which is currently pending.

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

Property and equipment	Cost	Accumulated depreciation	Written down value Rupees	Disposal proceed	Gain / (Loss) on disposal	Mode of disposal	Particulars of purchaser
Vehicle AKA-542 Suzuki Cultus	560,000	559,999.00	1	56,000	55,999	Company Policy	Mr. Saleem Munshi Ex-Employee
Vehicle MX-498 Suzuki Cultus	652,000	652,000.00	-	65,201	65,201	Company Policy	Mr. Naseem Ahmed Ex-Employee
Vehicle NJ-417 Suzuki Liana	881,000	880,999.00	1	88,100	88,099	Company Policy	Mr. Munawar Mirza Employee
Vehicle KDG-2824 Honda 70 Bike	50,490	50,490.00	-	5,000	5,000	Company Policy	Mr. Ahsan Ali Employee
Vehicle KEL1593 Hero 70 Bike	41,000	31,433.00	9,567	12,984	3,417	Company Policy	Mr. Muhammad Yasir Ex-Employee
Vehicle KEI - 9085 Hero 70 Bike	45,300	36,240.00	9,060	8,305	(755)	Company Policy	Mr. Sheer Khan Ex-Employee
Vehicle KEI - 7350 Hero 70 Bike	45,300	32,465.00	12,835	17,365	4,530	Company Policy	Mr. Mohammad Khan Ex-Employee
Vehicle KFN-9893 Hero 70 Bike	41,500	15,217.00	26,283	30,000	3,717	Insurance Claim	An Insurance Company
<b>2014</b>	<u>2,316,590</u>	<u>2,258,843</u>	<u>57,747</u>	<u>282,955</u>	<u>225,208</u>		
<b>2013</b>	<u>4,032,969</u>	<u>3,339,723</u>	<u>693,246</u>	<u>1,204,268</u>	<u>511,022</u>		



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	Note	2014 Rupees	2013 Rupees
<b>5.2 Property, plant and equipment - leased / Ijarah</b>			
Property and equipment - leased	5.2.1	43,645,889	50,007,784
Property, plant and equipment - ijarah	5.2.3	118,555,148	85,623,975
		<u>162,201,037</u>	<u>135,631,759</u>

**5.2.1 Property, plant and equipment - leased**

Particulars	2014									
	Cost			Depreciation			Accumulate d impairment	Written down value as at June 30, 2014	Rate of depreciati on per annum	
	As at July 01, 2013	Additions / (disposals) during the	As at June 30, 2014	As at July 01, 2013	For the year / (on disposals)	As at June 30, 2014				
Plant and machinery	377,803,109	-	320,922,069	326,804,743		274,576,209	10,474,838	35,871,022	11% - 25%	
		(56,881,040)			(52,228,534)					
Vehicles	111,658,515	-	106,933,475	57,372,726		53,370,640	46,106,234	7,456,601	20% - 33%	
		(4,725,040)			(4,002,086)					
Office equipment and appliances	5,826,500	-	488,500	5,260,851		439,650	-	48,850	20% - 33%	
		(5,338,000)			(4,821,201)					
Motor boat	2,694,300	-	2,694,300	2,424,884		2,424,884	-	269,416	20%	
Total	497,982,424	-	431,038,344	391,863,204	-	330,811,383	56,581,072	43,645,889		
		(66,944,080)			(61,051,821)					

Particulars	2013									
	Cost			Depreciation			Accumulate d impairment	Written down value as at June 30, 2013	Rate of depreciati on per annum	
	As at July 01, 2012	Additions / (disposals) during the	As at June 30, 2013	As at July 01, 2012	For the year / (on disposals)	As at June 30, 2013				
Land and building (lease hold)	30,000,000	-	-	23,151,083	607,159	-	-	-	20% - 33%	
		(30,000,000)			(23,758,242)					
Plant and machinery	447,553,109	-	377,803,109	381,695,938	614,900	326,804,741	10,005,202	40,993,166	11% - 25%	
		(69,750,000)			(55,506,097)					
Vehicles	119,263,815	-	111,658,515	63,883,507	333,988	57,372,725	46,106,234	8,179,556	20% - 33%	
		(7,605,300)			(6,844,770)					
Office equipment and appliances	6,126,500	-	5,826,500	5,530,854	-	5,260,854	-	565,646	20% - 33%	
		(300,000)			(270,000)					
Motor boat	2,694,300	-	2,694,300	2,424,884	-	2,424,884	-	269,416	20%	
Total	605,637,724	-	497,982,424	476,686,266	1,556,047	391,863,204	56,111,436	50,007,784		
		(107,655,300)			(86,379,109)					

**5.2.2 Particulars of impairment loss**

Opening balance	56,111,436	64,657,520
Impairment for the year	469,636	272,803
Reversal for the year	-	(8,818,887)
Closing balance	<u>56,581,072</u>	<u>56,111,436</u>



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

Particulars	2014							
	Cost			Amotization			Written down	
	As at July 01, 2013	Additions / (disposals) during the year	As at June 30, 2014	As at July 01, 2013	For the year / (on disposals)	As at June 30, 2014	value as at June 30, 2014	Rate of amortization per annum
Rupees								
Land and building (lease hold)	46,000,000	- (46,000,000)	-	32,200,000	- (32,200,000)	-	-	20% - 33%
Plant and machinery	2,203,955	17,851,000	20,054,955	232,640	2,025,505	2,258,145	17,796,810	11% - 25%
Vehicles	81,167,500	58,189,917 (7,004,000)	132,353,417	11,976,815	24,451,111 (4,314,572)	32,113,354	100,240,063	20% - 33%
Office equipment and appliances	850,000	- (24,000)	826,000	188,025	141,300 (21,600)	307,725	518,275	20% - 33%
<b>Total</b>	<b>130,221,455</b>	<b>76,040,917</b> <b>(53,028,000)</b>	<b>153,234,372</b>	<b>44,597,480</b>	<b>26,617,916</b> <b>(36,536,172)</b>	<b>34,679,224</b>	<b>118,555,148</b>	

Particulars	2013							
	Cost			Amotization			Written down	
	As at July 01, 2012	Additions / (disposals) during the year	As at June 30, 2013	As at July 01, 2012	For the year / (on disposals)	As at June 30, 2013	value as at June 30, 2013	Rate of amortization per annum
Rupees								
Land and building (lease hold)	46,000,000	-	46,000,000	25,760,016	6,439,984	32,200,000	13,800,000	20% - 33%
Plant and machinery	3,515,200	2,203,955 (3,515,200)	2,203,955	2,555,755	841,565 (3,164,680)	232,640	1,971,315	11% - 25%
Vehicles	22,279,500	68,220,000 (9,332,000)	81,167,500	10,051,157	9,007,658 (7,082,000)	11,976,815	69,190,685	20% - 33%
Office equipment and appliances	65,000	785,000	850,000	58,500	129,525	188,025	661,975	20% - 33%
<b>Total</b>	<b>71,859,700</b>	<b>71,208,955</b> <b>(12,847,200)</b>	<b>130,221,455</b>	<b>38,425,428</b>	<b>16,418,732</b> <b>(10,246,680)</b>	<b>44,597,480</b>	<b>85,623,975</b>	

**5.2.4** In view of the large amount of disposals 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 by presenting details of such disposals.

**6 INVESTMENT PROPERTIES**

	Note	2014 Rupees	2013 Rupees
Investment properties	6.1	1,175,189,552	663,226,737
Capital work-in-progress	6.2	66,420,000	571,045,683
		<u>1,241,609,552</u>	<u>1,234,272,420</u>



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**6.1 Investment properties**

Particulars	2014							
	Cost			Depreciation			Written down value as at June 30, 2014	Rate of depreciation per annum
	As at July 01, 2013	Additions / transfers* during the year	As at June 30, 2014	As at July 01, 2013	For the year / on transfers*	As at June 30, 2014		
	Rupees							
Leasehold land	197,802,400	-	197,802,400	24,211,498	4,022,715	28,234,213	169,568,187	2
Building on leasehold land (note 5.1.1, 5.1.2 and 5.1.3)	167,372,904	498,631,085	666,003,989	45,008,726	5,331,213	50,339,939	615,664,050	2-5
Office premises	517,077,397	-	560,326,414	149,805,740	16,418,685	170,369,099	389,957,315	2.2-5
		43,249,017*			4,144,674*			
<b>Total</b>	<b>882,252,701</b>	<b>498,631,085</b>	<b>1,424,132,803</b>	<b>219,025,964</b>	<b>25,772,613</b>	<b>248,943,251</b>	<b>1,175,189,552</b>	
		43,249,017*			4,144,674*			

