

## Notice of Annual Review Meeting

The Board of Directors of B.R.R. Investments (Pvt.) Limited in their meeting held on September 13, 2005 have declared Final Profit Distribution of B.R.R International Modaraba @ Rs.1.10 i.e. 11% per Modaraba Certificate of the par value of Rs.10/- each for the year ended June 30, 2005.

To determine the names of Certificate Holders entitled to receive Final Cash Profit and to attend the Annual Review Meeting, the Certificate Transfer Books of Modaraba will remain closed from Thursday, 6th October, 2005 to Monday, 17th October, 2005 (both days inclusive). Transfers received in order at the Registrars and Certificate Registration Office at "Gangjees Investment & Finance Consultants, 413 Clifton Centre, Khayaban-e-Roomi, Kehkeshan, Block-5, Clifton, and Karachi-75600. (Phone No.5375714, 5836920)", before the close of business hours on Wednesday, 5th October, 2005 will be treated in time for the entitlement of dividend. Further Certificate Holders are advised to notify to the Registration Office, of any change in their addresses to ensure prompt delivery of mail.

The 6th Annual Review Meeting of Certificate Holders of B.R.R. International Modaraba will be held on Monday, 17th October, 2005 at 3:00 p.m. at the Head Office of the Modaraba situated at 1500-A, Saima Trade Towers, I.I Chundrigar Road, Karachi to review the performance of the Modaraba for the year ended June 30, 2005.

### Transmission of Quarterly Accounts

We are pleased to inform to our Certificate Holders that in compliance of the requirements of Circular No. 21 of 2004 issued by the Registrar Modaraba Companies and Modarabas (SECP) and in accordance with the Resolution passed at the Annual Review Meeting of the Modaraba, consent given by the Karachi Stock Exchange and permission obtained from the Registrar Modaraba Companies and Modarabas (SECP), effective first quarter of the current financial year (2005-06), the quarterly accounts of the Modaraba shall be placed on the Modaraba's web site instead of sending the same by post to its Certificate Holders. Website address is:

**<http://www.firstdawood.com/brr>**

The Modaraba shall however, provide a copy of the Quarterly Accounts free of cost to those Certificate Holders who request this in writing, at their registered address, within one week of such request and shall also send the requisite number of copies to the Karachi Stock Exchange and the SECP.

Place: Karachi  
Dated: September 20, 2005

By order of the Board  
Company Secretary

## Directors' Report

With heavy heart, this is the first occasion; my late father Mr. Siddique Dawood is not presenting Directors Report before the Certificate Holders due to his demise in January 2005. He will be remembered forever for his outstanding work and lasting contribution to the financial and industrial sector of the country.

The Board of Directors of B.R.R. Investments (Private) Limited, the Management Company of B.R.R. International Modaraba (BRRIM), is presenting the Directors' Report of BRRIM, together with Audited Financial Statements for the year ended June 30, 2005.

### Financial Results

Financial results are summarized as under:

	<b>June 30, 2005</b>	June 30, 2004
	<b>Rupees</b>	Rupees
New leases executed during the year at prime cost	<b>584,598,735</b>	656,468,687
Morabaha and Musharaka Financing	<b>229,200,000</b>	41,500,000
Total disbursements made during the year	<b>813,798,735</b>	697,968,687
Total revenues	<b>609,511,912</b>	556,797,084
Profit before management fee	<b>86,231,874</b>	117,836,281
Modaraba Company's management fee	<b>8,623,187</b>	11,783,628
<b>Profit for the year before taxation</b>	<b>77,608,687</b>	106,052,653
Taxation- prior years written back	<b>4,600,000</b>	-
<b>Profit for the year after taxation</b>	<b>82,208,687</b>	106,052,653
Add: Unappropriated profit brought forward	<b>44,078,886</b>	37,312,880
Profit available for appropriation	<b>126,287,573</b>	143,365,533
<b>Appropriations:</b>		
Profit distribution Rs. 1.10 per certificate (2004: Rs. 1.40 per certificate)	<b>53,012,812</b>	67,470,851
Statutory reserve	<b>24,662,606</b>	31,815,796
General reserve	<b>46,627,463</b>	-
	<b>124,302,881</b>	99,286,647
Unappropriated profit carried forward	<b>1,984,692</b>	44,078,886
Basic earnings per certificate	<b>1.71</b>	2.20

### Menace Of The Increasing Cost Of Funds.

The State Bank's drive to increase the interest rates of T-bills rates, discount rates and export refinance rates has already created uncertainty in the Leasing and Modaraba sectors. This could hamper the growth of the leasing business and the impact could be longer lasting.

Modarabas and Leasing sectors' companies are expected to face high competition in a high interest rates scenario, with a decline in the number of prospective clients. This will particularly be witnessed for the requirement of consumer and car financing, because of their capacity to pay the installments become weaker, as leasing will turn out to be relatively expensive for them. This may also give impetus to the default ratio for new as well as for existing repayment obligations.

However, the negative effect would not be for any one particular financing sector, since the high interest rates' situation would increase the struggle among all the lending agencies to increase their client base, in order to expand overall credit disbursements and sustain their portfolio and earnings.

Impact of the increasing cost of funds has already been felt for leasing business. Not many clients understand the mechanism of rates adjustments and the difference in the fixed and floating rates and their link to the KIBOR rates. For this reason aggressive leasing would be discouraged by the lending agencies.

### **Review of Operations**

In this environment of rapidly increasing borrowing cost of funds, there is an unusual increase in competition, and compromising attitude by the lenders towards the quality of clientele. Your Modaraba has upheld its position in terms of financial as well as earnings strength.

Even though leasing business has all the way through experienced difficulties, your Modaraba has performed well to maintain its operations. During the year Modaraba has executed new business of Leases, Morabaha and Musharaka up to the extent of Rupees 813.80 million as compared to Rupees 697.97 million last year, which shows large increase of Rupees 115.83 million in overall business.

During the year under review, total revenues have shown significant increase of Rupees 52.72 million as compared to the last year's financial figure, while net profit after taxation has decreased by Rupees 23.84 million as compared to the previous year. The main reasons for the decrease in profits are reduction in other income, increase in amortisation on leased assets and financial charges during the period. Nevertheless net income on the core business activity, "leasing", has revealed increase of Rupees 23.33 Million over and above the last year's leasing business, showing an increase from Rupees 88.39 to 111.72 Million.

Your Modaraba has earned Rupees 525.79 million as "Lease rentals income" and Rupees 33.38 million as "Income on Musharaka and Morabaha transactions" for the year, which shows increase of Rupees 73.65 million and Rupees 1.79 million respectively under these two modes of income as compared to Rupees 452.14 million and Rupees 31.59 million respectively, reported last year. Further the income on investments decreased by Rupees 4.85 million, during the year, as compared to last year. The major reasons for the decline in income on investments are decline in profits earned on placement of funds with financial institutions and income on Term Finance Certificates.

Operating general expenses of the Modaraba have been kept under control. Despite inflationary trend, these expenses have not shown any large increase during the financial year and have increased only by the nominal amount of Rupees 4.60 million due to close supervision and budgeting of expenditures.

Modaraba has been benefited by the lower cost of funds and has reduced its financial charges during the first half of this financial year, nonetheless subsequently financial charges have depicted rising trend due to the increase in cost of funds and the quantum of borrowing. As a result, financial charges increased by Rupees 11.20 million i.e. from Rupees 34.21 million as reported in the comparative figure to Rupees 45.41 million during the current financial year.

By means of effective recovery drive, Modaraba had been able to recover Rupees 20.39 million from the previously provided bad debts as compared to Rupees 7.79 million recovered during the comparative year. To keep the portfolio clean and uninfected, Modaraba has made provision against non-performing leases up to the extent of Rupees 11.65 million. By having such provision a net reversal of provision has been arrived at Rupees 8.74 million, which stood at Rupees 8.47 million last year.

### **Dividend**

The Board is pleased to declare a profit distribution in cash of Rupees 1.10 per Modaraba Certificate aggregating Rupees 53.01 million. The break-up value of your Modaraba Certificate now stands at Rupees 17.00 (2004: Rupees 16.09) against a face value of Rupees ten.

### **Future Outlook**

Irrespective of the difficulties faced by the Modaraba sector in terms of competition and funding cost, your Modaraba is expecting improvement in leasing business as well as total profitability in the next financial year. We are at the planning stage to expand our marketing activities, and give a boost to our volume of business. This would reveal results in the coming years.

Ongoing country wide developments on the economic front will lead to good prospects for inflow of foreign funds, capital investments, economic growth, followed by the growth in industrial, capital and leasing sectors of the economy.

Further, your Modaraba has not compromised on its appraisal standards, and has adopted a very selective approach for leasing and other business activities, and preferred funding in strong sectors related to client performance and standing.

### **Appointment of Auditors.**

The present Auditors A.F. Ferguson & Co., Chartered Accountants are due for retirement and not eligible for the reappointment for the reason of the compulsory requirement in rotation of Auditors as described by the Code of Corporate Governance. Therefore the Audit Committee has recommended and Board of Directors has approved the appointment of M. Yousuf Adil Saleem & Co. Chartered Accountants for the year ending June 30, 2006, subject to the approval of the Registrar Modaraba Companies and Modarabas.

