

**A
N
N
U
A
L

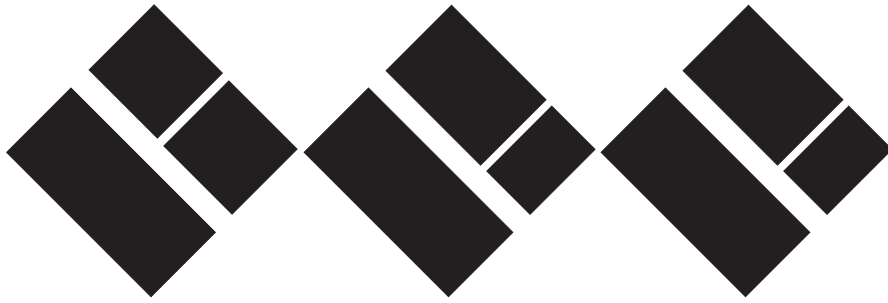
R
E
P
O
R
T**

2013



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

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



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



Contents	Page
<u>Corporate Information</u>	<u>2</u>
<u>Mission Vision and Overall Corporate Strategy</u>	<u>3</u>
<u>Organogram</u>	<u>4</u>
<u>Board of Directors & Management</u>	<u>5</u>
<u>Notice of Annual Review Meeting</u>	<u>6</u>
<u>Directors' Report</u>	<u>7</u>
<u>Statement of Compliance with the Code of Corporate Governance</u>	<u>22</u>
<u>Auditors' Review Report</u>	<u>26</u>
<u>Auditors' Report to the Certificate Holders</u>	<u>27</u>
<u>Shariah Advisor Report</u>	<u>29</u>
<u>Balance Sheet</u>	<u>31</u>
<u>Profit and Loss Account</u>	<u>32</u>
<u>Statement of Comprehensive Income</u>	<u>33</u>
<u>Statement of Cash Flows</u>	<u>34</u>
<u>Statement of Changes in Equity</u>	<u>36</u>
<u>Notes to the Financial Statements</u>	<u>37</u>
<u>Pattern of Certificate Holding</u>	<u>86</u>
<u>Additional Information</u>	<u>88</u>
<u>Six Years Financial Summary</u>	<u>89</u>



CORPORATE INFORMATION

Modaraba Company	B.R.R. Investments (Private) Limited
Chairman	Mr. Rafique Dawood
Chief Executive	Mr. Ayaz Dawood
Directors	Mr. Waqas Anwer Qureshi - Director Mr. Aftab Mustafa Khan - Director (Resigned)
Audit Committee	Mr. Waqas Anwer Qureshi - Chairman Mr. Rafique Dawood - Member Mr. Aftab Mustafa Khan - Member (Resigned)
HR and Remuneration Committee	Mr. Waqas Anwer Qureshi - Chairman Mr. Rafique Dawood - Member Mr. Aftab Mustafa Khan - Member (Resigned)
Shariah Advisor	Mufti Syed Sabir Hussain
Chief Financial Officer	Syed Tariq Masood
Company Secretary	Mr. Tahir Mehmood
Auditors	Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants
Legal Advisor	Malik & Maliks
Bankers	Al -Baraka Bank(Pakistan) Limited Habib Metropolitan Bank National Bank of Pakistan
Web-site	www.firstdawood.com/brr
Registered Office & Head Office	1900-B, Saima Trade Towers, I.I Chundrigar Road, Karachi-74000 PABX 92-21-32271875-80 92-21- 37010960-65 92-21-37014641-3 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.

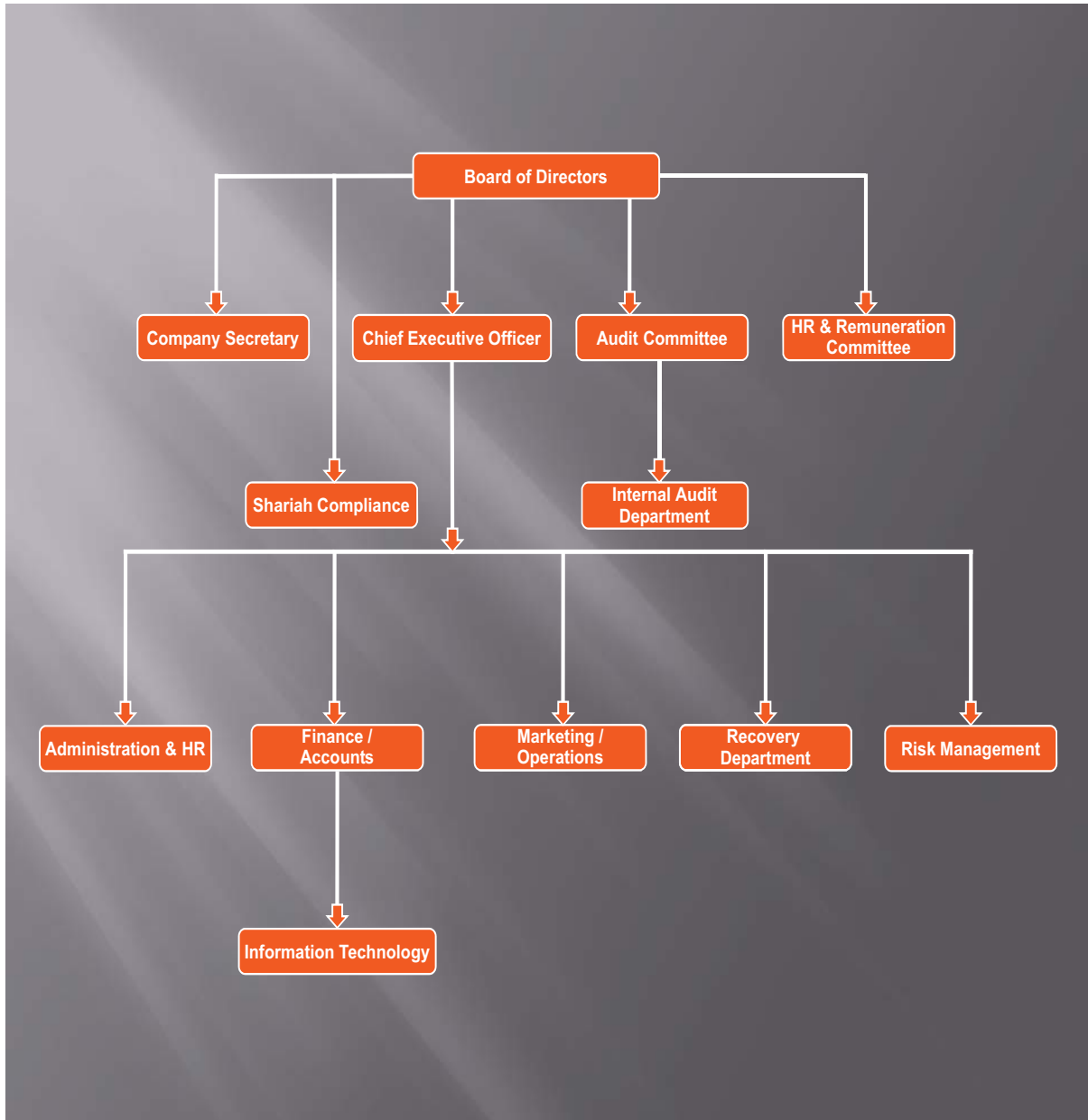
OVERALL CORPORATE STRATEGY

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





BOARD OF DIRECTORS

Rafique Dawood
(Chairman)



Waqas Anwar Qureshi
(Director)



Ayaz Dawood
(Chief Executive)



MANAGEMENT

Syed Tariq Masood
(Chief Financial Officer)



Asad Ali Sheikh
(G.M. Credit & Risk)



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



Tahir Mehmood
(Company Secretary)





**NOTICE OF ANNUAL REVIEW MEETING (ARM-XIV)
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 October 31, 2013 have declared cash dividend of BRRGM @ Re. 0.31 per Modaraba Certificate i.e. 3.1 % for the year ended June 30, 2013.

To determine the names of Certificate Holders entitled to receive Cash dividend and to attend the Annual Review Meeting, The Certificate Transfer Books of the Modaraba will be closed from November 23, 2013 to November 30, 2013 (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 November 22, 2013 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-XIV of Certificate Holders of BRRGM will be held on Saturday November 30, 2013 at 12:00 noon at First Floor, BRR Tower, Plot No. 11/14 Hassan Ali Street, off: I.I Chundrigar Road Karachi, 74000

Place Karachi
November 7, 2013

By Order of the Board
Company Secretary



DIRECTORS' REPORT

On behalf of the Board of Directors of B.R.R. Investments (Private) Limited ('BRRI' or 'the company'), manager of B.R.R. Guardian Modaraba ('BRRGM' or 'the Modaraba'), it gives me pleasure to present to you the Annual Report and Audited Financial Statements for the year ended June 30, 2013.

MODARABA'S PERFORMANCE:

Summary of the comparative financial performance is given below;

	June 30, 2013	June 30, 2012
Rupees.....	
Profit Before Management Fee & WWF	61,651,139	33,685,313
Management Fee	6,165,139	3,368,531
Sales Tax on Management Fee	986,422	538,965
Provision for Workers' Welfare Fund	1,089,997	595,556
Profit After Management Fee & WWF	53,409,828	29,182,261
Earning per certificate	0.68	0.37
Certificate Holder's Equity	802,061,184	772,805,334
Break up value – per certificate	10.28	9.90

Dividend:

The Board is pleased to announce Rs. 0.31 per certificate cash dividend for the year ended June 30, 2013 versus Rs. 0.18 per certificate last year an increase of 72%.

NATURE OF BUSINESS AND MARKET DYNAMICS:

B.R.R Guardian Modaraba is the oldest and leading Modaraba in the country which was founded in 1983. As such during the current year it completes three decades of operations and service to the economy of Pakistan through Sharia-compliant modes of financial products. Unfortunately the Modaraba sector which constituted over 52 Modarabas at one point in time has shrunk into very few which are performing. BRR Guardian Modaraba as it appears today itself is composition of various merged entities into it. The major activity of the Modaraba has been providing short term finance to small and medium enterprises in the form of Ijarah and Morabaha. While the real number of building leases has not been very large, the amounts involved have been sizeable. It was this perspective and inspiration of true Islamic Finance that management of the Modaraba decided to take this concept a step forward thereby consolidating the foundations of the Modaraba and securing the interest of all stake-holders. With this initiative we dreamt of building an edifice the realization of which is in front of everybody in the shape of BRR TOWER, a 19 story building at I.I Chundrigar Road.



ECONOMIC OUTLOOK

Following the pattern of missed budgetary targets, fiscal year 2012-13 proved to be another difficult year for Pakistan and the businesses operating within. In contrast with the target of 4.3 percent, the GDP grew by 3.6 percent this year. As usual, the massive growth in population, which stood at 2 percent, far outweighed the GDP growth. In addition, severe energy crisis, deplorable security environment, huge circular debt, and a turbulent transition of political power to new government for most part of the year hindered growth and made operational survival a challenge.

Although growth improved slightly, the fifth consecutive year depicted low growth, falling investment, excessive fiscal deficits, high inflation, and a deteriorating external position weighed on the economy. While security and natural disasters are chronic problems, a difficult political situation stalled effective policy response to macroeconomic issues, especially regarding energy.

The economic situation weakened considerably as official reserves showed a sharp decline, general inflation reaccelerated in January following its earlier decline, and exports stagnated while imports contracted.

The economic environment did not prove conducive to investments which fell from 14.9 percent to 14.2 percent in 2012-13. Investment to GDP ratio substantially deteriorated and hampered growth. Private sector remained a passive spectator in the investments arena, whereas public debt doubled during last five years. Despite the easing of monetary policy by SBP, the investment trend did not reveal any remarkable rise. This absence of responsiveness suggests that problems stem from other determinants of investment than mere rate of interest.

Power crisis proved to be a continuing obstacle this year as well. Load-shedding and power outages not merely intensified, but they were more unpredictable in the last fiscal year. The key factors that aggravated the power crisis include ineffective energy mix, inefficient energy transportation and distribution, excessive reliance on expensive furnace oil for power production, large line losses, and unresolved circular debt.

The newly elected federal government presented budget for 2013-14 recently. The total outlay of the budget was Rs.3.98 trillion which is 25 percent higher than the budget estimates of the previous year. One more vital development in this regard includes the signing of agreement between the federal government and IMF for a three year program of at least \$5.3 billion loan under an extended fund facility attaching several harsh conditionalities.

ECONOMIC CHALLENGES

The economy faces fundamental challenges to growth. The existing pattern of consumption-led growth with falling investment is unsustainable. In this context, macroeconomic sustainability and increasing



investment go hand-in-hand with the improved growth prospects necessary to provide adequate employment. Unchanged policies marked by the lack of structural reforms, high fiscal deficits, and accommodative monetary policies will mean continued slow growth, excessive inflation, and a weakening balance of payments that drains official reserves. Some drivers of the current situation, such as security challenges, do not seem to disappear immediately. However, other factors, such as the energy deficit and the losses run up by public sector enterprises that drain fiscal resources needed for infrastructure development, are more malleable in the near and medium term.

Deterioration in the power sector is the main physical constraint on growth and a major cause of financial and economic instability. Power outages are estimated to cut growth by 2 percentage points annually, making it unlikely that Pakistan will be able, without significant reform, to move toward the 7% growth rate needed to generate adequate employment and meaningful poverty reduction. The current environment in the power sector, in which receipts do not cover costs, means that for every unit of power sold there is a large loss that is either covered by a government subsidy or becomes part of the continuously accumulating arrears of the state-owned power companies.

The phenomenon of circular debt, which had surpassed Rs. 500 billion at the start of current fiscal year and despite its payment and immediate resurfacing, constrains the availability of cash needed to operate existing power-generation assets at full capacity. While it will take time to move to a more efficient system for generating, transmitting, and distributing electricity, improvements to collection, adjustments to pricing mechanisms, and improved management could enable higher power generation, lift the financial burden on the budget, and motivate private investment in the sector.

In the post-elections (2013) phase, the new government should devise a strategy for promotion of investment and industrialization, foster good-governance measures, and develop human capital. In the latest budgetary announcements, the new government revealed a penchant to raise revenue through increased taxation which may not prove conducive to economic development. It is expected that the government will continue to depend on bank borrowing for fiscal operations.

STRATEGY FOR BUSINESS SUSTAINABILITY

We believe that it is high time for the economic managers of the country to look into the deficiencies of the past and make policies which help the country grow in future. The 185 million-people population, of which majority is youth, look towards the new government both federal and provincial with great hope. It is incumbent upon them to live up to their expectations. The role that is expected of these governments is to remove bureaucratic hurdles to ensure smooth operation of business; to reduce the financial and non-financial cost of doing business; to improve law and order situation and justice system in the country; to provide electricity, gas and infrastructure to the industry; and impart meaningful education to the youth of Pakistan that equips them with skills in demand.