Particulars	2013							
	Cost			Depreciation			Written down value as at June 30, 2013	Rate of depreciation per annum
	As at July 01, 2012	Additions / transfers* during the year	As at June 30, 2013	As at July 01, 2012	For the year / on transfers*	As at June 30, 2013		
	Rupees							
Leasehold land	197,802,400	-	197,802,400	20,255,450	3,956,048	24,211,498	173,590,902	2
Building on leasehold land (note 5.1.1, 5.1.2 and 5.1.3)	162,940,984	-	167,372,904	33,464,197	8,368,645	45,008,726	122,364,178	2-5
Office premises	517,077,397	4,431,920*	517,077,397	138,145,476	3,175,884*	149,805,740	367,271,657	2.2-5
		-			11,660,264			
<b>Total</b>	<b>877,820,781</b>	<b>-</b>	<b>882,252,701</b>	<b>191,865,123</b>	<b>23,984,957</b>	<b>219,025,964</b>	<b>663,226,737</b>	
		4,431,920*			3,175,884*			

	Note	2014 Rupees	2013 Rupees
<b>6.2 Capital work-in-progress</b>			
Civil works - B.R.R Tower (note 5.1.2)	6.2.2	-	504,625,683
Advance for office premises - Jofa Tower, Karachi	6.2.3	66,420,000	66,420,000
		<u>66,420,000</u>	<u>571,045,683</u>

**6.2.1 Movement of carrying amount**

	Civil work - B.R.R Tower	Advance against purchase of property - Jofa Tower Karachi	Total
(Rupees)			
<b>Year end June 30, 2014</b>			
Opening balance	504,625,683	66,420,000	571,045,683
Additions (at cost) - note 6.2.2	61,693,510	-	61,693,510
Transferred to operating fixed assets (note 5.1)	(67,688,108)	-	(67,688,108)
Transferred to investment property (note 6.1)	(498,631,085)	-	(498,631,085)
Closing balance	-	66,420,000	66,420,000





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	<b>Civil work - B.R.R Tower</b>	<b>Advance against purchase of property - Jofa Tower Karachi</b>	<b>Total</b>
	<b>(Rupees)</b>		
<b>Year end June 30, 2013</b>			
Opening balance	452,326,974	66,420,000	518,746,974
Additions (at cost)	52,298,709	-	52,298,709
Closing balance	<u>504,625,683</u>	<u>66,420,000</u>	<u>571,045,683</u>

**6.2.2** This represents expenditure incurred to date on B.R.R Tower. During the year, work on BRR Tower has been completed as at May 31, 2014 and the cost has been bifurcated to owned assets and to investment property as detailed in note 5.1.2.

**6.2.3** This represents amount paid for the purchase of three shops of Jofa Tower. Because of a dispute in respect of payment for additional space due to structural changes in the design, the title or possession of the said property has not yet been transferred in the name of the Modaraba. In March 2012, the Modaraba filed a law suit for specific performance which is currently pending before Honourable High Court of Sindh at Karachi. The management and legal advisor of the Modaraba are hopeful that the matter would be decided in favour of the Modaraba and, accordingly, no impairment is required against the said asset.

**6.3** The fair value of investment property as at June 30, 2014 as per valuation report of independent valuer is Rs. 1,724.944 million (2013: Rs 1,732.569 million).

	Note	<b>2014 Rupees</b>	2013 Rupees
<b>7 MUSHARAKA FINANCES</b>			
Considered good		215,995,796	673,193,357
Considered doubtful		214,271,754	262,791,387
	7.1 & 7.3	<u>430,267,550</u>	<u>935,984,744</u>
Less: Provision for doubtful receivables	7.2 & 7.5	<u>(214,271,754)</u>	<u>(262,791,387)</u>
		215,995,796	673,193,357
Less: Current portion of musharaka finances		<u>(97,534,762)</u>	<u>(351,303,409)</u>
		<u>118,461,034</u>	<u>321,889,948</u>

**7.1** The expected profit receivable on these arrangements ranges from 11.16 % to 18.88 % (2013: 10.44% to 20%) 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.

**7.2 Movement of provision**

Opening balance		262,791,387	275,120,673
Charge for the year	27	5,075,895	15,244,168
Reversals during the year	27	(36,690,518)	(17,572,362)
Written off during the year		<u>(16,905,010)</u>	<u>(10,001,092)</u>
Closing balance		<u>214,271,754</u>	<u>262,791,387</u>



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**7.3** This includes musharaka finance amounting to Rs. 43.500 million (2013: Rs. 43.500 million) due from Equity International (Private) Limited (EIL), an associated company. The above exposure is in violation of Rule 31 of the Modaraba Companies and Modaraba Rules, 1981 according to which no loan or contribution shall be made by the Modaraba to any associated undertakings of the Modaraba. However, EIL has offered to settle its outstanding loan of Rs. 51.201 million, including outstanding markup of Rs. 7.701 million, against the Diminishing Musharaka based Term Finance Certificates (TFCs) of the Modaraba, amounting to Rs. 42.215 million held by them after taking necessary measures as per Trust Deed of the Modaraba. Apart from Diminishing Musharaka based TFCs, the musharaka finance is also secured by accrued markup and principle payable to EIL amounting to Rs. 26.457 million as at June 30, 2014.

	Note	2014 Rupees	2013 Rupees
<b>7.4 Ageing of musharaka finances</b>			
Neither past due nor impaired		116,598,984	431,298,367
Past due but not impaired		99,396,812	13,898,690
Past due and impaired		214,271,754	490,787,687
		430,267,550	935,984,744

**7.5** The modaraba has made a provision against impaired musharaka finances after taking into consideration the benefit of Forced Sale Values (FSV) of collaterals against the said finances amounting to Rs. 1.188 million (2013: 1.188 million). Had this benefit of FSV not been taken by the Modaraba, the provision against impaired musharaka would have been higher by Rs. 0.245 million (2013: 0.594 million).

**8 LOANS, DEPOSITS, ADVANCES AND PREPAYMENTS**

Loans - secured - considered good			
To employees	8.1	2,524,020	1,682,016
Less: Long term portion of loans to employees		(625,569)	-
		1,898,451	1,682,016
To executives	8.1, 8.2 & 8.3	2,286,356	2,331,299
Less: Long term portion of loans to executives		(834,523)	(2,075,303)
		1,451,833	255,996
Deposits		9,165,337	9,162,337
Less: Long term portion of deposits		(9,165,337)	(9,162,337)
		-	-
Advances - secured - considered good			
Against investment		4,000,000	-
Against purchase of vehicles		683,000	-
Against expenses		629,630	-
Against salary - secured, considered good		25,875	1,259,302
Less: Long term portion of advance against salary		-	(402,000)
		25,875	857,302
Prepayments			
Insurance		897,942	35,201
Others		-	403,000
		9,586,731	3,233,515



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- 8.1** These represent house loans disbursed to employees and executives under the terms of employment. These loans carry mark-up at the rate of 5% (2013: 5%) per annum and are secured against the mortgage of properties.
- 8.2** The maximum amount of loans and advances due from executives at the end of any month during the year was Rs. 2.286 million (2013: Rs. 2.331 million).
- 8.3** The Modaraba has taken the benefit of forced value of the collateral amounting to Rs.1.673 million against a loan to an executive. Had this benefit of FSV not been taken by the Modaraba, the provision against such loan would have been Rs. 1.673 million (2013: Rs. 1.673 million).

	Note	2014 Rupees	2013 Rupees
<b>9 SHORT-TERM INVESTMENTS</b>			
<b>Held-for-trading</b>			
Listed ordinary shares	9.1	66,200,109	42,211,360
<b>Available-for-sale</b>			
Listed ordinary shares	9.2	87,636,125	80,768,786
Unlisted ordinary shares	9.3	209,007,335	186,411,305
Unlisted debt securities	9.4	130,919,792	93,333,335
		<u>427,563,252</u>	<u>360,513,426</u>
		493,763,361	402,724,786
Less: Provision for diminution in value of investments	9.5	(38,224,101)	(26,378,076)
<b>Investment net of provisions</b>		<u>455,539,260</u>	<u>376,346,710</u>

**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>2014</b>	<b>2013</b>			
<b>Personal goods</b>				
-	7,000	Artistic Denim Mills Limited	-	278,250
-	2,053	BATA Pakistan Limited	-	3,672,817
2,000	-	Packages Limited	1,003,140	-
38,000	-	Pakgen Power Limited	685,520	-
<b>Construction and materials</b>				
22,500	5,000	D.G. Khan Cement Company Limited	1,979,097	418,450
8,000	6,000	Lucky Cement Limited	3,282,400	1,258,320
<b>Electricity</b>				
228,246	165,746	K-Electric Limited	1,937,802	1,030,940