## **Corporate and Financial Reporting Framework**

- The financial statements, prepared by the management of the Modaraba, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of accounts of the Modaraba have been maintained.
- Appropriate accounting policies, except for changes disclosed in the financial statements, have been consistently applied in the preparation of financial statements, and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- The system of internal control, which is in place, is being continuously reviewed by internal audit and other management control procedures. The process of review will continue and any weakness in controls will be rectified.
- Board is satisfied with the Modaraba's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- Key operating and financial data for the last six years in summarized form is included in this annual report.
- There are no statutory payments on account of taxes, duties, levies and charges that are outstanding as on June 30, 2005 except for those disclosed in the financial statements.
- The value of investments of provident fund based on its audited accounts of December 31, 2004 is rupees 23.05 million.
- Significant plans as discussed in the future outlook above and the risks and uncertainties associated with the Modaraba Sector as a whole have been described in the section on "Menace of The Increasing Cost of Funds".
- During the year, six meetings of the Board of Directors were held. Attendance by each director is as follows:

<b><u>Name of Director</u></b>	<b><u>No. of Meetings Attended</u></b>
Mr. Siddique Dawood	3
Mr. Rafique Dawood	5
Mr. Safdar Rashid	6
Mr. Majid Dawood	2
Ms. Farida Rokadia	1
Ms. Tara Uzra Dawood (Alternate Director)	1

The pattern of holding of certificates by the certificate-holders is included in this annual report.

## **Credit Rating**

After performing the complete assessment procedure JCR-VIS Credit Rating Company Limited (JCR-VIS) has reaffirmed on March 30, 2005 the medium to long-term entity rating of BRR International Modaraba at " A – " (Single A Minus) with a stable outlook. The short-term rating has also been reaffirmed at A-2 (A Two). These ratings denote strong liquidity position along with controlled level of borrowings and the Modaraba's strong capitalization.

JCR-VIS believes that the risk profile of BRRIM has remained consistent with the ratings. The Modaraba has a large capital base and holds a strong liquidity position. Further, despite a decrease in market profit margins, profitability indicators have been maintained over the period with controlled administrative expenses and good portfolio quality.

In the coming financial year we expect further improvement in our credit rating.

## **Acknowledgement.**

The Directors offer their sincere thanks to our valued clients, bankers, and certificate holders for their sustained confidence in the Modaraba. We extend our appreciation to State Bank of Pakistan, Securities & Exchange Commission of Pakistan, Registrar Modaraba Companies and Modarabas for their continued support and guidance and to all members of staff for their dedication and hard work.

For and on behalf of the Board

**Karachi:**  
**Dated: September 13, 2005**

**Rafique Dawood**  
**Chairman**

## **Statement of Compliance with the Code of Corporate Governance and Best Practices on Transfer Pricing. For The Year Ended June 30, 2005.**

### **Statement of Compliance with the Code of Corporate Governance**

(As required by the Listing Regulations)

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 37 of listing regulations of the Karachi Stock Exchange 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 International Modaraba (BRRIM), is a Private Limited Company, the board of directors of management company are pleased to confirm that the code of corporate governance is being complied with in all material respects.

Modaraba Management Company (hereafter referred as Company) has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. The Board is made up of five directors altogether, two are non-executive, two executives and one alternate director. There is no director on the board representing minority shareholders.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFII or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Casual vacancy has occurred in the Board during the year due to the demise of Chairman of the company and which was duly filled up by the Board of Directors within 30 days for the remainder term.
5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors of the Company and all the employees of the Modaraba.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Modaraba. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and the Board has taken decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors.

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 Board has been circulated with details of their duties and responsibilities last year. Comprehensive discussions were held in this regard and update course was conducted by the CFO along with the corporate lawyer to apprise Board of Directors of their duties and responsibilities.
10. The Board has already approved appointment of CFO, including his remuneration and terms and conditions of employment, as determined by the CEO.
11. The Directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Modaraba were duly endorsed by CEO and CFO before 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 Certificates holding.
14. The Modaraba has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises three members including the Chairman, of whom two are non-executive directors, which represents majority of the committee.
16. The meetings of the audit committee were held, after its formation, at least once in every quarter prior to approval of interim and final results of the Modaraba and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has outsource the internal audit function to S.M.Rehan & Co. Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Modaraba and they (or their representatives) are involved in the internal audit function on a full time basis.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold Certificates of the Modaraba and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.



19. 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.
20. We confirm that all other material principles contained in the Code have been complied with.

**Statement of Compliance with the Best Practices on Transfer Pricing.**

(As required by the Listing Regulations)

The Modaraba has fully complied with the Best Practices on Transfer Pricing as contained in the Listing Regulations of the Stock Exchange.

**Rafique Dawood**

*Chairman*

**Karachi**

**September 13, 2005**

AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of B.R.R. International Modaraba as at June 30, 2005 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of accounts have been kept by the modaraba company in respect of B.R.R. International Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981;
- (b) in our opinion:
  - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of accounts 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) 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, 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, 2005 and of the profit, 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.

Chartered Accountants  
Karachi



Dated:

# B.R.R. INTERNATIONAL MODARABA

## BALANCE SHEET AS AT JUNE 30, 2005

	Note	2005 Rupees	2004 Rupees
<b>ASSETS</b>			
Cash and bank balances	3	29,149,827	179,105,035
Musharakas and morabahas	4	157,547,166	41,145,697
Hire purchase instalments receivable	5	-	-
Short term investments	6	144,444,444	61,355,944
Trade Debts	7	1,688,518	5,566,225
Loans, advances and prepayments	8	2,162,815	1,930,540
Other receivables	9	5,736,062	2,911,305
Taxation refundable		5,002,499	14,275,289
<b>Total current assets</b>		<b>345,731,331</b>	<b>306,290,035</b>
Long term portion of musharakas and morabahas	4	125,658,753	104,916,251
Long term loans	8	5,765,400	3,286,000
Long term portion of other receivables	9	97,306,669	69,739,960
Investments	10	138,201,824	66,009,298
Long term deposits		299,500	204,500
Assets in own use	11	84,382,472	70,338,871
Capital work in progress - assets in own use	12	63,688,000	4,228,761
Assets leased out	13	1,125,642,834	1,033,816,342
Work in progress of assets to be leased out - plant and machinery		30,912,000	-
Investment property	14	12,768,521	190,637
		<b>2,030,357,304</b>	<b>1,659,020,655</b>
<b>LIABILITIES</b>			
Finance under mark up arrangements	15	331,666,666	177,250,000
Morabahas	16	154,066,459	63,261,009
Creditors, accrued and other liabilities	17	74,043,388	62,082,406
Customers' security deposits		55,213,188	36,737,454
Profit payable	18	57,264,317	71,342,234
<b>Total current liabilities</b>		<b>672,254,018</b>	<b>410,673,103</b>
Long term portion of finance under mark up arrangements	15	79,166,667	189,602,848
Long term portion of morabahas	16	309,398,488	123,970,306
Long term portion of rentals received in advance		2,409,896	9,217,659
Long term portion of customers security deposits		147,367,026	150,017,629
		<b>1,210,596,095</b>	<b>883,481,545</b>
<b>Net Assets</b>		<b>819,761,209</b>	<b>775,539,110</b>
<b>Represented by:</b>			
Certificate Capital	19	481,934,650	481,934,650
Reserves - capital	20	231,606,282	206,943,676
- revenue	20	85,000,000	38,372,537
Surplus on revaluation of investments	2(e)	19,235,585	4,209,361
Unappropriated profit		1,984,692	44,078,886
<b>Commitments</b>	21		
		<b>819,761,209</b>	<b>775,539,110</b>

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

Chief Executive  
B.R.R. Investments  
(Private) Limited

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

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

B.R.R. INTERNATIONAL MODARABA

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2005

	Note	2005 Rupees	2004 Rupees
Lease Rentals		525,785,420	452,141,417
Income on musharaka and morabaha transactions		33,379,594	31,588,990
Income on investments	22	11,112,722	15,955,126
Income on balances with banks	23	8,733,306	13,288,392
		<u>579,011,042</u>	<u>512,973,925</u>
Operating expenses	24	(45,604,117)	(41,001,465)
Amortisation on assets leased out		(414,067,119)	(363,751,701)
Impairment loss		(18,203,360)	-
Financial charges	25	(45,405,442)	(34,207,637)
		<u>(523,280,038)</u>	<u>(438,960,803)</u>
		55,731,004	74,013,122
Provision for doubtful receivables written back - net	26	8,736,909	8,473,316
Provision for diminution in the value of investments written back		212,000	573,882
		<u>64,679,913</u>	<u>83,060,320</u>
Other income	27	21,551,961	34,775,961
		<u>86,231,874</u>	<u>117,836,281</u>
Modaraba Company's management fee		<u>(8,623,187)</u>	<u>(11,783,628)</u>
Profit for the year before taxation		77,608,687	106,052,653
Taxation - Prior years written back		4,600,000	-
Profit for the year after taxation		<u>82,208,687</u>	<u>106,052,653</u>
Unappropriated profit brought forward		44,078,886	37,312,880
Profit available for appropriations		<u>126,287,573</u>	<u>143,365,533</u>
Appropriations:			
- Profit distribution @ Rs. 1.10 per certificate (2004: Rs. 1.40 per certificate)		53,012,812	67,470,851
- Transfer to statutory reserve		24,662,606	31,815,796
- Transfer to general reserve		46,627,463	-
		<u>124,302,881</u>	<u>99,286,647</u>
Unappropriated profit carried forward		<u>1,984,692</u>	<u>44,078,886</u>
Basic earnings per certificate	28	<u>1.71</u>	<u>2.20</u>