The providing of venture capital to the youth and ensuring loans to business community would promote



the entrepreneurial activity for the growth of SME sector thus bringing prosperity and self-reliance for the people and country alike. The crowding out factor at the present time is proving detrimental to the growth of business which must be addressed.

MARKET SHARE INFORMATION

The market share of BRRGM as per the MAP Year Book 2012 of NBFI & Modaraba Association of Pakistan for the financial year ended June 30th, 2012 is presented below:

	----- Rs. In million -----		
	Combine position of 24 modarabas	BRRGM's share	% of BRRGM's share to all modarabas
Total Equity	13,186.35	802.06	6.08
Total Assets	29,195.70	3,011.65	10.32
Ijarah Assets	9,092.96	135.63	1.49
Net Profit	1,310.77	53.41	4.07

RESOURCES, OPPORTUNITIES, BUSINESS RISKS AND MITIGANTS:

The NBFC sector used to be a robust organ of the over-all financial sector of Pakistan. The revival of commercial banks first of all took away the special rights of leasing from the leasing companies and Modarabas which were primarily engaged in the leasing business. Since pricing played a major role in wooing the prime business by the banks, the leasing companies and modarabas were left with second and third tier clients. In this case only the institutions belonging to commercial banks were able to compete. The rest were virtually wiped out. The other reason of deceleration of growth was due to poor recoveries. The over-all down-turn of the economy due to gas and power shortages and law and order situations incapacitated the viability of various business and industrial units which led to massive defaults. The third element which disillusioned the whole scenario was the pricing regime of the sector. The pricing of floating rates linked with KIBOR has shrunk the profitability of the traditional leasing sector. Taking into account the reduction of top tier business and providing for administration cost and potential losses on account of non-performing loans the viability of lending and leasing business is fast reducing.

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.



The other element that would add to the viability of the financial sector and that of Modaraba sector is to ensure rule of law by the government and improve good governance. Timely appointment of judges for every court specially the High Courts, Banking Courts and Modaraba Tribunals is essential to bring financial discipline in the business sector and sanctity and adherence to terms of all financial transactions. It is hoped that by doing so alone and ensuring timely rulings by the Courts the confidence of investors would be restored and it would be much easier for the financier to take credit risks even at lower margins which would expand the size of business activity. It would also send positive vibes around the world if Pakistan's legal system gets improved and delivers at all levels.

Despite all external factors and realities of the past and present BRRGM has fought with the worst circumstances and now we see things turning around. The move of the management towards diversification, consolidation and reconstruction bodes well for the future. Through this strategy, financial risks have reduced, the value of assets which mostly are in real estate would appreciate and would prove better collateral for future such projects which would better secure the investment of the certificate-holders and interest of all stake-holders and most of all would glorify and justify the concept of Modaraba and Islamic Finance.

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 Limited, 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 has granted 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 certificates of the Modaraba was carried out by the Directors, CFO, Company Secretary, and their spouses and minor children except mentioned as under ;

During the year,

- a) The CEO has purchased 441,387 BRRGM's Certificates.
- b) The Chairman has acquired 25,800 certificates through succession.

The value of BBRGM certificates have increased from Rs. 2.40 per certificate on July 02, 2012 to Rs. 3.75 per certificate on June 30, 2013 with a dividend of Rs. 0.18 per certificate the return to certificate holders has been 60% for the year.

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.

STAFF RETIREMENT BENEFITS:

BRR Guardian Modaraba operates a Provident Fund scheme for all permanent employees. The value of investments as at June 30, 2013 is Rs. 25.4 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 apprise 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 2013-14 subject to approval of Registrar Modaraba Companies and Modarabas. in place of retiring auditor M/s Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants

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 MEETINGS:

BOARD OF DIRECTORS MEETINGS

The status of Board of Directors Meetings is as follows:

Sr. No.	Name	Designation	Attendance
1	Mr. Rafique Dawood	Chairman	4 out of 4
2	Mr. Ayaz Dawood	CEO	2 out of 4
3	Mr. Farouque Habib Rahimtoola	Director	4 out of 4
4	Mr. Muhammad Shahid Murtaza	Director	4 out of 4



AUDIT COMMITTEE MEETINGS

The status of Board Audit Committee Meetings is as follows

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

Modaraba has recovered all losses as book value exceeds Rs 10 per certificate. Elections of the Directors were held during the year in which four directors were re-elected for a term of three years whereas Mr. Ayaz Dawood was reappointed as Chief Executive. Among them two directors Mr. Farooq Rahimtoola and Mr. Shahid Murtaza resigned. One casual vacancy was filled by appointment of Mr. Aftab Mustafa Khan with approval of Registrar of Modaraba but he offered his resignation on September 30, 2013. Two casual vacancies two new directors, Syed Ali Raza and Mr. Waqas Anwer Qureshi, have been appointed in place of the outgoing directors subject to approval of the Registrar Modaraba Companies and Modarabas. Approval of Mr. Waqas Anwer Qureshi has been granted by the Registrar Modaraba on October 31, 2013. Your Modaraba wishes to put on record its appreciation of the directors for their valuable contribution in guiding management during these tiring times

AUDITORS' OBSERVATIONS:

While reporting results of the last year, we take this opportunity to address certain observations of the External Auditors which was issued without qualifications, for the benefit of our certificate holders and all concerned:

- a) Refer to note 1.3 to the financial statements (emphasis para no i) 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. Subsequent to receipt of directions Modaraba has sought the guidance on all issues which pertained to disposal of any assets of the Modaraba having value of Rs. 1.00 Million and above. It would not be out of place to report that in one of the transactions Modaraba had the opportunity to offload a non-performing asset and swap it with a better asset, being an agricultural land at Gharo, which though was transferred to the Modaraba before the directions were received, was referred to the Registrar Modaraba and awaits execution and recording in the books of accounts subject to approval by the Registrar Modaraba

- b) Refer to note 8.3 to the financial statements (emphasis para no. ii); barring some technical issues of the transaction which auditors are bound to focus, it is important to keep in view the circumstances of last 4-5 years which necessitated various settlements due to liquidity crunch. In connection with one settlement since Modaraba inter alia received its own Sukuk, which by law it could not keep in its own portfolio, has been the genesis of this transaction. 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.

Refer to note 9.5.2 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. Since the shares belong to an unlisted company the management is looking for an opportunity to offload the same.

- c) The property 19th Floor valuing Rs. 70.00 Million acquired by the Modaraba has also been highlighted by the Auditors in their report. It is our duty to advise the facts to the certificate holders. The said property was received by the Modaraba 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 our certificate holders

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 established in-house 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.

ACHIEVEMENTS AND FUTURE STRATEGY:

BRR TOWER:

We very humbly bow our heads in front of Almighty Allah with gratitude for allowing us strength and courage to complete the construction of BRR TOWER and present it to our valued share-holders with pride and honour as a landmark project and great event in the history of BRR Guardian Modaraba and the entire Modaraba sector. With the completion of BRR TOWER your Modaraba has entered into a new phase of consolidating its strengths to become a model Modaraba.

We would like you to keep in mind that your 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. It was this vision of diversification which led the management to make a high profile building in the financial district of Karachi, i.e. I. I. Chundrigar Road. We congratulate you on the completion of BRR Tower.



The construction of Tower was initiated when there were news of flight of capital from Pakistan and investors' confidence was at its lowest ebb. While country faced great economic crises at various fronts which hit the economy of the country in last five years, your Modaraba focused on the construction of BRR Tower, standing almost at the confluence of Chundrigar Road, Dr. Ziauddin Road, and M. R. Kayani Road. It is at stone's throw from all five star hotels and major arteries leading to Clifton, Defence, Saddar, Shahrah-e-Faysal and I. I. Chundrigar Road.

BRR TOWER is now ready in all respects and will soon be occupied by various valued organizations. This state of the art building reflects the Islamic architecture through its three arches and is the only mentionable addition at I. I. Chundrigar Road in last many years, which could be called a truly purpose built building. The total workable area of the building is 120,000 square feet. It has six large parking floors to allow almost 300 cars' parking. In addition to KESC power it has its own power generation capacity through 1200 KVA diesel generator.

ENERGY SAVING ENVIRONMENTAL MEASURES

A unique feature associated with BRR Tower is its capacity 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. The introduction of renewable source of energy in a commercial building is reflection of the vision and necessity for promoting cleaner and pollution free environment. Along with generation of power through renewable sources another feature that has been added is about conservation of energy. 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

BRRGM has been in negotiations with various respectable organizations to move into this building as tenant. Two to three floors of the Tower are likely to be utilized to deleverage the Modaraba. Since the area available for rent is not very large, this will be occupied very soon. While building is yet to be occupied, already there has been respectable increase in its valuation. The Tower has been conservatively assessed at Rs. 960.312 Million.



The uniqueness of the BRR Tower is that shareholders of the Modaraba would continue to receive a dividend generated through rental stream of the Tower. By construction of the Tower we have achieved two major objectives;

1. Consolidation of assets of the Modaraba and ensuring respectable return thereon in times to come and
2. To ensure earnings for the Modaraba Certificate holders which are truly Islamic and Sharia-compliant. We assure you that management of the Modaraba would continue its efforts towards achievement of these objectives in future as well.

Despite applying sizeable resources of the Modaraba in the construction of building the Modaraba has regained the strength and has started normal business of leasing to credit-worthy parties. The management of the Modaraba is determined to work constructively and prudently for the benefit of the Modaraba and its shareholders.

HUMAN RESOURCE MANAGEMENT POLICIES & SUCCESSION PLANNING

At BRRGM, the Board approved a comprehensive Human resource policy in the year 2010. This policy encompasses those guidelines which constitute a sound basis for efficient and effective HR Management in BRRGM. HR is the area that's solely responsible for maintaining employment matters according to the company's philosophy and in compliance with regulations that apply to labor and employment. HR policies support the way which defines roles and rules, explain consequences of actions and behavior and provide employees with tools necessary to do their work. At BRRGM

- HR policies and procedures provide workplace structure, such as working hours, disciplinary action, performance reviews and rules concerning worker safety;
- HR policies and procedures support equal employment opportunity in giving fair treatment to applicants and employees throughout the hiring process and the employment experience;
- HR policies and procedures are the functional elements of BRRGM's strategic plan, meaning the policies are the steps necessary to achieve strategic goals. However, HR policies and procedures serve the important role of redefining HR strategic development and the direction;
- HR policies and procedures are consistent. HR staffs have an obligation to handle employment matters consistently and policies and procedures enable that consistency. HR policies and procedures also prevent workplace conflict through providing a way for employment matters to be handled in a fair and consistent manner.



SUCCESSION PLAN

The purpose of Succession Plan at BRRGM is to prepare and maintain on a current basis, an inventory of 'Ready Now' and near future 'replacement of candidates for each management position. A succession Plan is primarily a management report on the replacement situation for key position, based in a large part on judgment and other information developed in the appraisal process.

SUCCESSION PLANS ARE INTENDED TO:

- Provide an inventory of the quality and quantity of the management reserves.
- Summarize the performance and development potential of job incumbents and replacement candidates.
- Indicate possible future options in management manpower utilization.

At BRRGM, Succession plan contain information on performance and potential and in many cases indicate future plans or possible moves for 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

As stated by the department of Trade and Industry in the United Kingdom, CSR represents "the integrity with which a company governs itself, fulfills its mission, lives by its values, engages with its stakeholders, measures its impact and reports on its activities". In addition, while corporations must have good CSR policies in order to maintain their reputation, they are also expected to maximize profits for stakeholders such as shareholders, employees, and customers.

In any case, companies are now expected to perform well in non-financial areas such as human rights, business ethics, environmental policies, corporate contributions, community development, corporate governance, and workplace issues. Some examples of CSR are safe working conditions for employees,



environmental stewardship, and contributions to community groups and charities. Accountability and transparency are key to conducting business in a responsible manner.

We believe in serving the community in general, and specially the community of the area where our operations are located. Our priority for such payments is for promotion of professional education, promotion of Art and Culture and employee benefit and social welfare.

As a conscientious corporate citizen, BRRGM assumes all the more responsibility towards its role in CSR as it promotes Sharia-compliant modes of finance. Since Islamic teachings are very clear on fair conduct of business, the management plays its utmost role as such. Towards providing cleaner environment, your Modaraba has introduced for the first time renewable source of energy in the newly constructed BRR TOWER. Though small in scale it would encourage the society to put more such projects for commercial and residential use.

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

HEALTH, SAFETY & ENVIRONMENT

Health, safety and environmental factors attach paramount importance to BRRGM. At BRRGM, it has been ensured at all times that no facility is made which is likely to affect human health, safety and working environment. BRRGM office premises have proper electric wiring, fire extinguisher and ready first aid to office inmates while maintaining smoking free environment.

BRR Tower was constructed with no injuries due to effective safety measures. BRRGM has valid Takaful policies against all possible perils relating to the property. BRRGM has also provided group family 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, 2013 along with disclosure as required under the Code of Corporate Governance is annexed.

CONCLUSION & APPRECIATION:

BRRGM is committed to adopting best practices in its endeavor to create certificate holders wealth and gain market-confidence. It is also committed to maintaining the smooth functioning of the modaraba's operations. We appreciate the performance of our employees who worked diligently for the organization, our creditors who supported us in our endeavours, our those customers who paid back their obligations and our regulators who guided us on every step of the way.



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

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

Karachi.
October 31, 2013.

Rafique Dawood
Chairman



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2013.

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

This Statement is being presented to comply with the Code of Corporate Governance (the "Code") contained in Regulation No. 35 of listing regulations of Karachi Stock Exchange Limited for the purpose of establishing at 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 modaraba management company of B.R.R Guardian Modaraba (the Modaraba) is a Private Limited Company, the Board of Directors of the modaraba management company are pleased that the Code of Corporate Governance is being complied with in all material respects.

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

1. The Management Company encourages representation of independent non-executive directors and directors representing minority interest on its Board of directors. Elections were conducted during the year and at present the board includes.

Independent Director	<ul style="list-style-type: none"> • Mr. Shahid Murtaza (Resigned on 20 April 2013) • Mr. Aftab Mustafa Khan (Appointed by the Board on 20 April 2013, Approved by Registrar Modaraba on 05 September 2013 and Resigned on 30 September 2013) • Mr. Farooq Habib Rahimtoola (Resigned on 30 April 2013) • Mr. Waqas Anwer Qureshi (Approved by Registrar Modaraba on 31 October 2013)
Non-Executive Director	<ul style="list-style-type: none"> • Mr. Rafique Dawood
Executive Director	<ul style="list-style-type: none"> • Mr. Ayaz Dawood

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

2. The directors of the Management Company of the modaraba 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 Development Financial Institution, or a Non Banking Financial Institution and none of them is a member of a Stock Exchange.
4. Election of directors was held during the year in which four directors were elected for a term of three years. Two casual vacancies have occurred during the year which were filled up by the Board



within the stipulated time, subject to the approval of the Registrar of Modaraba Companies and Modarabas (the Registrar). The Registrar has given approval of one of the Director subsequent to the year end, while the approval of other director is pending with the Registrar.