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<b>Number of shares</b>			<b>2014</b>	<b>2013</b>
<b>2014</b>	<b>2013</b>	<b>Name of investee</b>	<b>Rupees</b>	<b>Rupees</b>
<b>Oil and gas</b>				
14,199	18,599	Attock Refinery Limited	3,014,305	3,209,257
6,750	6,250	Mari Petroleum Company Limited	2,520,654	853,563
18,850	16,850	National Refinery Limited	4,059,728	4,054,138
31,520	30,350	Pakistan Petroleum Limited	7,071,197	6,421,453
2,000	-	Pakistan State Oil Limited	777,699	-
-	1,700	Shell Pakistan Limited	-	243,389
<b>Multiutilities (Gas and Water)</b>				
-	183,750	Sui Southern Gas Company Limited	-	3,586,800
85,108	50,108	Sui Northern Gas Pipelines Limited	1,927,697	1,005,166
<b>Automobile and parts</b>				
11,800	16,600	Indus Motor Company Limited	6,347,458	5,162,600
23,500	23,500	Agriauto Industries Limited	2,267,750	1,765,555
33,000	-	Sazgar Engineering Work	1,155,000	-
500	-	Pak Suzuki Motor Company Limited	136,945	-
<b>Chemicals</b>				
50,000	40,000	Fauji Fertilizer Bin Qasim	1,988,500	1,501,600
47,000	18,000	Fauji Fertilizer Company Limited	5,275,750	1,933,740
9,347	5,347	ICI Pakistan Limited	3,648,872	889,901
10,000	10,000	Sitara Peroxide Limited	135,900	127,300
550,000	440,000	Lotte Pakistan PTA Limited	3,954,501	3,352,800
1,000	-	Wah-Nobel Chemical Limited	70,000	-
13,100	-	Linde Pakistan Limited	2,206,040	-
<b>Engineering</b>				
2,420	-	Millat Tractors Limited	1,207,895	1,154,978
32,000	-	K.S.B Pumps Company Limited	2,662,080	-
<b>Industrial Transportation</b>				
4,500	4,500	Pakistan National Shipping Corporation Limited	320,040	207,000
100	100	Pakistan International Container Terminal Limited	28,602	20,843
<b>Fixed Line Tele Communications</b>				
2,000	-	Pakistan Telecommunication Company Limited	50,939	-
<b>Food producers</b>				
175	125	Mitchell's Fruit Farms Limited	115,500	62,500



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<b>Number of shares</b>			<b>2014</b>	<b>2013</b>
<b>2014</b>	<b>2013</b>	<b>Name of investee</b>	<b>Rupees</b>	<b>Rupees</b>
<b>Cement</b>				
5,000	-	Lafarge Pakistan Cement Limited	79,900	-
<b>Pharma and Bio Tech</b>				
700	-	Abbott Laboratories (Pakistan) Limited	400,624	-
6,000	-	Highnoon Laboratories Limited	1,016,760	-
7,000	-	Ferozsons Laboratories Limited	1,613,289	-
<b>General Industries</b>				
1,400	-	Siemens Pakistan Company Engineering Limited	1,759,800	-
<b>Commercial Banks</b>				
152,000	-	BankIslami Pakistan Limited	1,498,721	-
			<u>66,200,109</u>	<u>42,211,360</u>

**9.2 Available-for-sale: Listed Ordinary shares**

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

<b>Oil and gas</b>				
11,150	18,750	Mari Gas Company Limited	4,163,747	2,560,688
30,000	36,500	Pakistan Refinery Limited	4,852,500	2,971,465
10,396	16,939	Pakistan State Oil Company Limited	4,042,484	5,426,917
15,062	18,750	Shell Pakistan Limited	4,161,330	2,684,438
<b>Chemicals</b>				
49,852	49,852	Linde Pakistan Limited	8,395,077	8,924,007
65,769	75,769	Fauji Fertilizer Company Limited	7,382,571	8,139,864
14,199	14,999	Sitara Chemical Industries	4,210,002	2,998,150
<b>Construction and materials</b>				
90	90	Maple Leaf Cement Factory Limited	2,704	1,974
<b>Engineering</b>				
56,000	56,000	KSB Pumps Company Limited	4,658,640	4,698,400
<b>Industrial transportation</b>				
1,000	1,000	Pakistan International Container Terminal Limited	286,000	208,430
5,000	5,000	Pakistan National Shipping Corporation	355,600	230,000



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<b>Number of shares</b>			<b>2014</b>	<b>2013</b>
<b>2014</b>	<b>2013</b>		<b>Rupees</b>	<b>Rupees</b>
<b>Personal goods</b>				
-	35,000	Artistic Denim Mills Limited	-	1,391,250
-	8,890	Sapphire Textile Mills Limited	-	2,533,650
<b>Pharma and bio tech</b>				
42,576	45,876	Abbott Laboratories (Pakistan) Limited	24,367,096	15,051,457
32,165	34,787	GlaxoSmithKline Pakistan	5,340,355	4,220,707
564	564	Highnoon Laboratories Limited	95,574	44,725
<b>Electricity</b>				
5,100	5,100	The Hub Power Company Limited	299,574	314,415
<b>Gas water and Multiutilities</b>				
39,660	39,660	Sui Northern Gas Pipelines Limited	898,299	795,580
-	22,954	Sui Southern Gas Company Limited	-	448,062
<b>Financial services</b>				
1,935,506	1,935,506	Dawood Capital Management Limited - a related party	9.2.1 3,871,011	6,871,046
-	3,339,922	First Dawood Investment Bank Limited - a related party (fully provided)		
			<u>10,253,561</u>	<u>10,253,561</u>
			<u>87,636,125</u>	<u>80,768,786</u>

**9.2.1** This represents sponsor shares of the related party and is a non shariah compliant investment. The management is currently in process of finding prospective buyers as per instruction of SECP.

**9.3** Available-for-sale: Investment in unlisted ordinary shares

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

<b>Number of shares</b>				
<b>2014</b>	<b>2013</b>	<b>Name of investee</b>		
956,172	956,172	Systems Limited - a related party	9,999,990	9,999,990
10,160,000	10,160,000	Burj Bank Limited -Net 9.3.3	94,661,315	94,661,315
7,400,000	7,400,000	Dawood Family Takaful Limited - 9.3.4 & 9.3.5	74,000,000	74,000,000
3,034,603	3,034,603	Islamabad Stock Exchange Limited - 9.3.6	30,346,030	7,750,000
			<u>209,007,335</u>	<u>186,411,305</u>



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**9.3.1 Breakup value of above investment in unlisted ordinary shares are as follows:**

<b>June 30, 2014</b>	<b>Break-up value as per audited financial statements for the year ended December 31, 2013 (Rupees)</b>	<b>% of holding of the investee's paid-up capital</b>	<b>Auditors</b>
Systems Limited	28,583,661	2.23%	Ernst & Young Ford Rhodes Sidat Hyder
Burj Bank Limited	66,690,776	1.24%	A. F. Fergusons & Co.
Dawood Family Takaful Limited	46,531,708	9.87%	Ernst & Young Ford Rhodes Sidat Hyder
Islamabad Stock Exchange Limited (note 9.3.2)	32,421,815	0.83%	BDO Ebrahim & Co.
<b>June 30, 2013</b>	<b>Break-up value as per audited financial statements for the year ended December 31, 2012 (Rupees)</b>	<b>% of holding of the investee's paid-up capital</b>	<b>Auditors</b>
Systems Limited	21,283,341	2.26%	Ernst & Young Ford Rhodes Sidat Hyder
Burj Bank Limited	81,404,962	1.37%	A. F. Fergusons & Co.
Dawood Family Takaful Limited	50,752,838	9.87%	Ernst & Young Ford Rhodes Sidat Hyder
Islamabad Stock Exchange Limited (note 9.3.2)	32,218,412	1.00%	BDO Ebrahim & Co.

**9.3.2** Breakup value of investment in shares of Islamabad Stock Exchange Limited amounting to Rs. 32.422 million and Rs. 32.218 million are based on audited financial statements for the year ended June 30, 2013 and June 30, 2012 respectively.

**9.3.3** As at June 30, 2014, the Modaraba's exposure in the shares of Burj Bank Limited exceeded the limit of 5% of the equity of the Modaraba. The Modaraba has obtained relaxation from the SECP for the above investment and as per the letter from SECP dated November 07, 2007, the Modaraba's exposure in Burj Bank Limited should not exceed 10% of the equity of Modaraba as at June 30, 2007 which amounted to Rs. 1,635.141 million.

**9.3.4** The above exposure exceeds the limit of 5% of the equity of the Modaraba amounting to Rs. 40.158 million, as prescribed by the prudential regulations for Modaraba, for investment in shares of unlisted companies.

**9.3.5** The breakup value of investment in shares of Dawood Family Takaful (DFTL) is Rs. 50.753 million (as per latest audited accounts dated December 31, 2012) where as the cost of investment in shares of DFTL is Rs. 74 million. Since the embedded value of the shares of DFTL is Rs. 10.25 as per latest actuarial valuation which is higher than its par value, therefore impairment loss of Rs. 23.247 million has not been recorded.

**9.3.6** In prior year, in accordance with the requirement of the Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012 (the Act), the Modaraba has received equity shares of Islamabad Stock Exchange Limited (ISE) and Trading Right Entitlement Certificates (TREC) against surrender of Stock Exchange Membership Card. The Modaraba's entitlement in respect of shares is determined on the basis of valuation of assets and liabilities of the respective exchange as approved by the SECP and the Modaraba has been allotted 3,034,603 shares of ISE of Rs.10 each out of which 60% of the shares are kept in blocked account and the divestment of the same will be in accordance with the requirements of the Act. The



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investment in shares of ISE has been recorded at the carrying value of Stock Exchange Membership Card in the Modaraba's books as available for sale investment.