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

Chief Executive  
B.R.R. Investments  
(Private) Limited

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

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

## B.R.R. INTERNATIONAL MODARABA

### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2005

	Certificate Capital	Capital Reserves		General reserve	Surplus on revaluation of investments	Unappropriated Profit	Total
		Profit prior to floatation	Statutory reserve				
	← Rupees →						
Balance as at July 1, 2003	481,934,650	10,532,683	164,595,197	38,372,537	2,635,103	37,312,880	735,383,050
Profit for the year	-	-	-	-	-	106,052,653	106,052,653
Transferred to statutory reserve	-	-	31,815,796	-	-	(31,815,796)	-
Unrealised profit on revaluation of investments	-	-	-	-	1,574,258	-	1,574,258
Profit distribution	-	-	-	-	-	(67,470,851)	(67,470,851)
Balance as at June 30, 2004	481,934,650	10,532,683	196,410,993	38,372,537	4,209,361	44,078,886	775,539,110
Profit for the year	-	-	-	-	-	82,208,687	82,208,687
Transferred to statutory reserve	-	-	24,662,606	-	-	(24,662,606)	-
Unrealised profit on revaluation of investments	-	-	-	-	15,026,224	-	15,026,224
Transfer to general reserve	-	-	-	46,627,463	-	(46,627,463)	-
Profit distribution	-	-	-	-	-	(53,012,812)	(53,012,812)
Balance as at June 30, 2005	481,934,650	10,532,683	221,073,599	85,000,000	19,235,585	1,984,692	819,761,209

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

Chief Executive  
B.R.R. Investments  
(Private) Limited

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

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

**B.R.R. INTERNATIONAL MODARABA**

**CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2005**

	2005 Rupees	2004 Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit for the year before taxation	77,608,687	106,052,653
Adjustment for non-cash charges and other items		
Depreciation	9,431,873	5,444,310
Amortisation	414,067,119	363,751,701
Impairment loss	18,203,360	-
Exchange loss on revaluation of redeemable capital and certificates of investments in foreign currency	-	282,414
Provision for diminution in value of investments written back	(212,000)	(573,882)
Fixed capital expenditure on assets leased out	(615,510,735)	(656,468,687)
Proceeds on disposal of assets leased out	62,947,917	294,228,126
Profit on sale of assets in own use	(1,007,225)	(620,289)
Profit on sale of assets leased out	(2,446,153)	(14,129,594)
Profit on musharaka, morabaha and finance under mark up arrangements	44,314,713	29,627,003
Profit on redeemable capital	-	4,410,324
Income on investments	(11,112,722)	(15,955,126)
	(81,323,853)	9,996,300
(Increase)/Decrease in current assets		
Trade debts	3,877,707	(331,445)
Loans, advances and prepayments	(2,711,675)	(5,674,309)
Other receivables (excluding accrued income and dividend receivable)	(30,028,704)	(24,381,454)
	(28,862,672)	(30,387,208)
Increase/(Decrease) in current liabilities		
Creditors, accrued and other liabilities (excluding accrued mark-up and advance rentals)	10,530,843	(8,873,293)
(Increase)/Decrease in long term deposits	(95,000)	100,000
Increase in customers' security deposits	15,825,131	8,674,716
(Decrease)/Increase in rentals received in advance	(1,866,426)	7,286,545
Income tax refunded	13,872,790	270,109
<b>Net cash from operating activities</b>	<b>5,689,500</b>	<b>93,119,822</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net (increase)/decrease in investments	(140,042,802)	297,776,903
Income received on investments	10,749,960	17,719,560
(Increase)/ Decrease in morabahas and musharakas	(137,143,971)	3,281,465
Fixed capital expenditure on assets in own use	(95,607,897)	(44,458,812)
Proceeds on disposal of assets in own use	1,102,525	806,100
<b>Net cash (used in)/from investing activities</b>	<b>(360,942,185)</b>	<b>275,125,216</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Net increase in finance under mark up arrangements	43,980,485	142,435,691
Increase/(Decrease) in musharaka and morabahas	276,233,632	(4,982,895)
Repayment of redeemable capital	-	(289,600,000)
Profit paid on musharaka, morabaha and finance under mark-up arrangements	(43,415,588)	(29,639,819)
Profit paid on redeemable capital	(4,410,323)	(155,519,061)
Profit paid to certificate holders	(67,090,729)	(76,702,079)
<b>Net cash from/(used in) financing activities</b>	<b>205,297,477</b>	<b>(414,008,163)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(149,955,208)</b>	<b>(45,763,125)</b>
Cash and cash equivalents at the beginning of the year	179,105,035	224,868,160
<b>Cash and cash equivalents at the end of the year</b>	<b>29,149,827</b>	<b>179,105,035</b>

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

Chief Executive  
B.R.R. Investments  
(Private) Limited

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

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



## **B.R.R. INTERNATIONAL MODARABA**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2005**

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

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

#### **2. SIGNIFICANT ACCOUNTING POLICIES**

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

(a) Basis of preparation

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

The SECP has deferred the application of IAS 17 "Leases" for Modarabas. Accordingly this IAS has not been taken into consideration for the purpose of preparation of these financial statements.

(b) Overall valuation policy

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

(c) Fixed assets

(i) Assets leased out and amortisation

Leased assets are stated at cost less accumulated amortisation. Amortisation is charged to income applying the straight-line method whereby the cost of an asset, less its residual value, is written off over its lease period. In respect of additions and disposals during the year, amortisation is charged proportionately to the period of lease.

Profit or loss on disposal of leased assets is included in income currently.

Modaraba accounts for impairment, where indication exists, by reducing the carrying value of the asset to estimated recoverable amount.



## (ii) Assets in own use and depreciation

Operating assets are stated at cost less accumulated depreciation except for free hold land, which is stated at cost. 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.

Profit or loss on disposal of assets is included in income currently.

Modaraba accounts for impairment, where indication exists, by reducing the carrying value of the asset to estimated recoverable amount.

Maintenance and normal repairs are charged to income as and when incurred; also assets costing up to Rs. 25,000 are charged to income. Major renewals and improvements are capitalized and assets so replaced, if any, are retired.

## (d) Investment property

Property not held for own use or for sale in the ordinary course of business is classified as investment property.

Depreciation on building is charged on straight line method so as to write off the cost of a building over its estimated useful life at the rate of 5%. In respect of additions and disposals during the year, depreciation is charged proportionately to the period of use.

## (e) Investments

## i) In subsidiaries and associated undertakings

These are stated at cost less provision for impairment, if any. However, where associated undertakings are listed companies, investment in these shares is stated at market value.

## ii) Held to maturity

These are investments with fixed or determinable payments and fixed maturity, and the Modaraba has positive intent and ability to hold till maturity. Investments held to maturity are valued at cost less provision for impairment, if any.

## iii) Available for sale

These are investments which do not fall under the held to maturity category. Available for sale investments are stated at market value.

Management determines the appropriate classification of its investments at the time of purchase and these are initially recognized at cost, being the fair value of the consideration given including the transaction cost.

Unrealised profit/loss on fair value adjustments are taken to equity.

(f) Trade debts, morabahas and musharakas

Debts considered doubtful are provided for in accordance with the requirement of Prudential Regulations for Modarabas. Specific provision has also been made for debts considered doubtful.

(g) Revenue recognition

(i) Lease rentals

Income from leases is recognised as and when lease rentals become due on a systematic basis over the lease period.

(ii) Hire purchase transactions

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

(iii) Morabaha and musharaka transactions

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

(iv) Dividend income

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

(h) Taxation

Provision for taxation is made on taxable income at the prevailing rates of tax after taking into account tax credit available, if any.

The income of non-trading modarabas is exempt from tax, provided not less than 90% of their profits are distributed to the certificate holders. Accordingly, no provision has been made in these financial statements for tax liability for the current year.

(i) Foreign currencies translation

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

## (j) Financial assets

Financial assets comprise of trade debts, investments, musharaka and morabaha finances, advances, deposits, other receivables, excluding taxation. Trade debts, musharaka, morabaha and other receivables are stated at cost as reduced by appropriate allowances for estimated irrecoverable amount. Available for sale investments are stated at fair value.

## (k) Financial Liabilities

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

## (l) Staff provident fund

The Modaraba operates a provident fund which is a defined contribution plan. Equal monthly contributions at the rate of 10% are made by the Modaraba and the employees to the fund.