5. The Management Company has prepared a "Code of Conduct" which has been disseminated throughout the company. It has also been placed on the website of the company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the modaraba. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of the employment of Chief Executive Officer and other 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. 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 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 Articles of Association and of their duties and responsibilities.
10. The Board has approved the appointment of internal auditor including their remuneration, 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 Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Modaraba were duly endorsed and signed by the Chief Executive Officer and Chief Financial Officer before the approval of Board.



13. The directors, Chief Executive Officer and executives do not hold any interest in the certificates of the Modaraba other than that disclosed in the pattern of certificate holding / directors report.
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 comprised of three members of whom two are independent while all are Non-Executive Directors. Two casual vacancies occurred during the year out of which one has been filled up subsequent to the year end. See 4 above.
16. The meetings of the Audit Committee were held four times during the year prior to approval of the interim and final results of the Modaraba 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 formed an HR and Remuneration Committee. It comprised of three members, of whom two are independent while all are Non-Executive Directors and the chairman of the committee was independent non-executive director. Two casual vacancies occurred during the year out of which one has been filled up subsequent to the year end. See 4 above.
18. The board has formulated the in-house internal audit department and has also approved their terms and condition of appointment for the period starting from 01 July 2012. They are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Modaraba.
19. The statutory auditors of the Modaraba have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold certificates of the Modaraba and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance to the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange.



22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.

23. We confirm that all other material principles contained in the Code have been complied.

October 31, 2013

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

Ayaz Dawood
Chief Executive Officer



Building a better
working world

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530
Pakistan

Tel: +9221 3565 0007-11
Fax: +9221 3568 1965
eyfrsh.khi@pk.ey.com
ey.com/pk

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

We have reviewed the Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) for the year ended 30 June 2013 prepared by the Board of Directors of B.R.R. Investments (Private) Limited (the Management Company) of B.R.R. Guardian Modaraba (the Modaraba) to comply with Listing Regulation No. 35 (Chapter XI) of The Karachi Stock Exchange (Guarantee) Limited, where the Modaraba is listed.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Management Company's compliance, in all material respects, with the best practices contained in the Code in respect of the Modaraba for the year ended 30 June 2013.

Chartered Accountants

Date: November 07, 2013

Karachi



Building a better
working world

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530
Pakistan

Tel: +9221 3565 0007-11
Fax: +9221 3568 1965
eyfrsh.khi@pk.ey.com
ey.com/pk

AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of **B.R.R. Guardian Modaraba** (the Modaraba) as at **30 June 2013** and the related profit and loss account, statement of comprehensive income, statement of cash flows 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 Management Company's [B.R.R. Investments (Private) Limited] responsibility who is also responsible to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards as applicable in Pakistan and the requirements of Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981. Our responsibility is to express an opinion on these statements based on our audit.

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

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



Building a better
working world

-: 2 :-

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, statement of cash flows and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at 30 June 2013 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.

We draw attention to:

(i) note 1.3 to the accompanying 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.

(ii) notes 8.3 and 9.5.2 to the accompanying financial statements which describe certain non compliances with the requirements of the Modaraba Companies and Modaraba Rules, 1981 and the Prudential Regulations for Modarabas.

(iii) note 15.1.1 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 the 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 the Modaraba.

Our opinion is not qualified in respect of the above matters.

Chartered Accountants

Audit Engagement Partner: Shabbir Yunus

Date: November 07, 2013

Karachi

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 six months period ended 30th June, 2013. 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 earnings that have been realized from the sources or by means prohibited by Shari'ah have been credited to Charity accounts on immediate basis

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 sources or by means prohibited by Shari'ah.

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 can not be sold to any one 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.
3. The Modaraba has received following Non-Shariah compliant dividend income during the period which should be transferred into the charity account.



Name of Scripts	Dividend Amount	Charity Amount
Security Papers	66,000	6,600
BOC Pakistan Ltd	100,104	3,475
Al Ghazi Tractors	168,750	34,729
Akzonobel	11,995	1,199
International Industries	99,310	9,931
Nishat Chunian Ltd	40,000	4,000
Nishat Power	25,000	2,500
PICT	15,000	1,500
Dawood Hercules Ltd	42,987	4,298
Systems Ltd	1,912,344	56,704
Sapphire Fibers Ltd	812	81
Sapphire Fibers Ltd	2,109	210
Sapphire Fibers Ltd	9,140	914
Sapphire Fibers Ltd	7,030	703
Sapphire Fibers Ltd	9,140	914
Sapphire Fibers Ltd	7,030	703
Sapphire Fibers Ltd	625	62.5
Sapphire Fibers Ltd	2,742	275
NIT Units	193,952	193,952
Total		322,750.5

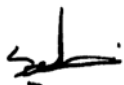
- The Modaraba should also transfer the income (gain) generated through the sale of the shares of Jahangir Siddique Co. Ltd as these are the non-Shariah compliant companies, therefore their income should also be transferred to charity account amounting to 1,327,697/=..
- Surplus funds have been invested in the avenues prescribed in the circular referred above.

Recommendation(s);

- Non Shari'ah shares should be divest 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.
- Current account of HMB should be closed on immediate basis and the same must be invested in any Islamic Banks

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.



Mufti Syed Sabir Hussain
Shari'ah Advisor
Date; September 13, 2013



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

BALANCE SHEET AS AT JUNE 30, 2013

	June 30, 2013	June 30, 2012
Note	----- (Rupees) -----	
ASSETS		
Current assets		
Cash and bank balances	7 395,169,287	231,630,479
Musharaka finances	8 351,303,409	385,061,421
Short-term investments	9 376,346,710	467,242,582
Ijarah / lease rentals receivable	10 9,346,427	22,352,840
Loans, deposits, advances and prepayments	11 3,233,515	2,380,750
Accrued profit	12 83,655,523	84,579,105
Other receivables	13 9,718,261	9,311,552
Taxation	14 7,152,367	6,071,135
	1,235,925,499	1,208,629,864
Assets classified as held for sale	-	461,500
	1,235,925,499	1,209,091,364
Non current assets		
Long-term portion of musharaka finances	8 321,889,948	432,200,269
Long-term loans and deposits	11 11,639,640	13,989,242
Fixed assets	15 207,926,129	183,568,252
Investment properties	16 1,234,272,420	1,204,702,632
	1,775,728,137	1,834,460,395
TOTAL ASSETS	3,011,653,636	3,043,551,759
LIABILITIES		
Current liabilities		
Murabaha, musharaka and finance under mark-up arrangements	17 385,749,097	860,111,669
Current portion of diminishing musharaka based Term Finance Certificates	22 145,000,000	55,000,000
Creditors, accrued and other liabilities	18 68,893,435	39,829,606
Accrued profit on borrowings	19 391,387,569	338,189,472
Customers' security deposits	20 5,288,048	8,954,899
Profit distribution payable	21 22,567,349	21,061,306
	1,018,885,498	1,323,146,952
Non current liabilities		
Diminishing musharaka based Term Finance Certificates	22 572,500,000	717,500,000
Long-term portion of musharaka, murabaha and finance under mark-up arrangements	17 514,750,000	124,200,000
Long-term portion of customers' security deposits	20 103,456,954	105,899,473
	1,190,706,954	947,599,473
TOTAL LIABILITIES	2,209,592,452	2,270,746,425
NET ASSETS	802,061,184	772,805,334
Represented by:		
Certificate capital	23 780,462,550	780,462,550
Capital reserves	24 550,351,082	523,823,582
General reserve	-	-
Surplus on revaluation of investments	26 49,297,586	59,403,238
Accumulated loss	(578,050,034)	(590,884,036)
	802,061,184	772,805,334
CONTINGENCIES AND COMMITMENTS		
	25	

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

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

Chairman

Chief Executive

Director



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

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2013**

	June 30, 2013	June 30, 2012
Note	----- (Rupees) -----	
INCOME		
Ijarah / lease rentals	41,681,649	80,564,541
Income on musharaka finances	116,087,701	144,589,486
Return on investments	27 109,253,823	40,847,957
Profit on bank balances	26,770,417	15,366,422
Rental income	28 83,546,045	86,572,304
Reversal of impairment in value of assets - net	30 -	12,874,894
Reversal of provision against doubtful receivables - net	33 9,147,653	29,519,409
Unrealised gain on revaluation of held-for-trading investments	12,844,350	-
Other income	29 2,665,480	7,857,515
	401,997,118	418,192,528
EXPENSES		
Depreciation on leased assets	17,974,779	27,773,540
Loss on disposal of fixed / Ijarah assets	4,704,790	2,434,096
Administrative expenses	31 100,646,153	109,743,216
Financial charges	32 202,994,571	239,632,647
Bad debts expenses	6,447,008	-
Loss arising on impairment of assets - net	30 7,578,431	-
Unrealised loss on revaluation of held-for-trading investments	-	4,923,716
	340,345,732	384,507,215
	61,651,386	33,685,313
Modaraba management company's fee	34 6,165,139	3,368,531
Sales tax on modaraba management company's fee	34 986,422	538,965
Provision for Workers' Welfare Fund	35 1,089,997	595,556
Profit before taxation	53,409,828	29,182,261
Taxation	36 -	-
Net profit for the year	53,409,828	29,182,261
Earnings per certificate - basic and diluted	37 0.68	0.37

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

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

Chairman

Chief Executive

Director



**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2013**

	June 30, 2013	June 30, 2012
	----- (Rupees) -----	
Profit for the year	53,409,828	29,182,261
Other comprehensive income for the year		
Unrealised (deficit) / surplus on revaluation of available-for-sale investments	(10,105,652)	30,450,821
Total comprehensive income for the year	<u>43,304,176</u>	<u>59,633,082</u>

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

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

Chairman

Chief Executive

Director



**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013**

	June 30, 2013	June 30, 2012
	----- (Rupees) -----	-----
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	53,409,828	29,182,261
Adjustments of non-cash and other items:		
Depreciation	32,331,502	43,216,573
Amortisation	17,974,779	27,773,540
Impairment	-	(12,874,894)
Liabilities no longer required written back	(944,769)	-
Provision for doubtful murabaha and musharaka finances	(28,951,736)	(35,571,607)
Proceed on disposal of property, plant and equipment - owned	-	2,434,096
Loss on disposal of property, plant and equipment - leased / owned	4,839,425	-
Accrued profit on musharaka, murabaha and finance under mark-up arrangements	202,965,465	239,582,726
Gain on sale of investments - net	(110,904,273)	(40,847,957)
	117,310,393	223,712,477
(Increase) / decrease in current assets		
Lease rentals receivable	13,006,413	(375,490)
Loans, advances and prepayments	818,193	1,871,383
Accrued profit	923,582	8,824,914
Other receivables	406,709	31,840,397
	15,154,897	42,161,204
Increase / (decrease) in current liabilities		
Creditors, accrued and other liabilities	12,035,818	(4,391,293)
Rentals received in advance	13,242,403	-
Customers' security deposits	(6,109,368)	(5,176,114)
Profit distribution payable	-	171,311
	19,168,853	(9,396,096)
Income tax refunded	(402,572)	(257,282)
Net cash generated from operating activities	204,641,399	285,402,564



	June 30, 2013	June 30, 2012
	----- (Rupees) -----	
CASH FLOW FROM INVESTING ACTIVITIES		
Investments disposed off	88,459,060	72,541,271
Income received on investments	114,433,412	38,146,230
Murabaha and musharaka finances	156,397,619	139,600,408
Addition to investment property	-	(33,000,000)
Addition to property and equipment - owned	(4,501,180)	(86,090,705)
Addition to property, plant and equipment - leased	(71,208,955)	(6,482,500)
Addition to capital work-in-progress	(52,298,709)	(94,713,117)
Addition to intangibles	-	(7,750,000)
Transfer from / (addition to) held-for-sale assets	461,500	(461,500)
Proceeds from disposal of property and equipment - owned	1,204,268	(1,971,028)
Proceeds from disposal of property, plant and equipment - leased	27,072,616	17,777,067
Net cash flow generated from investing activities	<u>260,019,631</u>	<u>37,596,126</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Finance under murabaha, musharaka and finance under mark-up arrangements	(138,812,571)	(28,024,924)
Financial charges paid	(149,767,368)	(165,530,930)
Profit paid to certificate holders	(12,542,283)	(19,511,564)
Net cash flow used in from financing activities	<u>(301,122,222)</u>	<u>(213,067,418)</u>
Net increase in cash and cash equivalents	163,538,808	109,931,272
Cash and cash equivalents at beginning of the year	231,630,479	121,699,207
Cash and cash equivalents at end of the year	<u>395,169,287</u>	<u>231,630,479</u>

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

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

Chairman

Chief Executive

Director



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

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2013

	Certificate capital	Capital reserves		General reserve	Surplus / (deficit) on revaluation of investments	Accumulated loss	Total
		Profit prior to floatation	*Statutory reserve				
(Rupees)							
Balance as at July 01, 2011	780,462,550	10,532,683	498,840,899	56,000,000	28,952,417	(642,104,733)	732,683,816
Profit for the year ended June 30, 2012	-	-	-	-	-	29,182,261	29,182,261
Other comprehensive income	-	-	-	-	30,450,821	-	30,450,821
Total comprehensive income	-	-	-	-	30,450,821	29,182,261	59,633,082
Transfer to accumulated loss	-	-	-	(56,000,000)	-	56,000,000	-
Final profit distribution for the year ended June 30, 2011 @ Re.0.25 per certificate	-	-	-	-	-	(19,511,564)	(19,511,564)
Transfer to statutory reserve	-	-	14,450,000	-	-	(14,450,000)	-
Balance as at June 30, 2012	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	-	-	-	-	(10,105,652)	-	(10,105,652)
Total comprehensive income	-	-	-	-	(10,105,652)	53,409,828	43,304,176
Final 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)	-
Balance as at June 30, 2013	780,462,550	10,532,683	539,818,399	-	49,297,586	(578,050,034)	802,061,184

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

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

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

Chairman

Chief Executive

Director



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

1. STATUS AND NATURE OF THE BUSINESS

1.1 B.R.R. Guardian Modaraba (BRRGM) is a multipurpose, perpetual Modaraba floated under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Rules framed thereunder and is managed by B.R.R. Investments (Private) Limited, having its registered office at 19th Floor, Saima Trade Tower, 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 exceed 50 percent of the total amount subscribed by the holders of the Modaraba certificates. As at June 30, 2013, the accumulated losses of the Modaraba (amounting to Rs.550.092 million) exceed 50 percent of the total amount subscribed by the holders of the Modaraba Certificates by Rs.159.861 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. Taking into consideration the statutory reserve amounting to Rs.523.823 (2012: Rs.523.823) million, accumulated losses net of reserve are less than 50% of the paid-up capital.