The breakup value of each share of ISE as per their latest available audited financial statements for the year ended June 30, 2013 is Rs. 10.68 per share which is greater than the par value of Rs. 10 of ISE's shares. Accordingly, during the year investment in shares of KSE has been revalued at par value of Rs. 10 each as at the balance sheet date and the resulting surplus on revaluation amounting to Rs 22.596 million has been recognized in other comprehensive income being the difference of carrying value of Stock Exchange Membership Card and fair value of 3,034,603 allocated shares of Rs. 10 each.

In prior year, in accordance with the requirement of the Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012 (the Act), the Modaraba has received TREC against surrender of Stock Exchange Membership Card. Modaraba had the option of either applying for registration as a broker or sell TREC under section 16 of Brokers and Agents Regulation Rules, 2001 before August 26, 2014 otherwise TREC will lapse and will have nil value. Board of Directors initially decided to sell TREC after approval from Registrar Modaraba had been obtained on April 02, 2014. However, in the absence of any bid, Board of Directors resolved to engage in the business of brokerage vide resolution passed in meeting held on April 21, 2014. For this purpose an application has been sent to Registrar Modaraba, SECP and ISE for addition of new clause in their prospectus. However, subsequent to year end, the SECP has rejected the Modaraba's said application indicating that the matter is subjudice in relation to other precedent cases. On the basis of pending decision from the SECP, Modaraba has obtained a stay order against ISE from cancellation of TREC.

**9.4 Available-for-sale: Investment in unlisted debt**

<b>Number of certificates</b>		<b>Name of investee</b>	<b>2014</b>	<b>2013</b>
<b>2014</b>	<b>2013</b>		<b>Rupees</b>	<b>Rupees</b>
<b>Sukuk</b>				
3,925	-	Maple Leaf Cement Factory Limited	12,899,053	-
20,000	20,000	Al Razi Health Care (Private) Limited	77,333,339	93,333,335
4,000	-	K- Electric Sukuk-2	20,590,000	-
4,000	-	K- Electric Sukuk-3	20,097,400	-
			<b>130,919,792</b>	<b>93,333,335</b>

**9.4.1 Details of particulars of Sukuk**

<b>Name of the investee</b>	<b>Repayment frequency</b>	<b>Profit Rate per annum</b>	<b>Maturity date</b>	<b>Secured / Unsecured</b>
Maple Leaf Cement Factory Al Razi Health Care (Private) Limited	Monthly	6 months KIBOR + 1%	December 03, 2018	Unsecured
K- Electric Sukuk-2	Monthly	6 months KIBOR + 2.5%	November 04, 2017	Unsecured
K- Electric Sukuk-3	Quarterly	3 months KIBOR + 2.25%	June 23, 2017	Secured
	Quarterly	3 months KIBOR + 2.75%	June 17, 2019	Secured





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	<b>Note</b>	<b>2014 Rupees</b>	<b>2013 Rupees</b>
<b>9.5 Particulars of provision</b>			
Opening balance		26,378,076	10,253,561
Charge for the year		11,846,025	16,124,515
Closing balance		<u>38,224,101</u>	<u>26,378,076</u>
<b>10 IJARAH / LEASE RENTAL RECEIVABLES</b>			
Considered good		5,248,645	9,346,427
Considered doubtful		70,608,324	113,802,236
Lease rental receivables	10.1	75,856,969	123,148,663
Less: Provision for doubtful receivables		<u>(70,608,324)</u>	<u>(113,802,236)</u>
		<u>5,248,645</u>	<u>9,346,427</u>
<b>10.1</b>	This includes rentals receivable amounting to Rs. Nil (2013: Rs. 0.172 million) from a related party.		
<b>10.2 Particulars of provision of doubtful receivables</b>			
Opening		113,802,236	120,621,695
Charge for the year	27	1,868,664	1,743,000
Reversals during the year	27	(2,134,014)	(8,562,459)
Written off during the year		<u>(42,928,562)</u>	-
Closing balance		<u>70,608,324</u>	<u>113,802,236</u>
<b>Ageing of lease rentals receivables</b>			
Neither past due nor impaired		4,715,382	4,527,437
Past due but not impaired - over 180 days		533,263	4,818,990
Past due and impaired		<u>70,608,324</u>	<u>113,802,236</u>
		<u>75,856,969</u>	<u>123,148,663</u>
<b>11 ACCRUED PROFIT</b>			
Accrued profit on:			
PLS savings accounts		1,431,483	7,533,638
Debt securities		1,862,781	3,407,597
Musharaka finances		<u>11,526,501</u>	<u>72,714,288</u>
		<u>14,820,765</u>	<u>83,655,523</u>



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	Note	2014 Rupees	2013 Rupees
<b>12 OTHER RECEIVABLES</b>			
Dividend receivable - unsecured - considered good		60,248	-
Due from associated undertakings- unsecured - considered good - B.R.R. Investments (Private) Limited		-	712,560
Receivable against sale of securities - unsecured - considered good			
Receivable against First Dawood Mutual Fund and Dawood Islamic Fund - related parties	12.1	6,006,404	6,006,404
Receivable from National Clearing Company of Pakistan Limited		13,380,001	1,290,208
		19,386,405	7,296,612
Rent receivable - unsecured, considered good		398,866	1,709,089
Other receivable		57,326	-
		<u>19,902,845</u>	<u>9,718,261</u>
Termination dues receivable - considered doubtful	27	-	32,628,539
Less: Provision for doubtful receivables and		-	(32,628,539)
	12.2	-	-
Receivable from ex-employees - unsecured, considered doubtful	12.3	51,274,920	51,274,920
Less: Provision for doubtful receivables		(51,274,920)	(51,274,920)
		-	-
		<u>19,902,845</u>	<u>9,718,261</u>
<b>12.1</b>	Both funds, First Dawood Mutual Fund and Dawood Islamic Fund, were revoked on March 22, 2013 as per SECP's directive.		
<b>12.2</b>	During the year management has recovered an amount of Rs. 32.629 million in respect of lease termination dues recoverable as the lawsuit against the counter party has been decided in favour of the Modaraba.		
<b>12.3</b>	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 these receivables has been made in these financial statements.		
<b>13 TAXATION</b>			
Advance taxation		25,893,001	30,024,525
Less: Provision for doubtful receivables		(22,872,158)	(22,872,158)
		<u>3,020,843</u>	<u>7,152,367</u>
<b>14 CASH AND BANK BALANCES</b>			
Cash in hand		208,214	171,669
Cash with State Bank of Pakistan - current account		40	2,482
Cash with banks in:			
- PLS savings accounts	14.1	65,094,924	392,767,759
- Current accounts		4,198,267	2,227,377
		<u>69,501,445</u>	<u>395,169,287</u>



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**14.1** These carry mark-up at rates ranging from 6% to 9.02% (2013: 6% to 10.85%) per annum.

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

Modaraba certificates of Rs. 10 each

<b>Number of certificates</b>			<b>2014</b>	<b>2013</b>
<b>2014</b>	<b>2013</b>		<b>Rupees</b>	<b>Rupees</b>
39,359,741	39,359,741	Certificates issued as fully paid in cash	393,597,410	393,597,410
8,833,724	8,833,724	Certificates issued as fully paid bonus	88,337,240	88,337,240
		Certificates issued to certificate holders of Guardian Modaraba under the Scheme of Amalgamation		
<u>29,852,790</u>	<u>29,852,790</u>		<u>298,527,900</u>	<u>298,527,900</u>
<u>78,046,255</u>	<u>78,046,255</u>		<u>780,462,550</u>	<u>780,462,550</u>

B.R.R. Investments (Private) Limited (the Management Company) held 12,985,895 (16.63%) certificates of Rs.10 each as at June 30, 2014 (2013: 12,985,895 (16.63%) certificates).

Equity International (Private) Limited, an associated company, held 1,434,974 (1.84%) certificates of Rs.10 each as at June 30, 2014 (2013: 1,434,974 (1.84%) certificates).

Ayaz Dawood and S.M. Atiq ur Rehman held 3,708,969 (4.752%) and nil (0.000%) certificates of Rs.10 each as at June 30, 2014 (2013: 487,199 (0.62%) and 12,885,598 (16.51%) certificates).

**16 STATUTORY RESERVE**

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

- 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
- thereafter a sum not less than 5% of its after tax profits.

During the year, the Modaraba has credited 49.79% of its profit to this reserve.

**17 SURPLUS ON REVALUATION OF INVESTMENTS**

Listed ordinary shares	61,684,358	49,297,586
Unlisted shares	22,596,030	-
	<u>84,280,388</u>	<u>49,297,586</u>

**18 DIMINISHING MUSHARAKA BASED TERM FINANCE CERTIFICATES**

Diminishing musharaka based Term Finance Certificates (TFCs)	554,519,375	717,500,000
Less: Current maturity	171,953,125	145,000,000
	<u>382,566,250</u>	<u>572,500,000</u>



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**18.1** The above TFCs represent privately placed instruments in the form of Diminishing Musharaka and are secured against investment properties and BRR Tower 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 during 2011.