## (m) Cash and cash equivalents

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

	2005 Rupees	2004 Rupees
<b>3. CASH AND BANK BALANCES</b>		
With State Bank of Pakistan	7,922	5,119
With banks on:		
- PLS savings accounts	20,412,389	171,797,971
- foreign currency savings accounts	2,452,300	2,014,816
- current accounts	6,164,801	5,159,611
Cash in hand	<u>112,415</u>	<u>127,518</u>
	<u>29,149,827</u>	<u>179,105,035</u>
<b>4. MUSHARAKAS AND MORABAHAS</b>		
Musharakas	148,289,668	21,145,697
Morabahas	<u>134,916,251</u>	<u>124,916,251</u>
	283,205,919	146,061,948
Less: Long term portion		
Musharakas	<u>20,742,502</u>	-
Morabahas	<u>104,916,251</u>	<u>104,916,251</u>
	125,658,753	104,916,251
Short term portion	<u>157,547,166</u>	<u>41,145,697</u>

	Note	2005 Rupees	2004 Rupees
<b>5. HIRE PURCHASE INSTALMENTS RECEIVABLE</b>			
Hire purchase instalments receivable		8,977,524	8,977,524
Provision for potential losses - note 5.1		<u>(8,977,524)</u>	<u>(8,977,524)</u>
		<u>-</u>	<u>-</u>
5.1 Particulars of provision for doubtful receivables			
Opening balance		8,977,524	8,993,024
Reversals during the year		<u>-</u>	<u>(15,500)</u>
Closing balance		<u>8,977,524</u>	<u>8,977,524</u>
<b>6. SHORT TERM INVESTMENTS</b>			
Held to maturity			
Short term placements with financial institutions		140,000,000	55,000,000
Term finance certificates		-	5,000,000
Short term finance		-	1,355,944
Current portion of Certificates of Development Securitisation Trust	10	<u>4,444,444</u>	<u>-</u>
		<u>144,444,444</u>	<u>61,355,944</u>
<b>7. TRADE DEBTS</b>			
Considered good - secured		1,688,518	5,566,225
Considered doubtful	7.1	<u>162,768,097</u>	<u>184,851,680</u>
		164,456,615	190,417,905
Provision for doubtful debts	7.2	<u>(162,768,097)</u>	<u>(184,851,680)</u>
		<u>1,688,518</u>	<u>5,566,225</u>

7.1 These include rental receivable from Dewan Cement Limited (DCL) (formerly Pakland Cement Limited) against which TFCs had been issued by DCL under a scheme of arrangement sanctioned by the High Court of Sindh. These TFCs had been issued at a face value of Rs. 101,823,000 in place of rentals receivable against various assets given to DCL on lease amounting to Rs. 62,728,471 (excluding unrealised income).

Subsequently, the new management of DCL had revised the arrangement, with approval of High Court of Sindh. According to this arrangement, new TFCs of Rs. 66,126,139 have been issued, against the outstanding balance of old TFCs of Rs. 98,025,462. During the year ended June 30, 2005 Rs. 6,426,563 have been received under the above arrangement.

	2005 Rupees	2004 Rupees
7.2 Particulars of provision for doubtful trade debts		
Opening balance	184,851,680	192,509,088
Charge for the year	11,654,969	131,873
Reversals during the year	(20,391,878)	(7,789,281)
Written off during the year	(13,346,674)	-
Closing balance	<u>162,768,097</u>	<u>184,851,680</u>

## 8. LOANS, ADVANCES AND PREPAYMENTS

Loans to officers - considered good	7,565,000	4,926,000
Advances - considered good		
- to employee	-	2,000
- others	10,000	-
	<u>7,575,000</u>	<u>4,928,000</u>
Prepayments	353,215	288,540
	<u>7,928,215</u>	<u>5,216,540</u>
Less: Long term loans to officers shown separately	5,765,400	3,286,000
	<u>2,162,815</u>	<u>1,930,540</u>

The maximum amount of loans and advances due from officers and employees at the end of any month during the year was Rs. 7,793,800 (2004: Rs. 4,928,000).

	Note	2005 Rupees	2004 Rupees
<b>9. OTHER RECEIVABLES</b>			
Accrued income on:			
- short term placements with financial institutions		327,808	240,534
- PLS savings accounts		237,110	1,754,143
- term finance certificates		95,000	57,292
- Certificates of Development Securitisation Trust		28,760	-
Accrued profit on morabahas and musharakas		98,070,480	69,862,189
Less: Long-term portion	9.1	97,306,669	69,739,960
		763,811	122,229
Dividend receivable		386,520	177,500
Due from associated undertakings	9.2	962,594	133,061
Due from broker		2,915,001	-
Insurance claim and sundry receivables		19,458	426,546
Other	9.3	51,274,920	51,274,920
Less: Provision for doubtful receivable	9.4	51,274,920	51,274,920
		-	-
		<u>5,736,062</u>	<u>2,911,305</u>

9.1 This represents profit on long term morabaha and will be received upon maturity.

9.2 The maximum amount due from associated undertakings at the end of any month during the year was Rs.1,277,354 (2004: Rs. 370,625).

9.3 This represents amount receivable from certain ex-employees and other parties in respect of embezzlement of funds. The matter is pending with the court.

	Note	2005 Rupees	2004 Rupees
9.4	Particulars of provision for doubtful receivables		
	Opening balance	51,274,920	52,883,565
	Reversal during the year	-	(209,403)
	Written off during the year	-	(1,399,242)
		<u>51,274,920</u>	<u>51,274,920</u>
<b>10.</b>	<b>INVESTMENTS</b>		
	Available for sale		
	Investment in listed companies and mutual funds	10.1 122,411,468	63,764,298
	Investment in unlisted companies	10.2 -	-
	Investment in unlisted associated undertakings	10.3 2,457,000	2,245,000
	Certificates of Development Securitisation Trust	10.4 7,777,800	-
	Current portion of Certificates of Development Securitisation Trust	(4,444,444)	-
		3,333,356	-
	Term Finance Certificates - Al-Zamin Leasing Modaraba	10,000,000	-
		<u>138,201,824</u>	<u>66,009,298</u>

10.1 Investments in listed companies / mutual funds include the following:

The par value of these shares/certificates is Rs. 10 each unless stated otherwise.

2005 No. of shares / certificates	2004 No. of shares / certificates		2005 Rupees	2004 Rupees
500,000	500,000	ABAMCO Composite Fund	3,450,000	4,700,000
10,000	-	Arif Habib Securities Limited	3,660,000	-
127,000	284,500	Colony (Thal) Textile Mills Limited	761,999	1,507,848
2,500	2,500	Dawood Capital Management Limited (formerly Pakistan Venture Capital Limited) (Associated undertaking)	16,250	24,375
40,000	-	Ecopack Pakistan Limited	1,984,000	-
5,000	-	Engro Chemicals (Pakistan) Limited	576,250	-
80,049	51,500	Fauji Fertilizers Company Limited	9,713,947	6,120,775
		Carried forward	<u>20,162,446</u>	<u>12,352,998</u>

2005 No. of shares / certificates	2004		2005 Rupees	2004 Rupees
		Brought forward	20,162,446	12,352,998
250,000	250,000	Faysal Balanced Growth Fund (par value Rs. 100)	28,500,000	24,675,000
12,929	12,313	First Dawood Investment Bank Limited (Associated undertaking)	212,036	219,171
1,000,000	-	First Dawood mutual Fund (Associated undertaking)	10,000,000	-
80,000	100,000	Hub Power Company Limited	2,112,000	3,230,000
10,000	-	Javed Omer Vohra & Company Limited	2,671,000	-
50,000	50,000	Oil and Gas Development Corporation Limited	5,265,000	3,225,000
25,230	23,148	Pakistan Income Fund (par value Rs. 50)	1,382,604	1,261,797
-	2,559	Pakistan Industrial and Commercial Leasing Limited	-	9,980
25,000	30,000	Pakistan State Oil Company Limited	9,650,000	7,702,500
36,203	26,505	Pakistan Stock Market Fund (par value Rs. 50)	4,192,307	2,978,102
200,000	-	Pakistan Strategic Allocation Fund	1,930,000	-
90,000	50,000	Pakistan Telecommunication Company Limited	5,935,450	2,107,500
18,750	-	PICIC Growth Fund	1,006,875	-
2,000,000	-	Shakarganj Sugar Mills Limited (preference shares)	22,000,000	-
11,000	15,000	Shell Pakistan Limited	6,092,900	5,237,250
43,000	50,000	Southern Electric Power Company Limited	298,850	765,000
100,000	-	Zephyr Textiles Limited	1,000,000	-
			<u>122,411,468</u>	<u>63,764,298</u>

## 10.2 Investment in unlisted companies is as follows:

The par value of these shares is Rs. 10 each.