1.3 In November 2010, the Modaraba sold office premises located at 15th Floor, Saima Trade Towers, to an associated undertaking against consideration which was received partly in cash and partly through assignment of certain lease receivables, including a lease receivable of Rs.39 million from another associated undertaking. In respect of this transaction, the Registrar Modaraba Companies and Modarabas (the Registrar Modaraba) had expressed his concern that the assets of the Modaraba were conveyed / transferred to the associated undertaking without receiving any consideration at the date of execution of the conveyance deed. The Registrar Modaraba was further of the view that, subsequently, against the sale consideration, receivables of the associated undertaking (mainly non-performing) were accepted instead of cash.

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 his prior approval. The management has obtained clarification in respect of the above directions of the Registrar who has confirmed that the directions received under section 18A do not prevent the Modaraba from doing its regular business of Ijarah, Musharaka, Murabaha etc. and meeting of all its obligations and bank payments.

The management has replied to the above directions of the Registrar Modaraba vide their letter dated 04 June 2013 explaining their position and maintain that the swap deal of 15th Floor 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 has not been recorded in the books of the Modaraba as the approval for the same has not been received yet (see note 15.1.3) .



2. STATEMENT OF COMPLIANCE

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

3. BASIS OF MEASUREMENT

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

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies followed in the preparation of these financial statements are consistent with those of the previous financial year except as described in note 4.1.

4.1 New and amended standards and interpretations

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

IAS 1 - Presentation of Financial Statements – Presentation of items of comprehensive income

IAS 12 - Income Taxes (Amendments) – Recovery of underlying assets

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

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

4.2 Property, plant and equipment under Ijarah arrangements

The Modaraba has adopted Islamic Financial Accounting Standard 2 - Ijarah in the year 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 amortisation and impairment losses, if any. Amortisation is charged on these assets using the straight line method over the Ijarah period which is from date of delivery of respective assets to mustajir upto the date of maturity / termination of Ijarah agreement. In respect of the addition or deletion during the year, amortisation is charged proportionately to the period of Ijarah.



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

4.3 Property, plant and equipment

(i) Leased out and amortisation

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

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

(ii) In own use and depreciation

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

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

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

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

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

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

4.4 Capital work-in-progress

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



4.5 Intangible asset

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

4.6 Investment properties

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

4.7 Investments

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

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

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

ii) Available-for-sale

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

iii) Held to maturity

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



iv) Loans and receivables

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

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

4.8 Provisions

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

4.9 Impairment

Financial assets

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

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

Available-for-sale investments

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

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



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

Non-financial assets

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

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

4.10 Revenue recognition

4.10.1 Ijarah income / operating lease income

Up until June 30, 2008, the Modaraba treated all leases as operating 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 amortised over the term of the Ijarah, so as to produce a constant rate of return on net investment in the Ijarah.

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

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

4.10.2 Hire purchase transactions

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

4.10.3 Murabaha and musharaka transactions

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



Profit from murabaha finance is accounted for on culmination of murabaha transaction. However, the profit on that portion of murabaha finance not due for payment is deferred and recorded as "Deferred Murabaha Income". The same is then recognised on a time proportion basis.

4.10.4 Rental income

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

4.10.5 Dividend income

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

4.10.6 Gains / losses on sale of investment

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

4.10.7 Income of debt securities

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

4.10.8 Income on balance with bank

Profit on bank deposit is recognised on accrual basis

4.10.9 Unrealised income on non-performing assets

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

4.11 Taxation

The charge for current taxation is based on taxable income at the current rates of taxation after taking into account tax credit and tax rebates realisable, if any. Under clause 100 of Part I of the Second Schedule to the Income Tax Ordinance, 2001, the non-trading income of modarabas is exempt from income tax, provided not less than 90% of its profits {after appropriation to statutory (mandatory) reserves as required under Modaraba Regulations} are distributed to the certificate holders.

4.12 Staff Provident Fund

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



4.13 Foreign currencies translation

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

4.14 Financial assets

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

4.17 Profit distribution to the certificate holders

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

4.18 Offsetting of financial assets and financial liabilities

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

5. ACCOUNTING ESTIMATES AND JUDGMENTS

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

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



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

- i) classification of investments (note 4.7)
- ii) provision for doubtful receivables (note 4.8)
- iii) depreciation on property and equipment (note 4.3)
- iv) amortisation of property, plant and equipment - leased (note 4.3)
- v) impairment of investments, debt securities, and leased assets (note 4.9)

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

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

Standard, interpretation or amendment	Effective date (annual periods beginning on or after)
IFRS 7 - Financial Instruments: Disclosures – (Amendments) - Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	January 01, 2013
IAS 19 Employee Benefits – (Amendment)	January 01, 2013
IAS 32 Offsetting Financial Assets and Financial Liabilities – (Amendment)	January 01, 2014
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	January 01, 2013

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

In addition to the above amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after January 01, 2013. The Modaraba expects that such improvements to the standards will not have any material impact on the Modaraba's financial statements in the period of initial application.



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

Standard	Effective date (annual periods beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	January 01, 2015
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

	June 30, 2013	June 30, 2012
Note	----- (Rupees) -----	
7. CASH AND BANK BALANCES		
Cash in hand	171,669	124,700
Cash with State Bank of Pakistan - current account	2,482	7,538
Cash with banks in:		
- PLS savings accounts	7.1 392,767,759	225,615,921
- Current accounts	2,227,377	5,882,320
	<u>395,169,287</u>	<u>231,630,479</u>

7.1 These carry mark-up at rates ranging from 6% to 10.85% (2012: 5% to 13%) per annum.



	Note	June 30, 2013	June 30, 2012
----- (Rupees) -----			
8. MUSHARAKA FINANCES			
Considered good		673,193,357	817,261,690
Considered doubtful		262,791,387	275,120,673
	8.1, 8.3 & 8.4	935,984,744	1,092,382,363
Less: Provision for doubtful receivables	8.2 & 8.6	(262,791,387)	(275,120,673)
		673,193,357	817,261,690
Less: Current portion of musharaka finances		(351,303,409)	(385,061,421)
		321,889,948	432,200,269

8.1 The expected profit receivable on these arrangements ranges from 10.44% to 20.00% (2012: 8.5% to 19.80%) per annum. These 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.

8.2 Movement of provision

Opening balance	275,120,673	338,304,051
Charge for the year	15,244,168	1,894,285
Reversals during the year	(17,572,362)	(59,025,465)
Written off during the year	(10,001,092)	(6,052,198)
Closing balance	262,791,387	275,120,673

8.3 This includes musharaka finance amounting to Rs.43.500 (2012: Rs.43.500) million due from Equity International (Private) Limited (EIL), an associated company. The above exposure was acquired as a result of settlement of different transactions with another associated company.

As per Rule 31 of the Modaraba Companies and Modaraba Rules, 1981, "no loan or contribution shall be made by the Modaraba to any of the associated undertakings of the Modaraba Companies or Political parties or other organisation of political nature".

The exposure to EIL is in violation of the above mentioned rule. However, EIL has offered to settle its outstanding loan of Rs.46.565 million (including outstanding markup of Rs.3.065 million) against the Diminishing musharaka based Term Finance Certificates (TFCs) of the Modaraba, amounting to Rs.52.916 million held by them, after taking necessary measures as per Trust Deed of the Modaraba.

8.4 This includes musharaka finance amounting to Rs.175 million and Rs.235 million (2012: Rs.175 million and Rs.235 million) due from certain customers. The above exposure exceeds the limit of Rs. 160.698 million, being 20% of the equity) prescribed by the Prudential Regulations for Modarabas in terms of exposure to any single borrower. However, the Modaraba has a right of set-off against the borrowings made by the Modaraba from these customers (see note 17.3).



	June 30, 2013	June 30, 2012
Note	----- (Rupees) -----	
8.5 Ageing of musharaka finances		
Neither past due nor impaired	431,298,367	650,398,845
Past due but not impaired	13,898,690	183,139,163
Past due and impaired	490,787,687	258,844,355
	<u>935,984,744</u>	<u>1,092,382,363</u>

8.6 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. Had this benefit of FSV not been taken by the Modaraba, the provision against impaired musharaka would have been higher by Rs.0.594 million (June 30, 2012: Rs.Nil).

	June 30, 2013	June 30, 2012
Note	----- (Rupees) -----	
9. SHORT-TERM INVESTMENTS		
Held-for-trading		
- Listed Ordinary shares	9.1 42,211,360	47,873,832
- Open end Mutual Fund Units - related party	9.2 -	1,563,559
	<u>42,211,360</u>	<u>49,437,391</u>
Available-for-sale		
- Listed Ordinary shares	9.3 80,768,786	108,673,033
- Open end Mutual Fund Units	9.4 -	6,032,414
- Unlisted Ordinary shares	9.5 186,411,305	178,661,305
- Unlisted debt securities	9.6 93,333,335	134,692,000
	<u>360,513,426</u>	<u>428,058,752</u>
	<u>402,724,786</u>	<u>477,496,143</u>
Less: Provision for diminution in value of investments	9.7 (26,378,076)	(10,253,561)
Investments - net of provisions	<u>376,346,710</u>	<u>467,242,582</u>



9.1 Held-for-trading: Listed Ordinary shares

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

Number of shares			June 30, 2013	June 30, 2012
2013	2012		----- (Rupees) -----	
Name of investee				
Personal goods (Textile)				
7,000	10,000	Artistic Denim Mills Limited	278,250	240,000
-	30,000	Azgard Nine Limited	-	210,000
2,053	2,053	Bata Pakistan Limited	3,672,817	1,439,297
-	99,998	Zephyr Textiles Limited	-	446,991
-	37,505	Nishat Mills Limited	-	1,784,488
-	20,000	Nishat (Chunian) Limited	-	347,800
Construction and materials (Cement)				
5,000	63,000	D.G. Khan Cement Company Limited	418,450	2,480,940
-	1,673	Akzonobel Pakistan Limited	-	219,280
6,000	17,500	Lucky Cement Limited	1,258,320	2,019,325
Electricity				
-	5,000	Japan Power Generation Limited	-	8,750
-	500	The Hub Power Company Limited	-	20,945
165,746	144,746	Karachi Electric Supply Company Limited	1,030,940	468,977
-	25,000	Nishat Power Limited	-	367,500
Oil and gas				
18,599	46,999	Attock Refinery Limited	3,209,257	5,774,767
6,250	6,250	Mari Petroleum Company Limited	853,563	586,313
16,850	16,850	National Refinery Limited	4,054,138	3,898,922
-	2,000	Oil and Gas Development Company Limited	-	320,880
30,350	24,000	Pakistan Petroleum Limited	6,421,453	4,518,960
1700	-	Shell Pakistan Limited	243,389	-



Number of shares			June 30,	June 30,
2013	2012	Name of investee	2013	2012
			----- (Rupees) -----	
		Multiutilities (Gas and Water)		
183,750	183,750	Sui Southern Gas Company Limited	3,586,800	3,583,125
50,108	38,108	Sui Northern Gas Pipelines Limited	1,005,166	643,644
		Automobile and parts		
16,600	20,000	Indus Motor Company Limited	5,162,600	4,901,600
23,500	-	Agriautos industries Limited	1,765,555	-
		Chemicals		
-	2,000	Dawood Hercules Chemicals Limited	-	66,020
-	54,239	Fatima Fertilizer Company Limited	-	1,338,076
40,000	40,000	Fauji Fertilizer Bin Qasim Limited	1,501,600	1,632,800
18,000	20,000	Fauji Fertilizer Company Limited	1,933,740	2,221,000
5,347	3,327	ICI Pakistan Limited	889,901	436,430
10,000	15,000	Sitara Peroxide Limited	127,300	148,500
440,000	435,000	Lotte Chemical Pakistan Limited	3,352,800	3,058,050
		Engineering		
2,200	2,000	Millat Tractors Limited	1,154,978	965,700
		Industrial transportation		
4,500	4,500	Pakistan National Shipping Corporation Limited	207,000	69,345
-	2,500	Pakistan International Bulk Terminal Limited	-	-
100	-	Pakistan International Container Terminal Limited	20,843	-
		Support services		
-	105,000	TRG Pakistan Limited	-	359,100
		Fixed line telecommunication		
-	40,000	Telecard Limited	-	59,600
-	10,000	Wateen Telecom Limited	-	20,000
		Financial services		
-	220,202	Jahangir Siddiqui & Company Limited	-	2,732,707
		Forestry and paper		
-	11,000	Security Papers Limited	-	484,000
		Food producer		
125	-	Mitchell's Fruit Farms Limited	62,500	-
			42,211,360	47,873,832



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

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

Number of units		Name of investee	June 30,	June 30,
2013	2012		2013	2012
			----- (Rupees) -----	
-	408,240	First Dawood Mutual Fund * - a related party	-	1,563,559

* These funds were closed during the year on SECP's directive (see note 13.2.1)

9.3 Available-for-sale: Listed Ordinary shares

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

Number of shares		Name of investee	June 30,	June 30,
2013	2012		2013	2012
			----- (Rupees) -----	
Oil and gas				
18,750	18,750	Mari Petroleum Company Limited	2,560,688	1,758,938
36,500	41,500	Pakistan Refinery Limited	2,971,465	2,384,175
16,939	11,356	Pakistan State Oil Company Limited	5,426,917	2,678,199
-	16,500	Brushane LPG Pakistan Limited	-	788,865
18,750	18,750	Shell Pakistan Limited	2,684,438	2,396,813
Chemicals				
49,852	50,052	Linde Pakistan Limited (Formerly BOC Pakistan Ltd.)	8,924,007	6,353,601
-	277	Dawood Hercules Corporation Limited	-	9,144
75,769	75,769	Fauji Fertilizer Company Limited	8,139,864	8,414,147
14,999	14,999	Sitara Chemical Industries Limited	2,998,150	1,575,645
Industrial metals and mining				
-	52,655	International Industries Limited	-	1,487,504
Construction and materials (Cement)				
90	90	Maple Leaf Cement Factory Limited	1,974	417
Engineering				
-	22,500	Al Ghazi Tractors Limited	-	4,620,150
56,000	56,000	KSB Pumps Company Limited	4,698,400	3,058,720



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

<u>Number of shares</u>			<u>June 30,</u>	<u>June 30,</u>
<u>2013</u>	<u>2012</u>	<u>Name of investee</u>	<u>2013</u>	<u>2012</u>
			----- (Rupees) -----	
		Industrial transportation		
		Pakistan International Container Terminal Limited	208,430	584,000
1,000	4,000			
5,000	5,000	Pakistan National Shipping Corporation	230,000	77,050
		Food producers		
		Unilever Pakistan Limited (Par value Rs.50 each)	-	38,154,948
-	5,390			
		Personal goods (Textile)		
35,000	35,000	Artistic Denim Mills Limited	1,391,250	840,000
-	300	Ghazi Fabrics International Limited	-	1,140
-	23,000	Nishat Mills Limited	-	1,094,340
-	3,234	Sapphire Fibres Limited	-	399,334
8,890	8,890	Sapphire Textile Mills Limited	2,533,650	1,244,600
-	20,000	Gul Ahmed Textile Mills Limited	-	422,200
		Pharma and bio tech		
45,876	46,276	Abbott Laboratories (Pakistan) Limited	15,051,457	5,509,158
34,787	31,625	GlaxoSmithKline Pakistan Limited	4,220,707	1,999,965
564	564	Highnoon Laboratories Limited	44,725	20,699
		Electricity		
5,100	80,100	Hub Power Company Limited	314,415	3,355,389
		Gas water and multiutilities		
39,660	31,500	Sui Northern Gas Pipelines Limited	795,580	532,035
22,954	22,954	Sui Southern Gas Company Limited	448,062	447,603
		Financial services		
1,935,506	1,935,506	Dawood Capital Management Limited - a related party - 9.3.1	6,871,046	2,612,933
-	2,499,000	Dawood Equities Limited	-	5,597,760
3,339,922	3,339,922	First Dawood Investment Bank Limited - a related party (fully provided)	10,253,561	10,253,561
			80,768,786	108,673,033



9.3.1 This represents sponsor shares of the related party and is a non Shariah compliant investment. The management is currently in process of seeking approval from SECP for disposing off the above shares upon the instructions received from Registrar Modaraba.