**18.2** During the year, Modaraba has entered into settlement agreement, according to clause 9 of Modaraba's Sukuk Master Restructuring / Settlement Agreement dated April 15, 2011, with Bank of Khyber (BOK) according to which both Modaraba and BOK have agreed to settle BOK's investment of 20,000 units of Modaraba's Sukuk against 7th floor of BRR Tower at a rate of Rs. 11,000 per square feet. BOK would pay cash over and above the settlement value of Sukuk's outstanding amount to the Modaraba in accordance with restructuring agreement. In this regard, No Objection Certificates (NOC) from majority Sukuk holders (approximately 52%) to proceed with the captioned transaction have been obtained which has been confirmed by the Bank Alfalah Limited, Trustee of Modaraba's Sukuk, vide their letter dated February 25, 2014. However, the above transaction has not been recorded in the books of the Modaraba as the Registrar Modaraba under section 18A of Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 has directed the management not to sell, convey, transfer, mortgage, encumber, alienate or create any third party interest in respect of any asset of the Modaraba valuing Rs.1 million and above without his approval. The Modaraba has sought an approval from the Registrar Modaraba and SECP for completion of the abovementioned transaction which is currently pending.

	Note	2014 Rupees	2013 Rupees
<b>19 MURABAHA, MUSHARAKA AND FINANCE UNDER MARK-UP ARRANGEMENTS</b>			
Murabaha arrangements	19.1	152,500,000	152,500,000
Musharaka arrangements	19.2	192,550,000	698,350,000
Mark-up arrangements			
Running finance	19.1	49,649,098	49,649,097
		394,699,098	900,499,097
Less: Long-term portion of musharaka arrangements		28,950,000	514,750,000
		<u>365,749,098</u>	<u>385,749,097</u>

**19.1** 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. The Modaraba has not met its past due obligation towards the commercial bank on its respective repayment dates. Later, Modaraba offered a proposal for settlement which includes debt to asset swap and rescheduling of the amount due. However, restructuring has not been finalized to date by the bank. The Modaraba continues to accrue markup on the facilities at rate ranging from 11.28% to 14.24% (2013: 11.28% to 14.24%) per annum. The arrangements are secured by way of hypothecation of the leased assets and future rentals receivable.

**19.2** The Modaraba has entered into Musharaka agreements with the commercial banks / financial institutions and other companies. These Musharaka arrangements are on profit sharing basis and payable upto December 28, 2014. Estimated rate of profit on Musharaka arrangement ranges from 8.98% to 16% (2013: 8.98% to 16%) per annum.

**20 CUSTOMER SECURITY DEPOSITS**

Lease / ijarah	61,622,533	73,498,720
Investment properties	23,298,667	23,160,782
Lockers	13,180,500	12,085,500
	98,101,700	108,745,002
Less: Long term portion	(97,965,207)	(103,456,954)
	<u>136,493</u>	<u>5,288,048</u>



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	Note	2014 Rupees	2013 Rupees
<b>21 CREDITORS, ACCRUED AND OTHER LIABILITIES</b>			
Modaraba management fee payable	32	4,784,370	6,165,139
Sales tax on Modaraba management fee payable	32	1,751,921	986,422
Provision for Workers' Welfare Fund	33	2,314,313	2,536,630
Accrued liabilities		4,890,318	6,422,215
Rentals received in advance			
Lease		-	2,849,456
Lockers		17,157,667	16,235,827
Properties		21,796,880	15,554,597
Charity payable		107,569	1,650,448
Others	21.1	33,642,586	16,492,701
		<u>86,445,624</u>	<u>68,893,435</u>
<b>21.1</b>	This includes principal and profit payable on diminishing musharaka based Term Finance Certificates to Equity International (Private) Limited amounting to Rs. 26.457 million (2013: Rs. 6.661 million).		
<b>22 ACCRUED PROFIT ON BORROWINGS</b>			
Finance under murabaha arrangements		77,081,040	59,459,038
Finance under musharaka arrangements		56,905,709	111,225,968
Finance under mark-up arrangements		26,672,420	20,785,574
Diminishing musharaka based TFCs		134,740,312	199,916,989
		<u>295,399,481</u>	<u>391,387,569</u>
<b>23 PROFIT DISTRIBUTION PAYABLE</b>			
Unclaimed profit payable to certificate holders		<u>22,344,919</u>	<u>59,459,038</u>
<b>24 CONTINGENCIES AND COMMITMENTS</b>			
<b>24.1</b>	There were no contingencies as at June 30, 2014.		
<b>24.2</b>	Commitments for capital expenditure in respect of BRR Tower amounted to Rs. 48.700 million (2013: Rs.70 million).		
<b>25 RETURN ON INVESTMENTS - NET</b>			
Dividend income		7,123,050	10,117,314
Profit on debt securities		12,274,724	14,028,433
Gain on sale of investments		22,330,568	85,108,076
		<u>41,728,342</u>	<u>109,253,823</u>
<b>26 RENTAL INCOME</b>			
Investment properties	26.1	69,910,943	64,065,179
Lockers and custodial services		21,006,285	19,480,866
		<u>90,917,228</u>	<u>83,546,045</u>



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**26.1** This includes rental income amounting to Rs. 3.334 million (2013: Rs.2.544 million) from management company and associated companies / related parties.

**27 REVERSAL OF PROVISION AGAINST DOUBTFUL RECEIVABLES - NET**

	Note	2014 Rupees	2013 Rupees
<b>Reversal during the year</b>			
Lease rentals	10.2	2,134,014	8,562,459
Musharaka	7.2	36,690,518	17,572,362
Others	12	32,628,539	-
		71,453,071	26,134,821
<b>Less: Charged during the year</b>			
Lease rentals	10.2	(1,868,664)	(1,743,000)
Musharaka	7.2	(5,075,895)	(15,244,168)
		(6,944,559)	(16,987,168)
		<u>64,508,512</u>	<u>9,147,653</u>

**28 OTHER INCOME**

Gain on disposal of property and equipment - owned		225,207	511,022
Liabilities no longer payable written back		4,536,072	944,769
Miscellaneous and other termination charges		9,553,937	1,720,711
		<u>14,315,216</u>	<u>3,176,502</u>

**29 ADMINISTRATIVE EXPENSES**

Salaries, allowances and other benefits		35,896,773	33,956,165
Travelling and conveyance		214,773	163,581
Entertainment		217,174	1,301,887
Electricity, water and gas		4,219,835	3,670,934
Telephone and fax		601,991	646,003
Postage and courier		333,276	598,235
Stationery and printing		1,237,531	648,675
Computer expenses		478,629	342,419
Subscriptions		3,247,206	2,258,186
Advertisement		44,259	175,000
Insurance		2,275,741	4,573,251
Repairs and maintenance		10,336,828	8,875,340
Rent, rates and taxes		2,540,815	1,441,447
Security expenses		1,030,308	812,456
Brokerage and commission		234,037	208,618
Legal and professional		4,686,684	6,429,523
Auditor's remuneration	29.1	1,383,610	1,383,440
Depreciation on owned assets	5.1	7,330,673	8,346,545
Depreciation on investment properties	6.1	25,772,613	23,984,957
Donation	29.2	-	70,786
Zakat		-	4,273
Others		1,809,444	754,432
		<u>103,892,200</u>	<u>100,646,153</u>



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	Note	2014 Rupees	2013 Rupees
<b>29.1 Auditor's remuneration</b>			
Audit fee		650,000	650,000
Limited review, special reports, certification and sundry Advisory services		350,000	350,000
Out of pocket expenses		383,610	383,440
		1,383,610	1,383,440
<b>29.2</b>	The Directors of the Modaraba Management Company do not have interest in any donee's fund to which donations were made.		
<b>29.3</b>	During the year, the Modaraba contributed Rs. 1.658 million (2013: Rs. 1.580 million) to the provident fund.		
<b>29.4 Disclosures relating to Provident Fund</b>			
Size of the fund		73,015,196	66,121,346
Cost of investments made		33,957,731	62,728,856
Percentage of investments made		46.51%	94.87%
Fair value of investments		33,957,731	72,209,728
<b>Break-up of investments</b>			
Government securities		10,000,000	39,000,000
Term Finance Certificates		1,839,264	1,840,000
Investment in sukuk		13,690,165	12,407,984
Un-listed securities		-	1,090,196
Listed securities		3,307,378	1,674,924
Mutual Funds		5,120,924	6,715,752
			<b>% age of size of the fund</b>
<b>Break-up of investments</b>			
Government securities		29.45%	62.17%
Term Finance Certificates		5.42%	2.93%
Investment in sukuk		40.32%	19.78%
Un-listed securities		0.00%	1.74%
Listed securities		9.74%	2.67%
Mutual Funds		15.08%	10.71%
<b>29.5</b>	The figures for 2014 are based on the unaudited financial statements of the Provident Fund. Investments out of Provident Fund have been made in accordance with the provisions of section 227 of the Companies Ordinance 1984 and the rules formulated for this purpose.		