2005 No. of shares	2004 No. of shares		2005 Rupees	2004 Rupees
404,350	404,350	Axle Products Limited	4,043,500	4,043,500
		The value of investment based on the net assets of the investee company as per its audited financial statements for the year ended June 30, 1997 was Rs. 2,031,183.		
		The modaraba held 19.04% (2004: 19.04%) of the investee's total equity.		
		(Auditors: Ford Rhodes Robson Morrow & Co. now named Ford Rhodes Sidat Hyder & Co.)		
306,250	306,250	Thermax Pakistan (Pvt) Limited	4,000,000	4,000,000
		The value of investment based on the net assets of the investee company as per its audited financial statements for the year ended June 30, 1998 was Nil as there are accumulated losses of Rs. 63,750,199 in the investee company.		
		The modaraba held 19.05%(2004: 19.05%) of the investee's total equity.		
		(Auditors: Feroze Sharif Tariq & Co.)		
			<u>8,043,500</u>	<u>8,043,500</u>
		Less: Provision for diminution in the value of investments	<u>8,043,500</u>	<u>8,043,500</u>
			<u>-</u>	<u>-</u>

The latest financial statements of the above companies are not available.

## 10.3 Investments in unlisted associated undertakings include the following:

The par value of these shares is Rs.10 each unless stated otherwise.

2005 No. of shares	2004 No. of shares		2005 Rupees	2004 Rupees
1,432,240	1,432,240	Trans Mobile Limited	14,322,400	14,322,400
		The value of investment based on the net assets of the investee company as per its audited financial statements for the year ended June 30, 1997 was Nil as there are accumulated losses of Rs. 532,631,000 in the investee company.		
		The modaraba held 21.1% (2004: 21.1%) of the investee's total equity.		
		(Auditors: A.F. Ferguson & Co.)		
		Carried forward	<u>14,322,400</u>	<u>14,322,400</u>



2005 No. of shares	2004 No. of shares		2005 Rupees	2004 Rupees
		Brought forward	14,322,400	14,322,400
25,500	25,500	Fairview Trading Corporation (Pvt.) Limited (Ordinary shares of Rs.100 each).	2,550,000	2,550,000
<p>The value of investment based on the net assets of the investee company as per its audited financial statements for the year ended June 30, 1995 was Rs. 1,212,070.</p> <p>The Modaraba held 30% (2004: 30%) of the investee's total equity.</p> <p>(Auditors: Tanzeem &amp; Co.)</p>				
1,000,000	1,000,000	Engine Systems Limited	10,000,000	10,000,000
<p>The value of investment based on the net assets of the investee company as per its audited financial statements for the year ended June 30, 1997 was Nil as there are accumulated losses of Rs. 67,927,811 in the investee company.</p> <p>The modaraba held 20.9% (2004: 20.9%) of the investee's total equity.</p> <p>(Auditors: Ford Rhodes Robson Morrow &amp; Co. now named Ford Rhodes Sidat Hyder &amp; Co.)</p>				
			<u>26,872,400</u>	<u>26,872,400</u>
Less: Provision for diminution in the value of investments			24,415,400	24,627,400
			<u>2,457,000</u>	<u>2,245,000</u>

The latest financial statements of the above associated undertakings are not available.

- 10.4 This represents investment in certificates of Development Securitisation Trust to provide financing for a housing project. Profit ranges from 7.5% to 12.27%. Out of the total investment of Rs.10 million, certificates of Rs. 2,222,200 have been redeemed up to June 30, 2005.

## 11. ASSETS IN OWN USE

	COST			DEPRECIATION			Written down value as at June 30, 2005	Rate %
	As at July 1, 2004	Additions/ (Disposals)/ * (Transfers)	As at June 30, 2005	Accumulated as at July 1, 2004	For the year/ (On disposals)/ * (On transfers)	Accumulated as at June 30, 2005		
	← Rupees →							
Leasehold land	2,527,890	-	2,527,890	631,973	50,558	682,531	1,845,359	2
Building on leasehold land	58,656,823	14,874,336 * (8,534,952)	64,996,207	13,947,907	3,080,244 * (5,795,722)	11,232,429	53,763,778	5
Leasehold land and building thereon	9,996,000	-	9,996,000	3,775,091	499,800	4,274,891	5,721,109	5
Lockers	16,003,218	(18,000)	15,985,218	9,015,625	799,261 (15,999)	9,798,887	6,186,331	5
Furniture & fixtures	4,846,149	7,153,873 (52,000)	11,948,022	4,726,829	195,261 (51,999)	4,870,091	7,077,931	10
Vehicles	14,992,987	1,248,000 (1,538,000)	14,702,987	6,730,523	2,557,309 (1,482,021)	7,805,811	6,897,176	20
Office equipment & appliances	12,777,536	2,872,449 (3,261,324)	12,388,661	10,633,784	2,088,094 (3,224,005)	9,497,873	2,890,788	33.33
	119,800,603	26,148,658 (4,869,324) * (8,534,952)	132,544,985	49,461,732	9,270,527 (4,774,024) * (5,795,722)	48,162,513	84,382,472	
2004	78,270,580	43,271,999 (1,791,199) * 49,223	119,800,603	45,669,946	5,354,089 (1,605,388) * 43,085	49,461,732	70,338,871	

During the year modaraba changed the estimated useful lives of office equipment and appliances from six years and eight months to three years. The change has been made in view of the change in expected pattern of economic benefit from such assets. Had this change not been made depreciation for the year would have been lower and net book value would have been higher by Rs. 1.3 million.

During the year building costing Rs. 8,534,952 and having accumulated depreciation of Rs. 5,795,722 has been transferred to investment property. (2004: vehicle having cost of Rs. 49,223 and accumulated depreciation of Rs. 43,085 was transferred from assets leased out).

## 11.1 Disposal of assets in own use during the year

Assets	Cost	Accumulated depreciation	Written down value	Sale proceeds/ Insurance claim	Mode of disposal	Particulars of purchaser
	← Rupees →					
Lockers	18,000	15,999	2,001	16,000	Negotiation	Masjid Darul uloom Ghosia Trust, Karachi
Furniture and fixture	52,000	51,999	1	10,000	Negotiation	Mr. Ahsan Jawed Director Speedex Courier 17 Lawrence Road, Lahore
Motor cycle	60,000	59,999	1	17,000	Negotiation	Mr. Muhammad Usman Bawany Employee
Motor cycle	58,500	18,525	39,975	40,000	Negotiation	Mr. Zahid Iqbal C-29/24, Street 24, Area C Qayumabad, Karachi
Motor cycle	39,500	39,499	1	20,000	Negotiation	Mr. Muhammed Khan House No. H-187, Block-2, Shahrah-e-Quideen, Karachi
Car	483,000	482,999	1	200,000	Negotiation	Ms. Bushra Bano R.O House No. 6/7, North Nazimabad Block L, Karachi
Car	480,000	464,000	16,000	230,000	Negotiation	Mr. Ahsan Abdul Aziz House No. 40, PCSIR Housing Society Block A, Lahore
Car	417,000	416,999	1	230,000	Negotiation	Ms. Shella Hussain W-7, 17 East Street, Phase I D.H.A, Karachi
Office equipment	1,274,057	1,264,441	9,616	22,000	Negotiation	Mr Rashid Yousufi House No. H -12 Custom Colony Maripur, Karachi
Office equipment	802,070	802,070	-	90,000	Negotiation	Mr. S. M. Tasneen B-697 / 13, F. B. Area, Karachi
Office equipment	675,910	675,906	4	210,000	Negotiation	Mr. Ahsan Jawed Director Speedex Courier 17 Lawrence Road, Lahore
Office equipment	390,000	389,999	1	10,000	Negotiation	Mr. Wajid Gul House No. B-106, Sector 15-B Buffer Zone, Karachi
Office equipment	58,100	58,099	1	5,000	Trade -in	Panasonic Total Solution 24-Commercial Plaza , Cavalry Ground Lahore
Office equipment	19,312	19,311	1	1,000	Negotiation	Reliance Insurance Co. Limited Office No 8 2nd, Floor Malik Complex 80 - E Jinnah Avenue, Blue Area, Islamabad
Office equipment	12,875	3,219	9,656	525	Negotiation	Mr. Muhammad Aijaz Khan M 223, Labour Square, Karachi
Office equipment	10,500	3,791	6,709	1,000	Negotiation	Mr. Ahmad Abbas Ali Employee
Office equipment	18,500	7,169	11,331	-	Scrapped	-
	<u>4,869,324</u>	<u>4,774,024</u>	<u>95,300</u>	<u>1,102,525</u>		

	2005 Rupees	2004 Rupees
<b>12. CAPITAL WORK IN PROGRESS - ASSETS IN OWN USE</b>		
- civil works	61,866,000	1,186,813
- advances to suppliers	1,022,000	3,041,948
- advances against property	800,000	-
	<u>63,688,000</u>	<u>4,228,761</u>