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

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

<u>Number of units</u>		Name of investee	June 30,	June 30,
2013	2012		2013	2012
			----- (Rupees) -----	
Open-end mutual fund				
-	55,415	NIT - Income Fund	-	1,676,858
Equity Investment Instruments				
-	1,046,281	First Dawood Mutual Fund - a related party *	-	4,007,256
-	81,000	NAMCO Balance Fund	-	348,300
			<u>-</u>	<u>6,032,414</u>

* These funds were closed during the year on SECP's directive (see note 13.2.1)

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

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

<u>Number of shares</u>		Name of investee	June 30,	June 30,
2013	2012		2013	2012
			----- (Rupees) -----	
956,172	956,172	Systems Limited - a related party	9,999,990	9,999,990
10,160,000	10,160,000	Burj Bank Limited (see note 9.5.1)	94,661,315	94,661,315
7,400,000	7,400,000	Dawood Family Takaful Limited - a related party (see note 9.5.2)	74,000,000	74,000,000
3,034,603	-	Islamabad Stock Exchange Limited (see note 9.5.3)	7,750,000	-
			<u>186,411,305</u>	<u>178,661,305</u>



June 30, 2013	Systems Limited	Burj Bank Limited	Dawood Family Takaful Limited	Islamabad Stock Exchange Limited
Break-up value as per audited financial statements for the year ended December 31, 2012 (Rupees)	21,283,341	81,404,962	50,752,838	32,218,412
% of holding of the investee's paid-up capital	2.26%	1.37%	9.87%	1.00%
Auditors	Ernst & Young Ford Rhodes Sidat Hyder	A. F. Fergusons & Co.	Ernst & Young Ford Rhodes Sidat Hyder	BDO Ebrahim & Co.
June 30, 2012		Systems Limited	Burj Bank Limited	Family Takaful Limited
Break-up value as per audited financial statements for the year ended December 31, 2011 (Rupees)		20,294,330	79,582,815	54,501,522
% of holding of the investee's paid-up capital		2.46%	1.37%	9.87%
Auditors		Ernst & Young Ford Rhodes Sidat Hyder	A.F. Fergusons & Co.	KPMG Taseer Hadi & Co.

9.5.1 As at June 30, 2013, 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.

9.5.2 The above exposure exceeds the limit of 5% of the equity of the Modaraba amounting to Rs.40.175 million, as prescribed by the Prudential Regulations for Modarabas, for investment in shares of unlisted companies.

9.5.3 In accordance with the requirements of the Stock Exchanges (Corporatisation, Demutualisation and Integration) Act, 2012 (the Act), the Modaraba has received equity shares of Islamabad Stock Exchange Limited (ISE) and "trading right entitlement" in lieu of its 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, having the face value of Rs.10 each, out of which 60% of the shares are kept in the blocked account and the divestment of the same will be made in accordance with the requirements of the Act. Accordingly, the membership card has been derecognised from intangible assets and the amount has been recognised as "available-for-sale" unlisted ordinary shares. There has been no gain or loss on this transaction.

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

<u>Number of certificates</u>		Name of investee	June 30,	June 30,
2013	2012		2013	2012
			----- (Rupees) -----	
Term Finance Certificates (TFCs)				
-	8,673	Vision Developers (Private) Limited	-	34,692,000
Sukuk				
20,000	20,000	Al Razi Health Care (Private) Limited	<u>93,333,335</u>	<u>100,000,000</u>
			<u>93,333,335</u>	<u>134,692,000</u>

9.6.1 Details of particulars of unlisted Term Finance Certificates / Sukuk

Name of the investee	Profit		Maturity date	Secured / unsecured
	Repayment frequency	Rate per annum		
Al-Razi Health Care (Private) Limited	Semi-Annually	Six Months KIBOR + 2.5%	November 04, 2017	Unsecured

	June 30,	June 30,
	2013	2012
	----- (Rupees) -----	
9.7 Particulars of provision		
Opening balance	10,253,561	15,315,717
Charge for the year	16,124,515	5,779,094
Reversal during the year	-	(10,841,250)
	<u>16,124,515</u>	<u>(5,062,156)</u>
Closing balance	<u>26,378,076</u>	<u>10,253,561</u>



	Note	June 30, 2013	June 30, 2012
----- (Rupees) -----			
10. LEASE RENTALS RECEIVABLE			
Considered good	10.1	9,346,427	22,352,840
Considered doubtful		113,802,236	120,621,695
		123,148,663	142,974,535
Less: Provision for doubtful receivables	10.2	(113,802,236)	(120,621,695)
		9,346,427	22,352,840

10.1 This includes rentals receivable amounting Rs.0.172 million (2012: Rs.Nil) from a related party.

10.2 Particulars of provision for doubtful receivables

Opening balance	120,621,695	126,707,248
Charge for the year	1,743,000	3,463,228
Reversals during the year	(8,562,459)	(9,548,781)
Written off during the year	-	-
Closing balance	113,802,236	120,621,695

10.3 Ageing of lease rentals receivables

Neither past due nor impaired	10.3.1	4,527,437	-
Past due but not impaired - over 180 days		4,818,990	22,352,840
Past due and impaired		113,802,236	120,621,695
		123,148,663	142,974,535

10.3.1 This includes amount receivable from a related party amounting to Rs.0.172 million outstanding for not more than 30 days which was cleared subsequent to year end. The said balance is not classified as impaired.

11. LOANS, DEPOSITS, ADVANCES AND PREPAYMENTS

Loans - secured, considered good

To employees	11.1	1,682,016	2,082,716
Less: Long-term portion of loans to employees		-	(1,920,716)
		1,682,016	162,000

To executives	11.1, 11.2 & 11.3	2,331,299	2,588,185
Less: Long-term portion of loans to executives		(2,075,303)	(2,332,189)
		255,996	255,996

Deposits

Less: Long-term portion of deposits		(9,162,337)	(9,162,337)
-------------------------------------	--	--------------------	-------------



		June 30, 2013	June 30, 2012
	Note	----- (Rupees) -----	
Advances			
Against purchase of shares - considered doubtful		-	5,285,255
Less: Provision for doubtful receivable	11.4	-	(5,285,255)
		-	-
Against expenses - secured, considered good		-	-
Against salary - secured considered good		1,259,302	1,463,945
Less: Long-term portion of advance against salary		(402,000)	(574,000)
		857,302	889,945
Prepayments			
Insurance		35,201	984,326
Others		403,000	88,483
		3,233,515	2,380,750

11.1 These represent house loans disbursed to employees and executives under the terms of employment. These loans carry mark-up at the rate of 5% (2012: 5%) per annum and are secured against the mortgage of properties.

11.2 The maximum amount of loans and advances due from executives at the end of any month during the year was Rs.2.588 (2012: Rs.2.819) million.

11.3 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 (2012: Rs.Nil).

11.4 Particulars of provision for doubtful receivable

Opening balance	5,285,255	5,285,255
Written off during the year	(5,285,255)	-
Closing balanc	-	5,285,255

12. ACCRUED PROFIT

Accrued profit on:

- PLS savings accounts	7,533,638	5,594,074
- Debt securities	3,407,597	5,286,290
- Musharaka finances	72,714,288	73,698,741
	83,655,523	84,579,105



	June 30, 2013	June 30, 2012
Note	----- (Rupees) -----	
13. OTHER RECEIVABLES		
Dividend receivable - unsecured, considered doubtful	-	245,870
Less: Provision for doubtful dividend receivable	-	(245,870)
	-	-
Due from associated undertakings - unsecured, considered good		
- B.R.R. Investments (Private) Limited	712,560	4,912,560
- First Dawood Investment Bank Limited	-	125,583
	712,560	5,038,143
Receivable against sale of securities-unsecured, considered good	7,296,612	2,421,126
Receivable against sale of securities-unsecured, considered doubtful	-	1,068,785
	7,296,612	3,489,911
Less: Provision receivable against sale of securities	-	(1,068,785)
	7,296,612	2,421,126
Rent receivable - unsecured, considered good	1,709,089	1,852,283
Termination dues receivable - considered doubtful	32,628,539	32,628,539
Less: Provision for doubtful receivable	(32,628,539)	(32,628,539)
	-	-
Other receivables - secured, considered doubtful	-	1,296,018
Less: Provision for doubtful receivable	-	(1,296,018)
	-	-
Receivable from ex-employees - unsecured, considered doubtful	51,274,920	51,274,920
Less: Provision for doubtful receivable	(51,274,920)	(51,274,920)
	-	-
	9,718,261	9,311,552



	Note	June 30, 2013	June 30, 2012
		----- (Rupees) -----	
13.1 Particulars of provision for doubtful dividend receivable			
Opening balance		245,870	245,870
Charge for the year		-	-
Reversals		-	-
Amount written off		(245,870)	-
Closing balance		-	245,870
13.2 Particulars of receivable against sale of securities			
Receivable against First Dawood Mutual Fund and Dawood Islamic Fund - related parties	13.2.1	6,006,404	-
Receivable against Dawood Equities Limited - related parties		1,290,208	1,299,984
Receivable from Pearl Securities (Private) Limited		-	1,121,142
		7,296,612	2,421,126
13.2.1 These funds were closed during the year on SECP's directive. An aggregate amount of Rs.45.755 million has been received from the trustee of these funds.			
13.3 Particulars of provision receivable against sale of securities			
Opening balance		1,068,785	1,068,785
Charge for the year		-	-
Reversals		-	-
Amount written off		(1,068,785)	-
Closing balance		-	1,068,785



- 13.4** This represents amount receivable from a lessee in respect of lease termination dues. The management has filed a lawsuit against the counter party for recovery, which is pending adjudication. As a matter of abundant caution, full provision in respect of the said receivable has been made in these financial statements.

June 30, June 30,
2013 2012
----- (Rupees) -----

13.5 Particulars of provision for other receivables

Opening balance	1,296,018	1,296,018
Charge for the year	-	-
Reversals	-	-
	-	-
Amount written off	(1,296,018)	-
Closing balance	-	1,296,018

- 13.6** This represents balance receivable from certain ex-employees and other parties in respect of embezzlement of funds. The matter is pending before the Honourable Lahore High Court and National Accountability Bureau - Government of Pakistan. As a matter of prudence, full provision in respect of the said receivable has been made in these financial statements.

June 30, June 30,
2013 2012
----- (Rupees) -----

14. TAXATION

Advance taxation	30,024,525	28,943,293
Less: Provision for doubtful receivables	(22,872,158)	(22,872,158)
	7,152,367	6,071,135

15. FIXED ASSETS

Property and equipment - owned	15.1	72,294,370	78,089,017
Property, plant and equipment - leased / Ijarah	15.2	135,631,759	97,729,235
Intangible asset	15.3	-	7,750,000
		207,926,129	183,568,252



15.1 Property and equipment - owned

June 30, 2013	Cost		Accumulated depreciation				Book value as at June 30, 2013	Rate of depreciation %
	As at July 01, 2012	Additions / (disposals) / (transfers) *	As at June 30, 2013	As at July 01, 2012	For the year / (on disposals) / (on transfers) *	As at June 30, 2013		
Leasehold land	2,527,890	-	2,527,890	1,036,437	50,558	1,086,995	1,440,895	2
Building on leasehold land (notes 15.1.1 and 15.1.2)	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)			
	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) *			

June 30, 2012	Cost		Accumulated depreciation				Book value as at June 30, 2012	Rate of depreciation %
	As at July 01, 2011	Additions / (disposals) / (transfers) *	As at June 30, 2012	As at July 01, 2011	For the year / (on disposals) / (transfers) *	As at June 30, 2012		
Leasehold land	2,527,890	-	2,527,890	985,879	50,558	1,036,437	1,491,453	2
Building on leasehold land	28,554,266	80,500,000	82,303,283	21,492,015	2,481,157	23,415,860	58,887,423	5
		(26,750,983) *			(557,312) *			
Lockers	19,565,218	-	19,565,218	14,649,402	356,849	15,006,251	4,558,967	5
Furniture and fixtures	9,217,408	-	9,217,408	5,948,469	814,445	6,762,914	2,454,494	10
Vehicles	18,387,748	5,488,705	20,680,018	10,118,539	3,006,576	10,391,748	10,288,270	20
		(3,196,435)			(2,733,367)			
Office equipment and appliances	19,057,924	102,000	19,159,924	18,158,724	592,790	18,751,514	408,410	33.33
	97,310,454	86,090,705	153,453,741	71,353,028	7,302,375	75,364,724	78,089,017	
		(3,196,435)			(2,733,367)			
		(26,750,983) *			(557,312) *			



15.1.1 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) alongwith 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. The execution of the sale deed for the said property and transfer of title in the name of the Modaraba are in abeyance as a commercial bank has obtained a stay order against the property as that borrower had defaulted in its obligations towards the said commercial bank as well. FDIBL has filed an application of intervention with the Honourable High Court of Sindh (the Court), for removal of stay of the commercial bank and to effect the transfer of title in its favor, which is pending adjudication. Under the said Agreement, the Modaraba has agreed for the transfer of title in its name upon final conclusion of the said judicial process. As per the legal advisor of the Modaraba, the transaction between the Modaraba and FDIBL is legal, bonafide and genuine except the fact that since the matter is subjudice before the Court and the commercial bank has obtained stay against the said property, hence, 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, the Modaraba has rented out a portion of the above property to its associated companies/ related parties and earned a rental income of Rs.2.67 (2012: Rs.0.975) million during the year. Consequently, the cost of the above property has been bifurcated between fixed assets and investment property on the basis of floor space occupied.