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	Note	2014 Rupees	2013 Rupees
<b>30 FINANCIAL CHARGES</b>			
Profit on			
Finance under murabaha arrangement		17,622,002	19,080,276
Finance under musharaka arrangement		41,987,844	101,438,347
Diminishing musharaka based TFCs		61,856,970	76,208,358
Finance under mark-up arrangement		14,043,903	6,238,484
Bank charges and commission		49,188	29,106
		<u>135,559,907</u>	<u>202,994,571</u>
<b>31 LOSS ARISING ON IMPAIRMENT OF ASSETS - NET</b>			
Reversal of impairment loss on property, plant and equipment - leased		-	(8,818,887)
Impairment loss / (reversal of impairment) on:			
Leased assets		469,636	272,803
Equity securities		11,846,025	16,124,515
		<u>12,315,661</u>	<u>7,578,431</u>
<b>32 MODARABA MANAGEMENT COMPANY'S FEE</b>			
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.4.785 million (2013: Rs.6.165 million). Furthermore, during the current year an amount of Rs.0.766 million (2013: Rs.0.986 million) was charged on account of sales tax on management fee levied through Sindh Sales Tax on Services Act, 2011.			
<b>33 WORKER'S WELFARE FUND</b>			
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. 0.846 million (2013: Rs. 1.090 million) in respect of this liability.			
<b>34 TAXATION</b>			
The income of non-trading modarabas is exempt from tax under clause 100 of the second schedule of the Income Tax Ordinance 2001, provided not less than 90% of its profits after appropriation to statutory reserves as required under Modaraba Regulations is distributed to the certificate holders. The Modaraba has decided to continue availing the tax exemption and hence no provision has been made in these financial statements for tax liabilities for the current year.			
Return of income for the tax year 2013 has duly been filed and assessment upto tax year 2013 is deemed to be finalised in terms of section 120 of the Income Tax Ordinance, 2001. The Additional Commissioner of Income Tax has amended the assessment under section 122(5)(A) of the Income Tax Ordinance, 2001 for the tax year 2005 by creating demand of Rs.954,036. The Modaraba has written a letter to the tax authorities and intimated to adjust the aforesaid demand against the sufficient refund available to the Modaraba. Hearing of this case for the above mentioned tax year is currently pending before Income Tax Appellate Tribunal. Moreover, the Income Tax Department has adjusted advance tax payment under section 147 of the Income Tax Ordinance, 2001 amounting to Rs. 2.1 million which will be refundable in the tax year 2014.			





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	<b>2014</b>	<b>2013</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>35 EARNINGS PER CERTIFICATE - BASIC AND DILUTED</b>		
The earnings per share as required under IAS 33 "Earnings per share" is given below:		
Profit for the year	41,447,953	53,409,828
Weighted average number of certificates outstanding	78,046,255	78,046,255
Earnings per certificate (Rupees)	0.53	0.68

**35.1** There were no convertible dilutive potential ordinary certificates outstanding as on June 30, 2014 and 2013.

### **36 REMUNERATION OF OFFICERS AND EXECUTIVES**

Remuneration	19,225,000	15,463,713
Medical expenses	355,000	38,000
Retirement benefits	1,865,293	1,017,004
	<u>21,445,293</u>	<u>16,518,717</u>
Number of officers / executives at the end of the year	<u>18</u>	<u>16</u>

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

### **37 FUTURE MINIMUM LEASE RENTALS RECEIVABLES**

Future minimum lease rentals receivable on the basis of lease agreements executed up to June 30, 2014 are as follows

Receivable - not later than one year	36,085,272	35,171,205
Receivable - later than one year and not later than five year	87,647,110	68,153,931
	<u>123,732,382</u>	<u>103,325,136</u>

### **38 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

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

The Modaraba's overall risk management program 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.

#### **38.1 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.



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### 38.1.1 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, 2014, 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, 2014, approximately 52.737% (2013: 75.080% ) 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. 4.120 million (2013: Rs. 11.727 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.

### 38.1.2 Foreign currency risk

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

### 38.1.3 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. 143.583 million (2013: Rs. 112.727 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. 7.179 million (2013: Rs. 5.636 million). However, in practice, the actual results may differ from the sensitivity analysis.

### 38.1.4 Segment by class of business for investment in equity securities

	2014		2013	
	Rupees	%	Rupees	%
Oil and gas	34,663,644	24.14%	28,425,308	25.22%
Chemicals	37,267,213	25.96%	27,867,362	24.72%
Construction and materials	5,264,201	3.67%	1,678,744	1.49%
Industrial engineering	8,528,615	5.94%	5,853,378	5.19%
Industrial transportation	990,242	0.69%	666,273	0.59%
Automobile and parts	9,907,153	6.90%	6,928,155	6.15%
Food producers	115,500	0.08%	62,500	0.06%
Personal goods	1,688,664	1.18%	7,875,967	6.99%
Pharma and biotech	32,833,698	22.87%	19,316,889	17.14%
Electricity	2,237,376	1.56%	1,345,355	1.19%
Gas water and multiutilities	2,825,996	1.97%	5,835,608	5.18%
Financial services	3,871,011	2.70%	6,871,046	6.10%
Cement	79,900	0.06%	-	0.00%
General industries	1,759,800	1.23%	-	0.00%
Commercial banks	1,498,721	1.04%	-	0.00%
Fixed line telecommunication	50,939	0.04%	-	0.00%
	<b>143,582,673</b>	<b>100%</b>	<b>112,726,585</b>	<b>100%</b>



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### 38.2 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 stressful conditions, without incurring unacceptable losses or risking damage to the Modaraba's reputation.

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

2014	Profit rate	Six months or less	Six to Twelve months	One to five years	Over five years	Total contractual cash flows
<b>Rupees</b>						
Musharaka, murabaha and finance under mark-up arrangement	9.5%-16%	312,149,098	67,550,000	-	15,000,000	394,699,098
Diminishing musharaka based TFCs'	1 month KIBOR	84,765,625	87,187,500	382,566,250	-	554,519,375
Creditors, accrued and other liabilities	-	-	86,445,824	-	-	86,445,824
Accrued profit on borrowing	-	210,673,595	46,214,120	38,511,766	-	295,399,481
Profit distribution payable	-	-	22,344,919	-	-	22,344,919
<b>Total</b>	<b>-</b>	<b>607,588,318</b>	<b>309,742,363</b>	<b>421,078,016</b>	<b>15,000,000</b>	<b>1,353,408,697</b>
2013	Profit rate	Less than 6 months	6 month - 1 year	1 year - 5 year	More than 5 years	Total contractual cash flows
<b>Rupees</b>						
Musharaka, murabaha and finance under mark-up arrangement	9.5%-16%	221,449,097	164,300,000	512,550,000	2,200,000	900,499,097
Diminishing musharaka based TFCs'	1 month KIBOR	70,000,000	75,000,000	572,500,000	-	717,500,000
Creditors, accrued and other liabilities	-	-	68,893,435	-	-	68,893,435
Accrued profit on borrowing	-	179,905,205	211,482,364	-	-	391,387,569
Profit distribution payable	-	-	22,567,349	-	-	22,567,349
<b>Total</b>	<b>-</b>	<b>471,354,302</b>	<b>542,243,148</b>	<b>1,085,050,000</b>	<b>2,200,000</b>	<b>2,100,847,450</b>

### 38.3 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:



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	<b>2014</b>	<b>2013</b>
	<b>Rupees</b>	<b>Rupees</b>
Musharaka and murabaha finance	215,995,796	673,193,357
Short-term investments	455,539,260	376,346,710
Lease rentals receivables	5,248,645	9,346,427
Loans, advances and other receivables	39,217,063	24,591,416
Accrued profit	14,820,765	83,655,523
Cash and bank balances	69,501,445	395,169,287
	<u>800,322,974</u>	<u>1,562,302,720</u>

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

**38.3.1 Segment by class of business for property, plant and equipment - leased**

	<b>2014</b>		<b>2013</b>	
	<b>Rupees</b>	<b>%</b>	<b>Rupees</b>	<b>%</b>
Oil and gas	1,109,640	0.68%	3,575,616	2.64%
Transport	16,034,437	9.89%	4,986,087	3.68%
Chemical and pharmaceutical	-	0.00%	31,500	0.02%
Food and confectioneries	4,945,813	3.05%	3,983,824	2.94%
Engineering and metals	7,234,642	4.46%	7,234,642	5.33%
Power generation	7,788,944	4.80%	7,788,944	5.74%
Insurance	2,186,110	1.35%	3,452,140	2.55%
Miscellaneous	122,901,451	75.77%	104,579,006	77.11%
	<u>162,201,037</u>	<u>100%</u>	<u>135,631,759</u>	<u>100%</u>