**13. ASSETS LEASED OUT**

	COST			AMORTISATION			Impairment loss	Written down value as at June 30, 2005
	As at July 1, 2004	Additions/ (Disposals)/ * (Transfer)	As at June 30, 2005	Accumulated as at July 1, 2004	For the year/ (On disposals)/ * (On transfer)	Accumulated as at June 30, 2005		
← Rupees →								
Land and building (leasehold)	100,708,832	110,124,000 (41,300,000)	169,532,832	50,550,497	22,162,260 (38,270,000)	34,442,757	-	135,090,075
Plant and machinery	1,273,067,101	270,307,127 (252,996,639)	1,290,377,589	672,604,167	232,867,923 (228,146,976)	677,325,114	12,824,834	600,227,641
Vehicles	388,058,208	142,598,276 (106,460,000)	424,196,484	141,711,910	96,905,574 (76,247,673)	162,369,811	5,378,526	256,448,147
Furniture & fixtures	14,295,000	305,000	14,600,000	6,568,339	3,278,015	9,846,354	-	4,753,646
Office equipment and appliances	171,745,716	58,570,032 (11,598,927)	218,716,821	42,623,602	58,489,613 (9,189,153)	91,924,062	-	126,792,759
Motor Boats	-	2,694,300	2,694,300	-	363,734	363,734	-	2,330,566
	<u>1,947,874,857</u>	<u>584,598,735</u> <u>(412,355,566)</u>	<u>2,120,118,026</u>	<u>914,058,515</u>	<u>414,067,119</u> <u>(351,853,802)</u>	<u>976,271,832</u>	<u>18,203,360</u>	<u>1,125,642,834</u>
2004	<u>1,782,673,076</u>	<u>656,468,687</u> <u>(491,217,683)</u> <u>* (49,223)</u>	<u>1,947,874,857</u>	<u>761,469,050</u>	<u>363,751,701</u> <u>(211,119,151)</u> <u>* (43,085)</u>	<u>914,058,515</u>	<u>-</u>	<u>1,033,816,342</u>

13.1 In view of the large number of disposals of assets given on lease, the directors of the Modaraba Company are of the opinion that no practical purpose will be served to give details of such disposal as required by Modaraba Companies Ordinance and Modaraba Rules.

13.2 Impairment loss has been recognised based on recoverable amount of assets where lessees are in default.

**14. INVESTMENT PROPERTY**

	COST			DEPRECIATION			Written down value as at June 30, 2005	Rate of Depreciation %
	As at July 1, 2004	Additions/ * Transfer from assets in own use	As at June 30, 2005	Accumulated as at July 1, 2004	For the year/ * Transfer from assets in own use	Accumulated as at June 30, 2005		
← Rupees →								
Buildings on leasehold land	1,804,422	10,000,000 * 8,534,952	20,339,374	1,613,785	161,346 * 5,795,722	7,570,853	12,768,521	5
2004	<u>1,804,422</u>	<u>-</u>	<u>1,804,422</u>	<u>1,523,564</u>	<u>90,221</u>	<u>1,613,785</u>	<u>190,637</u>	

The fair value of investment property as at June 30, 2005 as per independent valuation is Rs. 62 million (June 30, 2004: Rs. 9.2 million).

The lease documents in respect of purchase of property during the year from an associated undertaking are in the process of finalisation with the Registrar.

**15. FINANCE UNDER MARK UP ARRANGEMENTS**

	2005 Rupees	2004 Rupees
Finance under markup arrangements	410,833,333	366,852,848
Less: Long term portion	<u>79,166,667</u>	<u>189,602,848</u>
	<u><u>331,666,666</u></u>	<u><u>177,250,000</u></u>

The aggregate facilities for finance under mark up arrangements from banks and financial institution amount to Rs. 415 million (2004: Rs. 388 million). These facilities carry mark up ranging from Re. 0.20 to Re. 0.37 per Rs. 1,000 per day (2004: Re. 0.12 to Re. 0.18 per Rs.1,000 per day) and are secured by way of hypothecation of the leased assets, trade debts and future rentals receivable.

	Note	2005 Rupees	2004 Rupees
<b>16. MORABAHAS</b>			
Morabahas - secured	16.1	463,464,947	187,231,315
Less: Long term portion of morabahas		<u>309,398,488</u>	<u>123,970,306</u>
Short term portion		<u><u>154,066,459</u></u>	<u><u>63,261,009</u></u>

- 16.1 The Modaraba has entered into morabaha (purchase & sale) agreements with the banks. The morabahas sale price is payable on deferred payment basis in quarterly/ monthly installments by June 30, 2010. Profit payable on morabahas is accounted for on a pro rata basis over the term of the agreement. The finance is subject to mark up ranging from Re. 0.187 to Re. 0.336 per Rs.1,000 per day (2004: Re. 0.128 to Re. 0.330 per Rs.1,000 per day). The arrangements are secured by way of hypothecation of the leased assets and future rentals receivable.

	2005 Rupees	2004 Rupees
<b>17. CREDITORS, ACCRUED AND OTHER LIABILITIES</b>		
Management fee payable	8,623,187	11,783,628
Accrued liabilities	7,388,765	3,681,807
Rentals received in advance	39,624,350	34,683,013
Accrued profit on:		
- redeemable capital	-	4,410,324
- morabahas	1,281,301	344,547
- finance under mark up arrangements	4,251,293	4,288,922
Due to broker	8,364,838	
Others	4,509,654	2,890,165
	<u><u>74,043,388</u></u>	<u><u>62,082,406</u></u>



	2005 Rupees	2004 Rupees
<b>22. INCOME ON INVESTMENTS</b>		
Income on foreign currency certificates of investments	-	521,689
Income on short term placements with financial institutions	3,018,253	9,643,998
Profit on Term Finance Certificates	266,875	1,822,242
Income on short term finance	-	258,699
Income on Certificates of Development Securitisation Trust	613,819	-
Dividend income	4,179,406	1,809,875
Profit on sale of investments	3,034,369	1,898,623
	<u>11,112,722</u>	<u>15,955,126</u>
<b>23. INCOME ON BALANCES WITH BANKS</b>		
Profit on PLS savings accounts	8,728,480	13,285,952
Income on foreign currency savings accounts	4,826	2,440
	<u>8,733,306</u>	<u>13,288,392</u>
<b>24. OPERATING EXPENSES</b>		
Salaries, allowances and benefits - note 29	17,304,388	15,468,703
Travelling and conveyance	480,971	512,844
Entertainment	152,445	174,956
Electricity, water and gas	2,207,932	2,132,264
Telephone and fax	850,761	789,762
Postage	315,062	330,968
Stationery and printing	831,494	732,077
Computer expenses	386,842	579,374
Subscriptions	542,848	920,668
Advertisement	332,800	255,018
Insurance	2,397,209	2,237,975
Repairs and maintenance	4,928,628	4,225,803
Rent, rates and taxes	438,838	719,911
Security expenses	245,177	257,024
Property tax	155,257	157,579
Legal and professional charges	2,479,534	3,274,526
Auditors' remuneration		
Audit fee	350,000	350,000
Limited review, special reports, certification and sundry advisory services	434,000	538,000
Tax services	400,000	864,959
Out of pocket expenses	75,030	118,471
	1,259,030	1,871,430
Documentation and arrangement fee	249,758	171,540
Depreciation		
- assets in own use	9,270,527	5,354,089
- investment property	161,346	90,221
Brokerage and commission	52,279	69,800
Sundries	560,991	674,933
	<u>45,604,117</u>	<u>41,001,465</u>

24.1 During the year, the modaraba contributed Rs. 757,830 (2004: Rs. 699,190) to the provident fund.

	Note	2005 Rupees	2004 Rupees
<b>25. FINANCIAL CHARGES</b>			
Mark up on finance under mark up arrangements		27,737,446	20,619,147
Profit on:			
-morabaha		16,577,267	8,534,431
-redeemable capital		-	4,410,324
-musharaka		-	473,425
Bank charges and commission		1,090,729	170,310
		<u>45,405,442</u>	<u>34,207,637</u>
<b>26. PROVISION FOR DOUBTFUL RECEIVABLES WRITTEN BACK- NET</b>			
Reversals during the year			
Morabaha		-	470,562
Musharaka		-	120,443
Hire purchase	5.1	-	15,500
Trade debts	7.2	20,391,878	7,789,281
Other receivables	9.4	-	209,403
		20,391,878	8,605,189
Charge for the year			
Trade debts	7.2	(11,654,969)	(131,873)
		<u>8,736,909</u>	<u>8,473,316</u>
<b>27. OTHER INCOME / (CHARGES)</b>			
Profit on sale of assets given on lease		2,446,153	14,129,594
Profit on sale of fixed assets in own use		1,007,225	620,289
Income from lockers and custodial services		12,954,959	10,123,421
Recovery of charges from management company and associated undertakings		876,217	561,605
Commitment and front end fee		549,483	131,537
Rental Income including from management company and associated undertakings Rs. 1,656,969 (2004: Rs. 720,000)		2,556,969	1,620,000
Liability no longer payable written back		105,830	6,978,972
Exchange loss		(68,564)	(269,308)
Others		1,123,689	879,851
		<u>21,551,961</u>	<u>34,775,961</u>



	2005 Rupees	2004 Rupees
<b>28. BASIC EARNINGS PER CERTIFICATE</b>		
Profit for the year after taxation	<u>82,208,687</u>	<u>106,052,653</u>
	<u>Number of Certificates</u>	
Issued, subscribed and paid up certificates	<u>48,193,465</u>	<u>48,193,465</u>
Earnings per certificate	Rupees <u>1.71</u>	<u>2.20</u>

**29. REMUNERATION OF OFFICERS AND OTHER EMPLOYEES**

	<u>OFFICERS</u>		<u>OTHER EMPLOYEES</u>		
	2005	2004	2005	2004	
	←		Rupees	→	
Remuneration	9,127,218	7,997,975	6,223,416	5,215,392	
Medical expenses reimbursed	497,964	845,975	586,000	597,611	
Retirement benefits	<u>500,780</u>	<u>464,620</u>	<u>369,010</u>	<u>347,130</u>	
	<u>10,125,962</u>	<u>9,308,570</u>	<u>7,178,426</u>	<u>6,160,133</u>	
Number of employees at the end of the year	<u>19</u>	<u>18</u>	<u>46</u>	<u>49</u>	

The officers and other employees are also provided with the free use of Modaraba maintained cars and motor cycles.