15.1.2 During the year, the Modaraba transferred an office from owned fixed assets to investment property due to change in the use of the asset.

15.1.3 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.



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

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

Property and equipment	Cost	Accumulated depreciation	Written	Disposal proceed	Gain / (Loss)	Mode of disposal	Particulars of purchaser
			down value (Rupees)				
Vehicle KR-298 Yamaha Bike	61,425	61,425	-	6,143	6,143	Company policy	Mr. Abid Hussain Employee
Vehicle AMR-306 Toyota Corolla	919,000	918,999	1	275,000	274,999	Negotiation	M/s. Sohail Autos Baber Street, Ratan Talao, Preeedy Quarter Karachi
Vehicle APQ-076 Suzuki Mehran	344,100	326,895	17,205	42,000	24,795	Insurance claim	Jubilee General Insurance Company Limited
Vehicle KDH-4425 Honda Bike	50,490	50,489	1	5,400	5,399	Company policy	Mr. Jamaluddin Employee
Vehicle APR-459 Toyota Corolla	915,000	914,999	1	91,500	91,499	Company policy	Mr. Tahir Mehmood Employee
Vehicle AXQ-537 Suzuki Alto	742,000	74,200	667,800	667,800	-	Transfer	Crescent Standard Modaraba - a related party
Vehicle KDX-1225 Unique Bike	38,000	29,767	8,233	8,233	-	Transfer	Crescent Standard Modaraba - a related party
Vehicle APQ-079 Suzuki Mehran	344,100	344,099	1	34,410	34,409	Company policy	Mr. Fahim Khan Ghori Employee
Vehicle KDK-2315 Honda Bike	50,490	50,489	1	5,050	5,049	Company policy	Mr. Akhtar Ali Employee
Vehicle ANC-317 Suzuki Mehran	315,000	314,999	1	44,182	44,181	Company policy	Mr. Amir Ali Ex. Employee
Vehicle KDN-1047 Hero Bike	35,500	35,499	1	3,550	3,549	Company policy	Mr. Aftab Alam Employee
Office equipment and appliances Sabro Air Conditioners	217,864	217,863	1	21,000	20,999	Negotiation	Mr. Salamat Ali - Vendor
2013	4,032,969	3,339,723	693,246	1,204,268	511,022		
2012	3,196,435	2,733,367	463,068	703,622	240,554		



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

15.2 PROPERTY, PLANT AND EQUIPMENT - LEASED / IJARAH	Note	June 30, 2013	June 30, 2012
		(Rupees)	
Property, plant and equipment - leased	15.2.1	50,007,784	64,293,938
Property, plant and equipment - Ijarah	15.2.3	85,623,975	33,435,297
		<u>135,631,759</u>	<u>97,729,235</u>

15.2.1 Property, plant and equipment - leased

June 30, 2013	Rate of depreciation / lease term	Cost			Accumulated depreciation			Accumulated impairment	Carrying value as at June 30, 2013
		As at July 01, 2012	Additions / (disposals)	As at June 30, 2013	As at July 01, 2012	For the year / (on disposals)	As at June 30, 2013		
		----- (Rupees) -----							
Land and building (leasehold)	3 - 5 years	30,000,000	-	-	23,151,083	607,159	-	-	-
			(30,000,000)			(23,758,242)			
Plant and machinery	4 - 9 years	447,553,109	-	377,803,109	381,695,938	614,900	326,804,741	10,005,202	40,993,166
			(69,750,000)			(55,506,097)			
Vehicles	3 - 5 years	119,263,815	-	111,658,515	63,883,507	333,988	57,372,725	46,106,234	8,179,556
			(7,605,300)			(6,844,770)			
Office equipment and appliances	3 - 5 years	6,126,500	-	5,826,500	5,530,854	-	5,260,854	-	565,646
			(300,000)			(270,000)			
Motor boat	5 years	2,694,300	-	2,694,300	2,424,884	-	2,424,884	-	269,416
		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)			

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

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.



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

	June 30, 2013	June 30, 2012
	----- (Rupees) -----	
15.2.2 Particulars of impairment loss		
Opening balance	64,657,520	72,470,258
Impairment for the year	272,803	-
Reversal for the year	<u>(8,818,887)</u>	<u>(7,812,738)</u>
Closing balance	<u>56,111,436</u>	<u>64,657,520</u>

Impairment loss has been recognised based on the recoverable amount of assets, computed as being the forced sale value of the said assets.

15.2.3 Property, plant and equipment - Ijarah

	Rate of depreciation / lease term	Cost			Accumulated amortisation			Carrying value as at June 30, 2013
		As at July 01, 2012	Additions / (disposals)	As at June 30, 2013	As at July 01, 2012	For the year / (on disposals)	As at June 30, 2013	
June 30, 2013		----- (Rupees) -----						
Land and building (leasehold)	3 - 5 years	46,000,000	-	46,000,000	25,760,016	6,439,984	32,200,000	13,800,000
Plant and machinery	4 - 9 years	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
Vehicles	3 - 5 years	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
Office equipment and appliances	3 - 5 years	65,000	785,000	850,000	58,500	129,525	188,025	661,975
		<u>71,859,700</u>	<u>71,208,955</u> <u>(12,847,200)</u>	<u>130,221,455</u>	<u>38,425,428</u>	<u>16,418,732</u> <u>(10,246,680)</u>	<u>44,597,480</u>	<u>85,623,975</u>

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

	June 30, 2013	June 30, 2012
	----- (Rupees) -----	
15.3 Intangible assets		
Membership card (see note 9.5.3)	-	7,750,000



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

	Note	June 30, 2013	June 30, 2012
(Rupees)			
16. INVESTMENT PROPERTIES			
Investment properties	16.1	663,226,737	685,955,658
Capital Work-in-Progress (CWIP)	16.2	571,045,683	518,746,974
		1,234,272,420	1,204,702,632

16.1 Investment property

	Cost			Accumulated depreciation			Written down value as at June 30, 2013	Rate of depreciation %
	As at July 01, 2012	Additions / transfers*	As at June 30, 2013	As at July 01, 2012	For the year / transfers*	As at June 30, 2013		
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
Buildings on leasehold land (see note 15.1.1 and 15.1.2)	162,940,984	- 4,431,920 *	167,372,904	33,464,197	8,368,645 3,175,884 *	45,008,726	122,364,178	5
Office premises (see note 16.2.3)	517,077,397	-	517,077,397	138,145,476	11,660,264	149,805,740	367,271,657	2.2 - 5
	877,820,781	- 4,431,920 *	882,252,701	191,865,123	23,984,957 3,175,884 *	219,025,964	663,226,737	

	Cost			Accumulated depreciation			Written down value as at June 30, 2012	Rate of Depreciation %
	As at July 01, 2011	Additions / transfers*	As at June 30, 2012	As at July 01, 2011	For the year / transfers*	As at June 30, 2012		
June 30, 2012	(Rupees)							
Leasehold land	197,802,400	-	197,802,400	16,299,402	3,956,048	20,255,450	177,546,950	2
Buildings on leasehold land	136,190,001	- 26,750,983 *	162,940,984	26,097,385	6,809,500 557,312 *	33,464,197	129,476,787	5
Office premises	484,077,397	33,000,000	517,077,397	112,996,827	25,148,649	138,145,476	378,931,921	5
	818,069,798	33,000,000 26,750,983 *	877,820,781	155,393,614	35,914,197 557,312 *	191,865,123	685,955,658	

	Note	June 30, 2013	June 30, 2012
(Rupees)			
16.2 Capital Work-in-Progress (CWIP)			
Civil works - B.R.R. Tower, Karachi		504,625,683	452,326,974
Advance against purchase of property - Jofa Tower, Karachi		66,420,000	66,420,000
	16.2.1	571,045,683	518,746,974

	Civil work - B.R.R. Tower	Advance against purchase of property - Jofa Tower Karachi (note 16.2.2)	Total
(Rupees)			
16.2.1 Movement in capital work-in-progress			

Opening balance	452,326,974	66,420,000	518,746,974
Addition	52,298,709	-	52,298,709
Closing balance	504,625,683	66,420,000	571,045,683



- 16.2.2** This represents amount paid for the purchase of three shops of Jofa Tower, Karachi. Due to 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 the 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.
- 16.2.3** With effect from the current year, the management has revised its estimates with respect to depreciation rates on office premises based on the remaining useful life of the underlying properties. The change has been accounted for as change in accounting estimate under IAS 8 "Accounting Policies, Change in Accounting Estimates and Errors". Had there been no change in estimate, the profit for the year and the carrying value of office premises would have been lower by Rs.13.801 million.
- 16.3** The fair value of investment property as at June 30, 2013 as per valuation report of independent valuer is Rs. 1,732.569 million (2012: Rs 3,174.86 million)

	Note	June 30, 2013 ----- (Rupees) -----	June 30, 2012 -----
17. MURABAHA, MUSHARAKA AND FINANCE UNDER MARK-UP ARRANGEMENTS			
Finance under murabaha arrangements	17.1	152,500,000	152,500,000
Finance under musharaka arrangements	17.2 & 17.3	698,350,000	775,800,000
Finance under mark-up arrangements:			
Term finance		-	6,249,998
Running finance	17.1	49,649,097	49,761,671
		900,499,097	984,311,669
Less: Long-term portion:			
Finance under musharaka arrangements		514,750,000	124,200,000
Finance under mark-up arrangements		-	-
		514,750,000	124,200,000
		385,749,097	860,111,669

- 17.1** The Modaraba has entered into Murabaha (purchase and sale) agreements with a commercial bank. As per the original contract, the Murabaha sale price was payable on deferred payment basis in quarterly/monthly installments by June 27, 2011. The Modaraba initially defaulted on its obligation towards the commercial bank on its respective dates. As a consequence, the bank offered debt to asset swap against settlement of owed liabilities on April 07, 2011. Later, the Modaraba offered a counter proposal for settlement on May 03, 2012 which includes debt to asset swap and rescheduling of the amount due. However, the restructuring has not been finalized to date by the bank. The Modaraba continues to accrue mark-up on the facilities ranging from 11.28% to 14.24% (2012: 13.88% to 15.78%) per annum. The arrangements are secured by way of hypothecation of the leased assets and future rentals receivable.



17.2 The Modaraba has entered into Musharaka agreements with the commercial banks / financial institutions and other companies. These Musharaka arrangements are on profit and loss sharing basis and payable upto December 28, 2014. Estimated rate of profit on Musharaka arrangements ranges from 8.98% to 16% (2012: 9.5 to 16%) per annum.

17.3 This includes borrowings amounting to Rs.465 (2012: Rs.465) million made by the Modaraba from a group of lenders to whom musharaka finance have also been provided and the Modaraba holds a right of set off against the said finances (see note 8.4).

	Note	June 30, 2013	June 30, 2012
----- (Rupees) -----			
18. CREDITORS, ACCRUED AND OTHER LIABILITIES			
Management fee payable	34	6,165,139	3,368,531
Sales tax on management fee payable	34	986,422	538,965
Provision for Workers' Welfare Fund	35	2,536,630	1,446,633
Accrued liabilities		6,422,215	3,487,336
Rentals received in advance			
- Lease		2,849,456	2,849,456
- Lockers		16,235,827	14,521,650
- Properties		15,554,597	3,957,824
Charity payable		1,650,448	-
Others	18.1	16,492,701	9,659,211
		68,893,435	39,829,606

18.1 This includes principal and profit payable on diminishing musharaka based Term Finance Certificates to Equity International Limited amounting Rs.6.661 million (2012: Rs.Nil) from a related party.

19. ACCRUED PROFIT ON BORROWINGS

Finance under murabaha arrangements	59,459,038	40,378,762
Finance under musharaka arrangements	111,225,968	99,238,762
Finance under mark-up arrangements	20,785,574	14,547,090
Diminishing musharaka based TFCs	199,916,989	184,024,858
	391,387,569	338,189,472

20. CUSTOMERS' SECURITY DEPOSITS

Lease / Ijarah	73,498,720	79,343,700
Investment properties	23,160,782	22,785,782
Lockers	12,085,500	12,724,890
	108,745,002	114,854,372
Less: Long-term portion	(103,456,954)	(105,899,473)
	5,288,048	8,954,899



	Note	June 30, 2013	June 30, 2012
----- (Rupees) -----			
21. PROFIT DISTRIBUTION PAYABLE			
Unclaimed profit payable to certificate holders		<u>22,567,349</u>	<u>21,061,306</u>
22. DIMINISHING MUSHARAKA BASED TERM FINANCE CERTIFICATES			
Diminishing musharaka based Term Finance Certificates (TFCs)		717,500,000	772,500,000
Less: Current maturity		<u>145,000,000</u>	<u>55,000,000</u>
		<u>572,500,000</u>	<u>717,500,000</u>

22.1 The above TFCs represent privately placed instruments in the form of Diminishing Musharaka and are secured against investment properties and B.R.R. 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.

23. CERTIFICATE CAPITAL

Authorised			
87,000,000 Certificates of Rs.10 each		<u>870,000,000</u>	<u>870,000,000</u>
Issued, subscribed and paid-up			
Modaraba certificates of Rs.10 each			
Number of certificates			
<u>2013</u>	<u>2012</u>		
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 certificates	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>78,046,255</u>	<u>78,046,255</u>		<u>780,462,550</u>

B.R.R. Investments (Private) Limited (the Management Company) held 12,981,496 (16.63%) certificates of Rs.10 each as at June 30, 2013 (2012: 12,981,496 (16.63%) certificates).



Equity International (Private) Limited, an associated company, held 3,393,474 (4.35%) certificates of Rs.10 each as at June 30, 2013 (2012: 3,393,474 (4.35%) certificates).

Ayaz Dawood and S.M. Atiq ur Rehman held 487,199 (0.62%) and 12,885,598 (16.51%) certificates of Rs.10 each as at June 30, 2013 (2012: 45,812 (0.06%) and 13,098,772 (16.78%) certificates).