**38.3.2 Segment by class of business for musharaka and murabaha finances**

	<b>2014</b>		<b>2013</b>	
	<b>Rupees</b>	<b>%</b>	<b>Rupees</b>	<b>%</b>
Textile industry	17,008,633	3.95%	5,214,927	0.55%
Oil and lubricants	134,577,471	31.28%	133,786,432	14.05%
Sugar and allied	30,609,100	7.11%	40,982,247	4.30%
Leasing and modaraba	-	0.00%	-	0.00%
Chemical and pharmaceutical	49,114,014	11.41%	31,000,000	3.26%
Engineering	33,763,945	7.85%	57,906,655	6.08%
Auto and transportation	7,205,686	1.67%	30,778,145	3.23%
Food and confectioneries	-	0.00%	10,071,176	1.06%
Technology and communication	-	0.00%	9,471,425	0.99%
Hotelling industry	9,471,425	2.20%	175,000,000	18.38%
Real estate	14,270,730	3.32%	235,000,000	24.68%
Miscellaneous	134,246,546	31.20%	222,827,027	23.41%
	<u>430,267,550</u>	<u>100%</u>	<u>952,038,034</u>	<u>100%</u>



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**38.3.3 Segment by class of business for investment in debt securities - TFC's / Sukuk**

Health care equipment and services	77,333,339	59.07%	93,333,335	100.00%
Construction and materials	12,899,053	9.85%	-	0.00%
Electricity	40,687,400	31.08%	-	0.00%
Miscellaneous	-	0.00%	-	0.00%
	<u>130,919,792</u>	<u>100%</u>	<u>93,333,335</u>	<u>100%</u>

	<b>2014</b>	<b>2013</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>38.4 Financial instruments by category</b>		
<b>Financial assets</b>		
<b>Loans and receivables at amortised cost</b>		
Long-term deposits	9,165,337	9,162,337
Musharaka finance	215,995,796	673,193,357
Ijarah / lease rental receivable	5,248,645	9,346,427
Loans and advances	10,148,881	5,272,617
Accrued profit	14,820,765	83,655,523
Other receivables	19,902,845	9,718,261
Cash and bank balances	69,501,445	395,169,287
<b>Available-for-sale</b>		
Short-term investments	389,339,151	334,135,350
<b>Held-for-trading</b>		
Short-term investments	66,200,109	42,211,360
	<u>800,322,974</u>	<u>1,561,864,519</u>
<b>Financial liabilities</b>		
<b>Financial liabilities at amortised cost</b>		
Diminishing musharaka based Term Finance Certificates	554,519,375	717,500,000
Murabaha, musharaka and finance under mark-up arrangements	394,699,098	900,499,097
Customers' security deposits	98,101,700	108,745,002
Creditors, accrued and other liabilities	86,445,624	68,893,435
Accrued profit on borrowings	295,399,481	391,387,569
Profit distribution payable	22,344,919	22,567,349
	<u>1,451,510,197</u>	<u>2,209,592,452</u>

**39 FAIR VALUE HIERARCHY**

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

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

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



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	Level 1	Level 2	Level 3	Total
	Rupees			
<b>Investments at fair value through profit or loss - held-for-trading</b>				
Listed ordinary shares	66,200,109	-	-	66,200,109
<b>Available-for-sale investments</b>				
Listed ordinary shares - net	87,636,125	-	-	87,636,125
Unlisted ordinary shares	-	-	209,007,335	209,007,335
Debt securities	-	-	130,919,792	130,919,792
	<u>153,836,234</u>	<u>-</u>	<u>339,927,127</u>	<u>493,763,361</u>

As at June 30, 2013, the Modaraba held the following financial instruments measured at fair value:

	Level 1	Level 2	Level 3	Total
	Rupees			
<b>Investments at fair value through profit or loss - held-for-trading</b>				
Listed ordinary shares	42,211,360	-	-	42,211,360
<b>Available-for-sale investments</b>				
Listed ordinary shares - net	80,768,786	-	-	80,768,786
Unlisted ordinary shares	-	-	186,411,305	186,411,305
Debt securities	-	-	93,333,335	93,333,335
	<u>122,980,146</u>	<u>-</u>	<u>279,744,640</u>	<u>402,724,786</u>

The following table presents the movement in level 3 instruments:

	2014 Rupees	2013 Rupees
Opening balance	279,744,640	278,661,305
Redemption / sales during the year	(17,471,871)	(6,666,665)
Unrealized gain during the year	22,678,677	-
Additions / transfers during the year	54,975,681	7,750,000
Closing balance	<u>339,927,127</u>	<u>279,744,640</u>

#### 40 CAPITAL RISK MANAGEMENT

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

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

The Modaraba's policy is to maintain a sound capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Modaraba monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total Diminishing Musharaka Term Finance Certificates and borrowings less cash and bank balances.



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

	<b>2014 Rupees</b>	<b>2013 Rupees</b>
Debts	949,218,473	1,617,999,097
Cash and bank balances	<u>(69,501,445)</u>	<u>(395,169,287)</u>
Net debt	<u>879,717,028</u>	<u>1,222,829,810</u>
Equity	<u>854,297,600</u>	<u>802,061,184</u>
Net debt to equity ratio	<u>1.03</u>	<u>1.52</u>

**41 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 operation 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 the book value as the terms are short term in nature.

**42 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 36, is given below:

<b>Relationship with the Modaraba</b>	<b>Nature of transactions / Balances</b>	<b>2014 Rupees</b>	<b>2013 Rupees</b>
<b>Management Company</b>			
BRR Investments (Private) Limited	Management fee accrued	4,784,370	6,165,139
BRR Investments (Private) Limited	Share of common expense received	300,000	4,500,000
BRR Investments (Private) Limited	Share of common expenses received	731,318	712,560



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<b>Relationship with the Modaraba</b>	<b>Nature of transactions / Balances</b>	<b>2014 Rupees</b>	<b>2013 Rupees</b>
<b>Associated companies / other related parties</b>			
First Dawood Investment Bank Limited	Rent received against property	2,020,800	2,243,920
First Dawood Investment Bank Limited	Share of common expenses received	2,324,310	2,118,015
First Dawood Investment Bank Limited	Share of common expenses paid	644,505	395,718
Crescent Standard Modaraba	Share of common expenses received	446,923	2,416,666
Crescent Standard Modaraba	Sale of vehicle	-	676,033
First Dawood Mutual Fund	Investment made	-	9,340,936
First Dawood Mutual Fund	Received against investment redeemed	-	9,801,346
Dawood Islamic Fund	Investment made	-	42,420,721
Dawood Islamic Fund	Received against investment redeemed	-	35,953,910
Dawood Islamic Fund	Receivables against investment	6,006,420	6,006,420
First Dawood Employees Provident Fund	Transfer to provident fund	1,657,974	1,580,365
First Dawood Employees Provident Fund	Principal paid against investment in Sukuk	3,872,405	1,468,844
First Dawood Employees Provident Fund	Profit paid against investment in Sukuk	3,296,220	1,610,820
First Dawood Employees Provident Fund	Borrowing Paid	-	12,000,000
First Dawood Employees Provident Fund	Profit paid on borrowing	-	779,300
Equity International (Private) Limited	Accrued profit on musharaka	7,701,114	2,446,314
Equity International (Private) Limited	Profit received from musharaka	-	3,446,875
Equity International (Private) Limited	Principal paid against investment in Sukuk	-	1,106,250
Equity International (Private) Limited	Profit paid against investment in Sukuk	-	737,500
Equity International (Private) Limited	Principal payable against investment in Sukuk	13,643,750	2,950,000
Equity International (Private) Limited	Profit payable against investment in Sukuk	12,813,424	3,710,822
Dawood Family Takaful Ltd	Ijarah Finance	-	2,396,000
Dawood Family Takaful Ltd	Security deposit received	-	239,600
Dawood Family Takaful Ltd	Rental Received against ijarah	1,191,846	710,178
Dawood Family Takaful Ltd	Rent received against properties	4,488,380	5,577,806
Dawood Family Takaful Ltd	Group Family Takaful	122,420	89,360
Dawood Family Takaful Ltd	Principal paid against investment in Sukuk	21,840,628	8,284,375
Dawood Family Takaful Ltd	Profit paid against investment in Sukuk	18,590,909	9,085,132





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<b>Relationship with the Modaraba</b>	<b>Nature of transactions / Balances</b>	<b>2014 Rupees</b>	<b>2013 Rupees</b>
Dawood Equities Limited	Brokerage and commission payable	234,837	349,433
Dawood Equities Limited	Rental received against property	121,000	62,000
Dawood Equities Limited	Rent Received in advance property	-	11,000
Hamida Dawood	Principal paid against investment in Sukuk	3,353,129	1,271,875
Hamida Dawood	Profit paid against investment in Sukuk	2,854,206	1,394,813
Sui Southern Gas Co. Limited	Dividend received	-	465,084
GlaxoSmithKline Pakistan Limit	Dividend received	65	126,500
Systems Limited	Dividend received	2,043,818	1,912,344

#### **42.1 Group shared services**

The Company has entered into arrangements with associated undertakings to share various administrative, human resource and related costs on agreed terms.