**30. FUTURE MINIMUM LEASE RENTALS RECEIVABLE**

Future minimum lease rentals receivable on the basis of lease agreements executed up to June 30, 2005 are as follows:

	2005 Rupees	2004 Rupees
Receivable - not later than one year	490,045,408	459,237,662
Receivable - later than one year and not later than five years	<u>920,938,776</u>	<u>720,815,673</u>
	<u>1,410,984,184</u>	<u>1,180,053,335</u>

### 31. MATURITIES OF ASSETS AND LIABILITIES

	<b>Profit / Mark up bearing</b>					
	Total	Up to one month	Over one month to three months	Over three months to one year	One year to five years	Above five years
	← Rupees →					
<b>ASSETS</b>						
Cash and bank balances	29,149,827	29,149,827	-	-	-	-
Musharaka and morabahas	283,205,919	10,161,421	105,328,121	42,057,624	125,658,753	-
Investments	157,777,800	90,000,000	51,111,100	3,333,344	13,333,356	-
	<u>470,133,546</u>	<u>129,311,248</u>	<u>156,439,221</u>	<u>45,390,968</u>	<u>138,992,109</u>	-
<b>LIABILITIES</b>						
Finance under mark-up arrangements	410,833,333	125,000,000	164,166,667	42,500,001	79,166,665	-
Morabahas	463,464,947	453,876	24,101,412	129,511,170	309,398,489	-
	<u>874,298,280</u>	<u>125,453,876</u>	<u>188,268,079</u>	<u>172,011,171</u>	<u>388,565,154</u>	-
<b>Non Profit / Non Mark up bearing</b>						
	Total	Up to one month	Over one month to three months	Over three months to one year	One year to five years	Above five years
<b>ASSETS</b>						
Investments	124,868,468	-	-	-	124,868,468	-
Trade Debts	1,688,518	1,688,518	-	-	-	-
Loans, advances and prepayments	7,928,215	174,406	564,242	1,424,167	5,765,400	-
Other receivables	103,042,731	5,464,454	143,828	127,780	97,306,669	-
Taxation refundable	5,002,499	-	-	5,002,499	-	-
Long term deposits	299,500	-	-	-	-	299,500
Assets in own use	84,382,472	-	-	-	2,890,788	81,491,684
Capital work in progress - assets in own use	63,688,000	-	-	-	-	63,688,000
Assets leased out	1,125,642,834	15,397,888	21,414,436	72,619,399	1,016,211,111	-
Work in progress of assets to be leased out	30,912,000	-	-	-	-	30,912,000
Investment property	12,768,521	-	-	-	-	12,768,521
	<u>1,560,223,758</u>	<u>22,725,266</u>	<u>22,122,506</u>	<u>79,173,845</u>	<u>1,247,042,436</u>	<u>189,159,705</u>
<b>LIABILITIES</b>						
Creditors, accrued and other liabilities	74,043,388	39,436,739	25,064,739	9,541,910	-	-
Rentals received in advance	2,409,896	-	-	-	2,398,608	11,288
Customers security deposits	202,580,214	15,005,332	11,124,219	29,083,637	147,362,026	5,000
Unclaimed profit	4,251,505	-	4,251,505	-	-	-
Profit distribution	53,012,812	-	-	53,012,812	-	-
	<u>336,297,815</u>	<u>54,442,071</u>	<u>40,440,463</u>	<u>91,638,359</u>	<u>149,760,634</u>	<u>16,288</u>
Total assets	<u>2,030,357,304</u>	<u>152,036,514</u>	<u>178,561,727</u>	<u>124,564,813</u>	<u>1,386,034,545</u>	<u>189,159,705</u>
Total liabilities	<u>1,210,596,095</u>	<u>179,895,947</u>	<u>228,708,542</u>	<u>263,649,530</u>	<u>538,325,788</u>	<u>16,288</u>
<b>2004</b>						
Total assets	<u>1,659,020,655</u>	<u>71,968,837</u>	<u>64,663,966</u>	<u>277,666,113</u>	<u>1,173,987,731</u>	<u>70,734,008</u>
Total liabilities	<u>883,481,545</u>	<u>65,285,268</u>	<u>76,402,257</u>	<u>268,991,428</u>	<u>468,361,592</u>	<u>4,441,000</u>

The effective profit / markup rates are as follows:

	Effective rate %
Cash and bank balances	2.25 – 5.50
Musharaka and morabahas - asset	9.50 – 18.27
Investments	10.95 – 16.00
Finance under mark up arrangements	7.30 – 13.50
Morabahas - liability	6.84 – 12.25

### **31.1 Fair values of financial assets and liabilities**

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

## **32. RISK MANAGEMENT**

### **Liquidity Risk**

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. Modaraba treasury aims at maintaining flexibility in funding by keeping committed credit lines available.

### **Credit Risk and Concentration of Credit**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Modaraba control credit risk by monitoring credit exposure, limiting transactions with specific counter party and continually assessing the credit worthiness of counter parties.

Concentrations of credit risk arises when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

The Modaraba seeks to manage its credit exposure through diversification of its leasing and financing activities to avoid undue concentration of risk with individuals or groups of customers in specific locations or businesses.

	2005 Rupees	2005 Percentage of total	2004 Rupees	2004 Percentage of total
32.1 Segment by class of business for assets leased out				
Leasing companies	-	-	1,075,986	0.10
Commercial Banks	31,897,918	2.83	41,830,399	4.05
Insurance	4,370,970	0.39	1,938,875	0.19
Textile Industry	154,804,842	13.75	226,965,580	21.95
Fibre, synthetic and rayon	-	-	1,290,240	0.12
Sugar and allied	171,371,916	15.22	182,421,106	17.65
Oil and gas	57,577,423	5.12	31,414,791	3.04
Engineering and metals	8,544,302	0.76	8,134,198	0.79
Electrical and electrical goods	19,355,556	1.72	29,351,972	2.84
Transport	51,785,608	4.60	57,007,991	5.51
Chemical and pharmaceutical	23,862,552	2.12	31,074,069	3.01
Paper and board	17,486,068	1.55	16,456,856	1.59
Vanaspati and allied industries	755,450	0.07	2,371,325	0.23
Leather and tanneries	-	-	157,500	0.02
Food and confectioneries	32,155,476	2.86	21,577,594	2.09
Glass and ceramics	3,202,519	0.28	2,160,668	0.21
Technology and communication	271,256,085	24.10	162,176,011	15.69
Investment Banks	97,638,982	8.67	37,356,254	3.61
Power generation	19,340,782	1.72	28,544,374	2.76
Architect and builders	13,916,755	1.24	3,549,227	0.34
Education and health	12,595,275	1.12	14,520,170	1.40
Printing and packaging	34,810,967	3.09	52,217,195	5.05
Cement	38,010,000	3.38	-	-
Miscellaneous	60,903,388	5.41	80,223,961	7.76
	<u>1,125,642,834</u>	<u>100.00</u>	<u>1,033,816,342</u>	<u>100.00</u>

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

	2005 Rupees	2005 Percentage of total	2004 Rupees	2004 Percentage of total
32.2 Segment by class of business for musharakas and morabahas				
Sugar and allied	104,916,251	37.05	104,916,251	71.83
Textile	70,000,000	24.72	-	-
Auto & Transportation	10,000,000	3.53	40,000,000	27.39
Miscellaneous	98,289,668	34.70	1,145,697	0.78
	<u>283,205,919</u>	<u>100.00</u>	<u>146,061,948</u>	<u>100.00</u>

	2005 Rupees	2005 Percentage of total	2004 Rupees	2004 Percentage of total
32.3 Segment by class of business for short-term investments				
Investment banks	40,000,000	27.69	60,000,000	97.79
Cement	-	-	1,355,944	2.21
Leasing	100,000,000	69.23	-	-
Miscellaneous	4,444,444	3.08	-	-
	<u>144,444,444</u>	<u>100.00</u>	<u>61,355,944</u>	<u>100.00</u>
32.4 Segment by class of business for capital commitments				
Textile and allied	41,000,000	23.32	47,000,000	42.09
Paper and allied	-	-	30,000,000	26.87
Oil and gas	38,700,000	22.01	17,000,000	15.22
Food and confectioneries	8,500,000	4.84	-	-
Sugar and allied	30,000,000	17.06	-	-
Transport and communication	25,400,000	14.45	-	-
Chemical and pharmaceutical	1,000,000	0.57	-	-
Engineering and metals	30,000,000	17.06	-	-
Miscellaneous	1,200,000	0.68	17,659,000	15.82
	<u>175,800,000</u>	<u>100.00</u>	<u>111,659,000</u>	<u>100.00</u>

	2005 Rupees	2004 Rupees
<b>33. RELATED PARTY TRANSACTIONS</b>		
Fund placements with associated undertaking	-	50,000,000
Management fee to the management company	8,623,187	11,783,628
Rent received from associated undertakings	1,296,969	360,000
Rent received from management company	360,000	360,000
Expenses paid to associated undertakings	352,487	-
Expenses recovered from associated undertakings	838,410	45,605
Expenses recovered from management company	516,000	516,000
Recovery against investment in associated undertakings	212,000	415,000
Amount paid on behalf of subsidiary company	-	61,600
Purchase of property from associated undertaking	10,000,000	-
Investment in associated undertakings	10,228,284	-
Assets leased out to associated undertaking	42,000,000	-
Security deposit received from associated undertaking	2,100,000	-
Lease rentals received from associated undertaking	1,995,000	-
Front end fee and documentation charges received from associated undertaking	215,000	-

The above transactions were carried out on commercial terms and conditions. Management fee to the Management Company is in accordance with Modaraba Companies and Modarabas (Flotation and Control) Ordinance, 1980.