24. STATUTORY RESERVE

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

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

During the year, the Modaraba has credited 49.67% of its profit to this reserve.

25. CONTINGENCIES AND COMMITMENTS

25.1 There were no contingencies as at June 30, 2013.

25.2 Commitments in respect of capital expenditure on B.R.R. Tower amounting to Rs.70.000 (2012: Rs.74.107) million.

26. SURPLUS ON REVALUATION OF INVESTMENTS

	June 30, 2013	June 30, 2012
Note	----- (Rupees) -----	
Listed Ordinary shares	49,297,586	62,768,778
Open end mutual fund units	-	(3,365,540)
	49,297,586	59,403,238

27. RETURN ON INVESTMENTS

Gain on sale of investments	85,108,076	11,443,062
Profit on debt securities	14,028,433	18,617,678
Dividend income	10,117,314	10,787,217
	109,253,823	40,847,957

28. RENTAL INCOME

Investment properties	28.1 64,065,179	67,541,874
Lockers and custodial services	19,480,866	19,030,430
	83,546,045	86,572,304

28.1 This includes rental income amounting Rs.2.544 (2012: Rs.5.690) million from Management Company and associated companies / related parties.



	June 30, 2013	June 30, 2012
Note	----- (Rupees) -----	
29. OTHER INCOME		
Liabilities no longer payable written back	944,769	4,657,878
Miscellaneous and early termination charges	1,720,711	3,199,637
	<u>2,665,480</u>	<u>7,857,515</u>
30. LOSS ARISING ON IMPAIRMENT OF ASSETS - NET		
Reversal of impairment loss on property, plant and equipment - leased	15.2.2 (8,818,887)	(7,812,738)
Impairment loss / (reversal of impairment) on:		
Leased assets	15.2.2 272,803	-
Equity securities	16,124,515	5,779,094
Debt securities	-	(10,841,250)
	<u>7,578,431</u>	<u>(12,874,894)</u>
31. ADMINISTRATIVE EXPENSES		
Salaries, allowances and other benefits	33,956,165	29,804,899
Travelling and conveyance	163,581	249,604
Entertainment	1,301,887	1,096,794
Electricity, water and gas	3,670,934	3,132,131
Telephone and fax	646,003	628,070
Postage and courier	598,235	436,477
Stationery and printing	648,675	951,650
Computer expenses	342,419	306,824
Subscriptions	2,258,186	2,769,395
Advertisement	175,000	221,700
Insurance	4,573,251	3,919,915
Repairs and maintenance	8,875,340	9,465,988
Rent, rates and taxes	1,441,447	2,328,743
Security expenses	812,456	631,649
Brokerage and commission	208,618	494,694
Legal and professional	6,429,523	7,928,629
Auditors' remuneration	31.1 1,383,440	1,164,440
Depreciation		
- Assets in own use	8,346,545	7,302,375
- Investment properties	23,984,957	35,914,198
Donation	31.2 70,786	70,000
Zakat	4,273	27,061
Others	754,432	897,980
	<u>100,646,153</u>	<u>109,743,216</u>



	June 30, 2013	June 30, 2012
Note	----- (Rupees) -----	
31.1 Auditors' remuneration		
Audit fee	650,000	650,000
Limited review, special reports, certification and sundry advisory services	350,000	350,000
Out of pocket expenses	383,440	164,440
	<u>1,383,440</u>	<u>1,164,440</u>

31.2 The Directors of the Modaraba Management Company do not have interest in any donee's fund to which donations were made.

31.3 During the year, the Modaraba contributed Rs.1.580 (2012: Rs.2.048) million to the provident fund.

	June 30, 2013	June 30, 2012
Note	----- (Rupees) -----	
31.4 Disclosures relating to Provident Fund		
Size of the fund	66,121,346	63,399,584
Cost of investments made	62,728,856	37,755,700
Percentage of investments made	94.87%	59.55%
Fair value of investments	72,209,728	50,443,453
Break-up of investments		
Government securities	39,000,000	5,000,000
Term Finance Certificates	1,840,000	-
Investment in SUKUK	12,407,984	14,101,351
Investment in Musharaka - BRR	-	9,000,000
Unlisted securities	1,090,196	1,104,450
Listed securities	1,674,924	1,374,924
Mutual Funds	6,715,752	7,174,975
	% age of size of the fund	
Break-up of investments		
Government securities	62.17%	13.24%
Term Finance Certificates	2.93%	-
Investment in SUKUK	19.78%	37.35%
Investment in Musharaka - BRR	-	23.84%
Unlisted securities	1.74%	2.93%
Listed securities	2.67%	3.64%
Mutual Funds	10.71%	19.00%

The figures for 2013 are based on the un-audited 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.



		June 30, 2013	June 30, 2012
	Note	----- (Rupees) -----	
32. FINANCIAL CHARGES			
Profit on:			
Finance under murabaha arrangements		19,080,276	22,694,764
Finance under musharaka arrangements		101,438,347	108,814,987
Diminishing musharaka based TFCs		76,208,358	98,749,642
Finance under mark-up arrangement		6,238,484	9,323,333
Bank charges and commission		29,106	49,921
		<u>202,994,571</u>	<u>239,632,647</u>
33. REVERSAL OF PROVISION AGAINST DOUBTFUL RECEIVABLES - net			
Reversals during the year			
Lease rentals receivable	10.2	8,562,459	9,548,781
Musharaka finances	8.2	17,572,362	59,025,465
Others		-	-
		26,134,821	68,574,246
Less: Charge for the year			
Lease rentals receivable	10.1	(1,743,000)	(3,463,228)
Musharaka finances	8.2	(15,244,168)	(1,894,285)
Provision against other receivables	13	-	(33,697,324)
		(16,987,168)	(39,054,837)
		<u>9,147,653</u>	<u>29,519,409</u>

34. MODARABA MANAGEMENT COMPANY'S FEE

In accordance with the Modaraba Companies and Modaraba Rules, 1981 management fee at the rate of 10% of annual profits is payable to the Management Company amounting to Rs.6.165 (2012: Rs.3.369) million. Furthermore, during the current year an amount of Rs.0.986 (2012: Rs.0.539) million was charged on account of sales tax on management fee levied through Sindh Sales Tax on Services Act, 2011.

35. WORKERS' WELFARE FUND

The Finance Act, 2008 made certain changes to the Workers' Welfare Fund Ordinance, 1971. As a result of these amendments, Workers' Welfare Fund (WWF) is payable at the rate of 2% of the profit before taxation as per the financial statements or taxable income as per the return of income, whichever is higher. During the current year, the management has made a provision of Rs.1.090 (2012: Rs.0.596) million in respect of this liability.



36. TAXATION

The income of non-trading modarabas is exempt from tax under clause 100 of the second schedule of the Income Tax Ordinance 2001, provided not less than 90% of its profits {after appropriation to statutory (mandatory) reserves as required under Modaraba Regulations} are distributed to the certificate holders. The modaraba has decided to continue availing the tax exemption and hence no provision has been made in these financial statements for tax liabilities for the current year.

Return of income for the tax year 2012 has duly been filed and assessment upto the tax year 2012 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 for the tax year 2010 amounting to Rs.1.256 million. However, appeals have been filed by Modaraba before the Commissioner of Income Tax for the above mentioned tax year but no hearing has been fixed yet. Moreover, the Modaraba has filed a refund application under section 170(4) of the Income Tax Ordinance, 2001 up to the tax year 2012 amounting to Rs.6.313 million.

	June 30, 2013	June 30, 2012
	----- (Rupees) -----	
37. EARNINGS PER CERTIFICATE - BASIC AND DILUTED		
Profit for the year	53,409,828	29,182,261
	---- (number of certificates) ----	
Weighted average number of certificates outstanding	78,046,255	78,046,255
	----- (Rupee) -----	
Earnings per certificate	0.68	0.37

37.1 There were no convertible dilutive potential Ordinary certificates outstanding as on June 30, 2013 and 2012.

	----- (Rupees) -----	
38. REMUNERATION OF OFFICERS / EXECUTIVES		
Remuneration	15,463,713	23,206,938
Medical expenses	38,000	672,000
Retirement benefits	1,017,004	1,956,275
	16,518,717	25,835,213
Number of officers / executives at the end of the year	16	25

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



39. FUTURE MINIMUM LEASE RENTALS RECEIVABLE

Future minimum lease rentals receivable on the basis of lease agreements executed up to June 30, 2013 are as follows:

Receivable - not later than one year	35,171,205	27,568,854
Receivable - later than one year and not later than five years	68,153,931	147,493,209
	<u>103,325,136</u>	<u>175,062,063</u>

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

40.1 Market risk

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

40.1.1 Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market profit rates. As of June 30, 2013, 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, 2013, approximately 79.44% (June 30, 2012: 58.00%) 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.2.954 (June 30, 2012: Rs.9.42) million and a decrease of 100 basis points would result in a decrease in the Modaraba's income by the same amount. However, in practice, the actual results may differ from the sensitivity analysis.



40.1.2 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial 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.

40.1.3 Equity price risk

Equity price risk is the risk of volatility in share prices resulting from their dependence on market sentiments, speculative activities, supply and demand for shares and liquidity in the market. The value of investments may fluctuate due to change in business cycles affecting the business of the company in which the investment is made, change in business circumstances of the company, its business sector, industry and / or the economy in general.

At the balance sheet date, the exposure to listed equity securities is Rs.112.727 (2012: Rs.146.293) 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.5.636 (2012: Rs.7.315) million. However, in practice, the actual results may differ from the sensitivity analysis.

40.1.4 Segment by class of business for investments in equity securities

	2013		2012	
	Rupees	%	Rupees	%
Oil and gas	28,425,308	25.22%	25,106,832	17.16%
Chemicals	27,867,362	24.72%	24,816,983	16.96%
Forestry and papers	-	0.00%	484,000	0.33%
Industrial metals and mining	-	0.00%	1,487,504	1.02%
Construction and materials	1,678,744	1.49%	4,500,682	3.08%
Industrial engineering	5,853,378	5.19%	8,644,570	5.91%
Industrial transportation	666,273	0.59%	730,395	0.50%
Automobile and parts	6,928,155	6.15%	4,901,600	3.35%
Food producers	62,500	0.06%	38,154,948	26.08%
Personal goods	7,875,967	6.99%	8,470,190	5.79%
Pharma and bio tech	19,316,889	17.14%	7,529,822	5.15%
Electricity	1,345,355	1.19%	4,221,561	2.89%
Gas water and multiutilities	5,835,608	5.18%	5,206,407	3.56%
Financial services	6,871,046	6.10%	10,943,400	7.48%
Equity investment instruments	-	0.00%	655,710	0.45%
Support services	-	0.00%	359,100	0.25%
Technology and communication	-	0.00%	20,000	0.01%
Fixed line telecommunication	-	0.00%	59,600	0.04%
	112,726,585	100%	146,293,304	100.00%



40.2 Liquidity risk

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

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

June 30, 2013	Profit rate	Less than 6	6 month - 1 year	1 year - 5 years	More than 5	Total contractual cash flows
		months			years	
----- (Rupees) -----						
Musharaka, murabaha and finance under mark-up arrangements	9.5%-16%	221,449,097	164,300,000	512,550,000	2,200,000	900,499,097
Diminishing musharaka based TFCs ¹	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
		471,354,302	542,243,148	1,085,050,000	2,200,000	2,100,847,450

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



40.3 Credit risk

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

	June 30, 2013	June 30, 2012
	----- (Rupees) -----	
Musharaka and murabaha finances	673,193,357	817,261,690
Short-term investments	376,346,710	467,242,582
Lease rentals receivable	9,346,427	22,352,840
Loans, advances and other receivables	24,591,416	25,681,544
Accrued profit	83,655,523	84,579,105
Cash and bank balances	395,169,287	231,498,241
	<u>1,562,302,720</u>	<u>1,648,776,765</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:

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

	2013		2012	
	Rupees	%	Rupees	%
Oil and gas	3,575,616	2.64%	3,725,616	3.81%
Transport	4,986,087	3.68%	4,986,087	5.10%
Technology and communication	-	0.00%	341,083	0.35%
Chemical and pharmaceutical	31,500	0.02%	514,997	0.53%
Food and confectioneries	3,983,824	2.94%	2,940,944	3.01%
Engineering and metals	7,234,642	5.33%	7,234,646	7.40%
Power generation	7,788,944	5.74%	7,788,944	7.97%
Insurance	3,452,140	2.55%	1,661,750	1.70%
Miscellaneous	104,579,006	77.11%	68,535,168	70.13%
	<u>135,631,759</u>	<u>100.00%</u>	<u>97,729,235</u>	<u>100.00%</u>



40.3.2 Segment by class of business for musharaka and murabaha finances

	2013		2012	
	Rupees	%	Rupees	%
Textile industry	5,214,927	0.55%	-	0.00%
Oil and lubricants	133,786,432	14.05%	133,786,430	12.18%
Sugar and allied	40,982,247	4.30%	51,507,499	4.69%
Leasing and modaraba	-	0.00%	1,350,000	0.12%
Chemical and pharmaceutical	31,000,000	3.26%	49,114,014	4.47%
Engineering	57,906,655	6.08%	57,993,178	5.28%
Auto and transportation	30,778,145	3.23%	49,071,065	4.47%
Food and confectioneries	10,071,176	1.06%	21,679,025	1.97%
Technology and communication	9,471,425	0.99%	7,019,563	0.64%
Hotelling industry	175,000,000	18.38%	175,000,000	15.93%
Real estate	235,000,000	24.68%	235,000,000	21.39%
Miscellaneous	222,827,027	23.41%	316,913,787	28.85%
	952,038,034	100%	1,098,434,561	100%

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

Health care equipment and services	93,333,335	100.00%	100,000,000	74.24%
Miscellaneous	-	0.00%	34,692,000	25.76%
	93,333,335	100%	134,692,000	100%

40.4 Fair value hierarchy

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

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



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

	June 30, 2013		
	Level 1	Level 2	Level 3
	----- (Rupees) -----		
Investments at fair value through profit or loss - held-for-trading			
- Listed Ordinary shares	42,211,360	-	-
Available-for-sale investments			
- Listed Ordinary shares	80,768,786	-	-
- Unlisted Ordinary shares	-	-	186,411,305
- Unlisted debt securities	-	-	93,333,335
	122,980,146	-	279,744,640
	<hr/> <hr/>		
	June 30, 2012		
	Level 1	Level 2	Level 3
	----- (Rupees) -----		
Investments at fair value through profit or loss - held-for-trading			
- Listed Ordinary shares	47,873,832	-	-
- Open end mutual fund units	1,563,559	-	-
Available-for-sale investments			
- Listed Ordinary shares	108,673,033	-	-
- Open end mutual fund units	6,032,414	-	-
- Unlisted Ordinary shares	-	-	178,661,305
- Unlisted debt securities	-	34,692,000	100,000,000
	164,142,838	34,692,000	278,661,305
	<hr/> <hr/>		

The following table presents the movement in level 3 instruments.