#### **43 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 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.

#### **44 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE**

The Board of Directors of the Management Company in their meeting held on September 30, 2014 have approved profit distribution at the rate of 2.4% i.e. Rs. 18,731,281 (2013: at the rate of 3.1% i.e. Re. 0.31 per certificate) for the year ended June 30, 2014. These financial statements do not reflect this distribution.



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**45 DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on September 30, 2014 by the Board of Directors of B.R.R. Investments (Private) Limited.

**46 CORRESPONDING FIGURES**

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

**47 NUMBER OF EMPLOYEES**

The number of employees as at year end was 63 (2013: 65) and average number of employees during the year was 64 (2013: 64).

**48 GENERAL**

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

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

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

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

\_\_\_\_\_  
**Syed Ali Raza**  
Director



**B.R.R. Guardian Modaraba**  
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**PATTERN OF CERTIFICATE HOLDING - FORM "34"**  
**CERTIFICATE HOLDERS STATISTICS AS AT JUNE 30, 2014**

<b>Number of Certificate Holders</b>	<b>Certificate Holding</b>			<b>Certificates Held</b>
	<b>From</b>	<b>To</b>		
1615	1	-	100	74,401
1322	101	-	500	365,145
2614	501	-	1,000	1,778,979
904	1,001	-	5,000	2,174,678
186	5,001	-	10,000	1,453,063
81	10,001	-	15,000	1,029,765
62	15,001	-	20,000	1,132,032
43	20,001	-	25,000	1,002,045
33	25,001	-	30,000	952,474
21	30,001	-	35,000	685,470
15	35,001	-	40,000	570,628
5	40,001	-	45,000	219,196
25	45,001	-	50,000	1,236,044
7	50,001	-	55,000	363,928
12	55,001	-	60,000	702,270
3	60,001	-	65,000	184,637
3	65,001	-	70,000	210,000
9	70,001	-	75,000	665,090
5	75,001	-	80,000	390,554
7	80,001	-	85,000	580,130
2	85,001	-	90,000	176,000
13	95,001	-	100,000	1,300,000
4	100,001	-	105,000	409,000
2	105,001	-	110,000	219,743
1	110,001	-	115,000	111,756
4	115,001	-	120,000	472,450
1	125,001	-	130,000	127,000
1	130,001	-	135,000	130,962
2	135,001	-	140,000	276,500
2	140,001	-	145,000	281,544
1	145,001	-	150,000	150,000
1	165,001	-	170,000	170,000
4	170,001	-	175,000	696,616
1	185,001	-	190,000	190,000
1	190,001	-	195,000	193,000
4	195,001	-	200,000	798,000
1	200,001	-	205,000	202,000
1	205,001	-	210,000	209,500
1	210,001	-	215,000	210,285
1	215,001	-	220,000	215,480
1	220,001	-	225,000	225,000
2	225,001	-	230,000	457,500
1	235,001	-	240,000	236,000
1	250,001	-	255,000	253,000
1	260,001	-	265,000	264,049
1	295,001	-	300,000	300,000
1	300,001	-	305,000	305,000
1	310,001	-	315,000	314,500



**B.R.R. Guardian Modaraba**  
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Number of Certificate Holders	Certificate Holding		Certificates Held
	From	To	
1	335,001	-	340,000
1	345,001	-	350,000
1	360,001	-	361,994
1	370,001	-	373,000
1	375,001	-	378,944
1	385,001	-	385,561
2	390,001	-	784,585
1	455,001	-	456,000
3	495,001	-	1,500,000
1	515,001	-	516,500
1	680,001	-	681,000
1	765,001	-	767,403
1	805,001	-	805,313
1	830,001	-	833,558
1	895,001	-	895,500
1	955,001	-	955,026
1	970,001	-	974,280
1	1,005,001	-	1,005,985
1	1,015,001	-	1,020,000
1	1,040,001	-	1,041,500
1	1,115,001	-	1,115,998
1	1,135,001	-	1,138,965
1	1,925,001	-	1,929,335
1	1,995,001	-	2,000,000
1	2,695,001	-	2,696,287
1	2,985,001	-	2,985,279
1	3,970,001	-	3,973,351
1	6,760,001	-	6,763,344
1	7,310,001	-	7,310,943
1	9,040,001	-	9,041,190
<b>7062</b>			<b>78,046,255</b>

S. No.	Categories of Certificate holders	Number of Certificate holders	Certificate Held	Percentage
1	Individuals	6994	40,211,826	51.52
2	Financial Institutions	5	2,319,376	2.97
3	Investment Companies	18	4,383,536	5.62
4	Insurance Companies	3	7,312,163	9.37
5	Joint Stock Companies	26	7,277,457	9.32
6	Mutual Fund	2	5,089,349	6.52
7	Modarba Management Co.	2	10,082,690	12.92
8	Modarbas	3	305,107	0.39
9	Others	9	1,064,751	1.36
		<b>7062</b>	<b>78,046,255</b>	<b>100.00</b>



**B.R.R. Guardian Modaraba**  
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**ADDITIONAL INFORMATION  
AS AT JUNE 30, 2014**

<b>S. No.</b>	<b>Categories Certificate holders</b>	<b>Certificates Held</b>	<b>% Age</b>
<b>1</b>	<b>Associated Companies</b>		
	B.R.R. Investment (Pvt.) Ltd.	<b>12,985,895</b>	<b>16.64</b>
<b>2</b>	<b>NIT / ICP</b>	<b>4,004,749</b>	<b>5.13</b>
	CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST Investment Corporation of Pakistan	3,973,351 31,398	
<b>3</b>	<b>Directors, CEO their Spouse &amp; Minor Children</b>	<b>3,734,769</b>	<b>4.79</b>
	Rafique Dawood	25,800	
	Ayaz Dawood	3,708,969	
<b>4</b>	<b>Public Sector Companies and Corporation</b>	<b>7,310,943</b>	<b>9.37</b>
<b>5</b>	<b>Banks, DFIs, NBFIs, Insurance Companies, Modarabas, Mutual Funds and Other Companies</b>	<b>13,562,842</b>	<b>17.38</b>

**Certificate holders holding five percent or more Certificates**

<b>Paid up Capital</b>	<b>78,046,255</b>	
B.R.R. Investment (Pvt.) Ltd.	12,985,895	16.64
State Life Insurance Corp. Of Pakistan	7,310,943	9.37
Amanah Investments Limited	6,803,344	8.72



**B.R.R. Guardian Modaraba**  
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## SIX YEARS' FINANCIAL SUMMARY

2014	2013	2012	2011	2010	2009
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### Key Financial Figures

(Rs. In million)

#### Profit & Loss Account

Operating income	234.38	377.33	380.82	585.05	611.11	557.01
Other income	14.31	2.66	7.85	29.94	20.31	22.73
Amortization	26.61	17.97	27.73	53.30	170.88	300.48
Financial charges	135.55	202.99	239.63	354.88	351.73	318.46
Operating expenses	103.89	100.64	109.74	109.30	102.28	99.11
Provision/(Reversal) for doubtful debts/receivables	64.50	(9.14)	(29.52)	9.19	17.85	270.66
Provision for diminution in the value of investments - charge/(written back)	14.54	12.84	(4.92)	7.65	-	-
Net Profit	41.44	53.41	29.18	41.70	(161.23)	(502.75)
Dividend	18.73	24.19	14.04	19.51	-	-

#### Balance Sheet

Paid-up Capital	780.46	780.46	780.46	780.46	780.46	780.46
Reserves	73.83	21.59	(7.65)	(47.77)	(147.57)	(40.04)
Certificate Holders Equity	854.29	802.06	772.81	732.68	632.89	740.42
Borrowings	949.22	1,617.99	1,756.81	1,784.83	2,546.66	1,915.39
Lease portfolio	162.20	135.63	97.72	128.98	289.63	505.99
Morabaha & Musharaka Portfolio	215.99	673.19	817.26	893.68	1,346.43	804.66

#### Performance Indicators

Earnings / (Loss) per certificate (Rs.)	0.53	0.68	0.37	0.53	(2.07)	(6.44)
Profit paid per certificate (Rs.)	0.24	0.31	0.18	0.25	-	-
Profit paid per certificate (%)	2.40%	3.10%	1.80%	2.50%	0.00%	0.00%
Profit payout (after statutory reserves) (%)	90%	90%	95.36%	93.57%	-	-
Break-up value per certificate (Rs.)	10.27	10.28	9.90	9.39	8.11	9.49
Market value per certificate (Rs.)	6	3.75	2.45	2.19	1.29	2.70
Price Earnings ratio	11.32	5.48	6.55	4.10	(0.62)	(0.42)
Income/Expense ratio	0.93	1.18	1.03	1.19	1.01	0.81
Financial Charges/Total Expenses (%)	50.95	63.12	63.55	68.58	56.29	44.35

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