There are no transactions with key management personnel other than under their terms of employment.

The related party status of outstanding balances as at June 30, 2005 is included in creditors, accrued, and other liabilities; and other receivables.

**34. DATE OF ISSUE**

These financial statements were authorized for issue on September 13, 2005 by Directors of B.R.R. Investments (Private) Limited.

**35. CORRESPONDING FIGURES**

Advances to suppliers for fixed assets Rs. 4,228,761 - note 8, have been reclassified and shown under capital work in progress - assets in own use and balances in segment by class of business for assets leased out- note 32.1 have been segregated into further business segments for more appropriate presentation.

Chief Executive  
B.R.R. Investments  
(Private) Limited

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

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

## Pattern of Certificates Holding as at June 30, 2005

No. of Certificate holders	Certificate Holding		Total Certificates Held
	From	To	
627	1	100	34,772
976	101	500	304,202
796	501	1000	639,187
736	1001	5000	1,825,303
157	5001	10000	1,214,655
55	10001	15000	705,597
23	15001	20000	439,166
11	20001	25000	259,054
23	25001	30000	661,205
16	30001	35000	528,703
4	35001	40000	149,500
5	40001	45000	215,105
14	45001	50000	679,282
2	50001	55000	106,500
3	55001	60000	179,000
1	60001	65000	63,850
2	70001	75000	150,000
1	75001	80000	75,351
1	80001	85000	83,000
1	90001	95000	92,500
3	95001	100000	296,500
1	115001	120000	120,000
1	120001	125000	125,000
1	125001	130000	128,500
2	135001	140000	276,952
1	140001	145000	144,500
2	165001	170000	336,223
1	170001	175000	175,000
1	180001	185000	182,599
1	195001	200000	200,000
2	200001	205000	405,000
1	325001	330000	325,500
1	395001	400000	400,000
1	495001	500000	496,900
1	500001	505000	502,500
1	820001	825000	821,101
1	1000001	1005000	1,000,100
1	1015001	1020000	1,015,250
1	1520001	1525000	1,522,500
1	1985001	1990000	1,987,000
1	1995001	2000000	2,000,000
1	2085001	2090000	2,090,000
1	2750001	2755000	2,751,037
1	3160001	3165000	3,160,325
1	4110001	4115000	4,114,703
1	7310001	7315000	7,310,943
1	7895001	7900000	7,899,400
<b>3,486</b>			<b>48,193,465</b>



B.R.R. International Modaraba

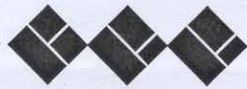
## Pattern of Certificates Holding as at June 30, 2005

S. No.	Categories of Certificate-holders	Number	Certificates Held	Percentage
1.	Joint Stock Companies	35	2,222,894	4.61
2.	Financial Institutions	7	9,998,790	20.75
3.	Modaraba Management Cos.	3	11,063,325	22.96
4.	Insurance Companies	8	8,385,908	17.40
5.	Investment Companies	2	1,037,278	2.15
6.	Individuals	3,422	11,047,770	22.92
7.	Foreigners	4	4,158,000	8.63
8.	Others	5	279,500	0.58
	<b>Total</b>	<b>3,486</b>	<b>48,193,465</b>	<b>100.00</b>

## Additional Information

Category No.	Categories of Certificate-holders	Number	Certificates held	Percentage
1.	<b>Associated Companies</b>			
	B.R.R. Investments (Pvt) Ltd.		7,899,400	16.39
	Equity International (Pvt) Ltd.		3,160,325	6.56
	Guardian Modaraba		3,600	0.01
		<b>3</b>	<b>11,063,325</b>	<b>22.96</b>
2.	<b>NIT &amp; ICP</b>			
	National Bank of Pakistan		4,114,703	8.54
	Investment Corporation of Pakistan		37,178	0.08
		<b>2</b>	<b>4,151,881</b>	<b>8.62</b>
3.	<b>Directors, CEO and their spouse and minor children</b>			
	Mr. Safdar Rashid		75,000	0.16
	Mrs. Angela Dawood		600	0.00
		<b>2</b>	<b>75,600</b>	<b>0.16</b>
4.	<b>Executives</b>	—	—	—
5.	<b>Public Sector Companies and Corporation</b>	1	7,310,943	15.17
6.	<b>Banks, DFIs, NBFIs, Insurance Companies, Modarabas and Mutual Funds</b>	19	12,166,152	25.24
7.	<b>Certificate-holders holding ten percent or more certificates in the Modaraba (other than those reported above)</b>	—	—	—





B.R.R. International Modaraba

## Key Operating and Financial Data



(Rs. in million)

	2005	2004	2003	2002	2001	2000
<b>Profit &amp; Loss Account</b>						
Operating income	579.01	512.97	543.01	509.74	538.65	568.50
Other income	21.55	34.78	25.69	50.70	46.70	26.12
Amortization	414.07	363.75	336.61	282.58	287.80	302.33
Financial charges	45.41	34.21	105.69	121.25	153.94	127.81
Operating expenses	45.60	41.00	40.59	41.89	41.22	42.09
Provision/(Reversal) for doubtful debts/receivables	(8.74)	(8.47)	(22.98)	35.49	16.96	35.02
Provision for diminution in the value of investments - charge/(written back)	(0.21)	(0.57)	(5.92)	2.02	0.04	1.49
Taxation - prior years written back	(4.60)	-	-	-	-	-
Net Profit after taxation	82.21	106.05	103.24	69.49	76.85	77.29
Profit distribution	53.01	67.47	77.11	53.01	62.65	62.65
<b>Balance Sheet</b>						
Paid-up Capital	481.93	481.93	481.93	481.93	481.93	481.93
Reserves	337.83	293.60	253.45	224.69	208.20	194.00
Certificate holders equity	819.76	775.53	735.38	706.62	690.13	675.93
Borrowings	874.31	554.08	705.68	1,365.30	1,497.61	1,176.44
Lease portfolio	1,156.55	1,033.82	1,021.20	891.54	884.44	735.58
Lease, Morabaha & Musharaka disbursements	844.71	697.97	535.25	495.07	540.15	368.20

### Performance Indicators

Earnings per certificate (Rs.)	1.71	2.20	2.14	1.44	1.59	1.60
Profit paid per certificate (Rs.)	1.10	1.40	1.60	1.10	1.30	1.30
Profit paid per certificate (%)	11.00	14.00	16.00	11.00	13.00	13.00
Profit payout (after statutory reserves) (%)	92.11	90.89	93.36	95.36	90.59	90.07
Break-up value per certificate (Rs.)	17.00	16.09	15.26	14.66	14.32	14.03
Market value per certificate (Rs.)	7.95	14.50	9.30	7.75	6.65	6.55
Return on Equity (%)	10.03	13.67	14.04	9.83	11.14	11.43
Price Earnings ratio	4.66	6.59	4.34	5.37	4.17	4.08
Income/Expense ratio	1.15	1.25	1.18	1.26	1.21	1.26
Financial Charges/Total Expenses (%)	8.68	7.79	21.89	27.20	31.87	27.07

- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, 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, 2005 and of the profit, 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.

  
Chartered Accountants  
Karachi 

Dated: 14 SEP 2005

A.F.Ferguson & Co  
Chartered Accountants  
State Life Building No. 1-C  
11, Chundrigar Road, P.O.Box 4716  
Karachi-74000, Pakistan  
Telephone: (021) 2426682-6 / 2426711-5  
Facsimile: (021) 2415007 / 2427938

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of B.R.R. Investments (Private) Limited (the Modaraba Company) in respect of B.R.R. International Modaraba to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange where the Modaraba is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the 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's personnel and review of various documents prepared by the Modaraba to comply with the Code.

As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We 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.

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 as applicable to the Modaraba for the year ended June 30, 2005.



Chartered Accountants  
Karachi

Dated: 14 SEP 2005