	June 30, 2013	June 30, 2012
	----- (Rupees) -----	
Opening balance	278,661,305	324,322,600
Redemption / sales during the year	(6,666,665)	53,179,281
Unrealised loss during the year	-	(98,840,576)
Additions / Transfers during the year	(7,750,000)	-
Closing balance	279,744,640	278,661,305
	<hr/> <hr/>	



41. CAPITAL MANAGEMENT

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

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

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.

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

	June 30, 2013	June 30, 2012
	----- (Rupees) -----	
Debts	1,617,999,097	1,756,811,669
Cash and cash equivalents	(395,169,287)	(231,630,479)
Net debt	<u>1,222,829,810</u>	<u>1,525,181,190</u>
Equity	<u>802,061,184</u>	<u>772,805,334</u>
Net debt to equity ratio	<u>31:20</u>	<u>99:50</u>

42. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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



43. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions and include a subsidiary company, associated companies with or without common directors, retirement benefit funds, directors, and key management personnel.

The Modaraba has related party relationship with its Management Company, Associated Undertakings, Employee Benefit Plans, and its Key Management Personnel.

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

The detail of transactions with related parties and balances with them, apart from compensation to executives as disclosed in note 38, is given below:

Relationship with the Company	Nature of transactions	June 30, 2013	June 30, 2012
		----- (Rupees) -----	
Management company			
B.R.R. Investment (Private) Limited	Management fee accrued	6,165,139	3,368,531
B.R.R. Investment (Private) Limited	Share of common exp. received	4,500,000	5,082,240
B.R.R. Investment (Private) Limited	Share of common exp. receivable	712,560	-
Associated companies / other related parties			
First Dawood Investment Bank Limited	Rent received against property	2,243,920	964,640
First Dawood Investment Bank Limited	Share of common expenses received	2,118,015	3,245,099
First Dawood Investment Bank Limited	Share of common expenses paid	395,718	3,370,682
First Dawood Investment Bank Limited	Settlement of fixed assets	-	70,000,000
First Dawood Investment Bank Limited	Musharaka facilities transfer	-	8,793,019
First Dawood Investment Bank Limited	Musharaka facilities received	-	7,151,194
First Dawood Investment Bank Limited	Equity securities	-	61,600,000
First Dawood Investment Bank Limited	Cash received	-	2,600,000
Crescent Standard Modaraba	Share of common expenses received	2,416,666	3,335,624
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	30,000,000



Relationship with the Company	Nature of transactions	June 30, 2013	June 30, 2012
		----- (Rupees) -----	
Associated companies / other related parties			
Dawood Islamic Fund	Received against investment redeemed	35,953,910	30,000,000
Dawood Islamic Fund	Receivable against investment	6,006,420	-
Dawood Income fund	Investment made	-	60,000,000
Dawood Income fund	Investment redeemed	-	60,000,000
Dawood Capital Management	Share of common expenses received	-	5,228,949
First Dawood Employees Provident Fund	Transfer to provident fund	1,580,365	2,048,217
First Dawood Employees Provident Fund	Principal paid against investment in Sukuk - BRRGM	1,468,844	546,922
First Dawood Employees Provident Fund	Profit paid against investment in Sukuk - BRRGM	1,610,820	213,094
First Dawood Employees Provident Fund	Borrowing paid	12,000,000	12,000,000
First Dawood Employees Provident Fund	Profit paid on borrowing	779,300	1,926,460
Equity International (Private) Limited	Musharaka Investments	-	43,500,000
Equity International (Private) Limited	Accrued Profit on Musharaka	2,446,314	673,333
Equity International (Private) Limited	Profit received on Musharaka	3,446,875	-
Equity International (Private) Limited	Principal paid against investment in Sukuk - BRRGM	1,106,250	2,762,498
Equity International (Private) Limited	Profit paid against investment in Sukuk - BRRGM	737,500	1,559,375
Equity International (Private) Limited	Principal payable against investment in Sukuk - BRRGM	2,950,000	-
Equity International (Private) Limited	Profit payable against investment in Sukuk - BRRGM	3,710,822	6,598,245
Dawood Family Takaful	Ijarah Finance	2,396,000	-
Dawood Family Takaful	Security deposit received	239,600	-
Dawood Family Takaful	Rent received against ijarah	710,178	679,012
Dawood Family Takaful	Rent received against property	5,577,806	6,515,768
Dawood Family Takaful	Group Family Takaful	89,360	143,784
Dawood Family Takaful	Principal paid against investment in Sukuk - BRRGM	8,284,375	3,037,500
Dawood Family Takaful	Profit paid against investment in Sukuk - BRRGM	9,085,132	1,312,500
Dawood Equities Limited	Receivable against sale of securities	1,290,206	1,299,985
Dawood Equities Limited	Brokerage and commission payable	349,433	235,658
Dawood Equities Limited	Rental received against property	62,000	10,000
Dawood Equities Limited	Rental received in advance against property	11,000	20,000



Relationship with the Company	Nature of transactions	June 30,	June 30,
		2013	2012
		----- (Rupees) -----	
Hamida Dawood	Principal paid against investment in Sukuk - BRRGM	1,271,875	635,938
Hamida Dawood	Profit paid against investment in Sukuk - BRRGM	1,394,813	346,875
Sui Southern Gas Co. Limited	Dividend received	465,084	492,150
First Dawood Mutual Fund	Dividend received	-	479,913
GlaxoSmithKline Pakistan Limited	Dividend received	126,500	115,000
Systems Limited	Dividend received	1,912,344	956,172

43.1 Group shared services

The Modaraba has entered into an arrangement with its management company to share human resource costs, electricity expenses, repairs and maintenance, water expenses and other costs on agreed terms.

44. SEGMENT REPORTING

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

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

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

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

45. NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors of the Management Company in their meeting held on October 31, 2013 have approved profit distribution at the rate of 3.1% i.e. Rs.24,194,339 (2012: 1.8% i.e. Re.0.18 per certificate) for the year ended June 30, 2013. These financial statements do not reflect this distribution.

46. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on October 31, 2013 by the Board of Directors of the B.R.R. Investments (Private) Limited.



47. NUMBER OF EMPLOYEES

The detail of number of employees are as follows:

	June 30, 2013	June 30, 2012
	Number of employees	
Average number of employees during the year	<u>64</u>	<u>60</u>
Number of employees	<u>65</u>	<u>63</u>

48. GENERAL

48.1 Figures have been re-arranged and re-classified, wherever necessary, for the purpose of better presentation. Reclassifications made are as under:

From	To	June 30, 2012 -- (Rupees) --
Balance sheet		
Fixed assets - CWIP	Investment properties - CWIP	<u>518,746,974</u>
Fixed assets - owned	Investment properties	<u>26,193,671</u>
Loans, deposits, advances and prepayments - current	Taxation	<u>160,763</u>
Loans, deposits, advances and prepayments - current	Loans, deposits, advances and prepayments - long-term	<u>46,989</u>

48.2 Figures have been rounded off to the nearest rupee.

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

Chairman

Chief Executive

Director



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

**PATTERN OF CERTIFICATE HOLDING
AS AT JUNE 30 2013**

Number of Certificate Holders	Certificate Holding			Certificate Held
	From		To	
1613	1	-	100	75,028
1319	101	-	500	359,734
2653	501	-	1,000	1,799,787
912	1,001	-	5,000	2,141,127
178	5,001	-	10,000	1,329,955
82	10,001	-	15,000	1,020,879
36	15,001	-	20,000	637,801
27	20,001	-	25,000	613,225
20	25,001	-	30,000	579,085
18	30,001	-	35,000	585,114
10	35,001	-	40,000	373,228
5	40,001	-	45,000	213,333
19	45,001	-	50,000	921,048
5	50,001	-	55,000	262,063
8	55,001	-	60,000	464,656
3	60,001	-	65,000	185,012
2	65,001	-	70,000	136,500
4	70,001	-	75,000	297,590
4	75,001	-	80,000	305,629
2	80,001	-	85,000	164,130
2	85,001	-	90,000	175,600
5	95,001	-	100,000	500,000
1	100,001	-	105,000	102,500
2	105,001	-	110,000	219,743
1	110,001	-	115,000	111,756
3	115,001	-	120,000	356,680
1	130,001	-	135,000	130,962
2	135,001	-	140,000	272,116
1	140,001	-	145,000	141,532
1	150,001	-	155,000	153,242
1	160,001	-	165,000	162,852
1	165,001	-	170,000	170,000
1	170,001	-	175,000	175,000
2	180,001	-	185,000	366,000
1	195,001	-	200,000	198,157
1	200,001	-	205,000	200,812
1	205,001	-	210,000	205,285
2	215,000	-	220,000	431,310
2	225,001	-	230,000	454,500
1	250,001	-	255,000	253,000
1	270,001	-	275,000	273,988
1	280,001	-	285,000	282,328



Number of Certificate Holders	From	Certificate Holding To	Certificate Held
1	300,001	305,000	305,000
1	310,001 -	315,000	314,500
1	335,001 -	340,000	340,000
1	360,001 -	365,000	361,994
1	365,001 -	370,000	365,403
2	390,001 -	395,000	784,585
1	400,001 -	405,000	403,000
1	440,001 -	445,000	441,387
1	445,001 -	450,000	447,561
1	455,001 -	460,000	456,000
1	495,001 -	500,000	500,000
1	815,001 -	820,000	815,966
2	830,001 -	835,000	1,667,058
1	945,001 -	950,000	949,335
1	955,001	960,000	955,026
1	1,015,001 -	1,020,000	1,020,000
1	1,040,001 -	1,045,000	1,041,500
1	1,105,001 -	1,110,000	1,105,985
1	1,115,001 -	1,120,000	1,115,998
1	1,450,001 -	1,455,000	1,452,965
1	1,995,001 -	2,000,000	2,000,000
1	2,985,001	2,990,000	2,985,279
1	4,410,001 -	4,415,000	4,414,351
1	6,800,001 -	6,805,000	6,803,344
1	7,310,001 -	7,315,000	7,310,943
1	9,040,001 -	9,045,000	9,041,190
1	12,845,001 -	12,850,000	12,845,598
6983			78,046,255

S. No.	Categories of Certificate holders	Number of Certificate holders	Certificate Held	Percentage
1	Individuals	6918	40,496,106	51.89
2	Financial Institutions	5	2,315,986	2.97
3	Investment Companies	20	4,451,536	5.70
4	Insurance Companies	2	7,318,443	9.38
5	Joint Stock Companies	27	7,200,287	9.23
6	Mutual Fund	2	5,530,349	7.09
7	Modaraba Management Co.	2	10,082,690	12.92
8	Modarabas	3	305,107	0.39
9	Others	4	345,751	0.44
		6983	78,046,255	100.00



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

**ADDITIONAL INFORMATION
AS AT JUNE 30, 2013**

S. No.	Categories Certificate holders	Certificates Held	% Age
1	Associated Companies		
	B.R.R. Investment (Pvt.) Ltd.	12,985,895	16.64
2	NIT / ICP	4,445,749	5.70
	National Bank Of Pakistan-Trustee Department Ni(U)T Fund	4,414,351	5.66
	Investment Corporation of Pakistan	31,398	0.04
3	Directors, CEO their Spouse & Minor Children	512,999	0.65
	Ayaz Dawood	487,199	0.62
	Rafique Dawood	25,800	0.03
4	Public Sector Companies and Corporation	7,310,943	9.37
5	Banks, DFIs, NBFIs, Insurance Companies, Modarabas, Mutual Funds and Other Companies	12,807,562	16.41
Certificate holders holding five percent or more Certificates			
	Paid up Capital	78,046,255	
	B.R.R. Investment (Pvt.) Ltd.	12,985,895	16.64
	Sheikh Mohammed Atiqur Rehman	12,885,598	16.51
	State Life Insurance Corp. Of Pakistan	7,310,943	9.37
	Amanah Investments Limited	6,803,344	8.72
	National Bank Of Pakistan-Trustee Department Ni(U)T Fund	4,414,351	5.66



SIX YEARS' FINANCIAL SUMMARY

2013	2012	2011	2010	2009	2008
------	------	------	------	------	------

Key Financial Figures						
(Rs. In million)						
Profit & Loss Account						
Operating income	377.33	380.82	585.05	611.11	557.01	921.62
Other income	2.660	7.85	29.94	20.31	22.73	8.76
Amortization	17.974	27.73	53.30	170.88	300.48	362.26
Financial charges	202.994	239.63	354.88	351.73	318.46	249.836
Operating expenses	100.64	109.74	109.30	102.28	99.11	98.87
Provision/(Reversal) for doubtful debts/receivables	(9.14)	(29.52)	9.19	17.85	270.66	21.82
Provision for diminution in the value of investments - charge/(written back)	12.84	(4.92)	7.65	-	-	27.57
Net Profit	53.409	29.18	41.70	(161.23)	(502.75)	151.671
Dividend	24.19	14.04	19.51	-	-	70.24
Balance Sheet						
Paid-up Capital	780.46	780.46	780.46	780.46	780.46	780.46
Reserves	21.598	(7.65)	(47.77)	(147.57)	(40.04)	1052.82
Certificate Holders Equity	802.061	772.81	732.68	632.89	740.42	1,833.28
Borrowings	1,617.99	1,756.81	1,784.83	2,546.66	1,915.39	2325.11
Lease portfolio	135.631	97.72	128.98	289.63	505.99	907.87
Morabaha & Musharaka Portfolio	673.192	817.26	893.68	1,346.43	804.66	1179.33

Performance Indicators						
Earnings / (Loss) per certificate (Rs.)	0.68	0.37	0.53	(2.07)	(6.44)	1.94
Profit paid per certificate (Rs.)	0.31	0.18	0.25	-	-	0.90
Profit paid per certificate (%)	3.1%	1.80%	2.50%	0.00%	0.00%	9.00%
Profit payout (after statutory reserves) (%)	90.00	95.36	93.57	-	-	92.62
Break-up value per certificate (Rs.)	10.28	9.90	9.39	8.11	9.49	23.49
Market value per certificate (Rs.)	3.75	2.45	2.19	1.29	2.70	7.13
Price Earnings ratio	5.48	6.55	4.10	(0.62)	(0.42)	3.67
Income/Expense ratio	1.18	1.03	1.19	1.01	0.81	1.31
Financial Charges/Total Expenses (%)	63.12	63.55	68.58	56.29	44.35	35.14

BOOK POST
Printed Matter

IN SERVICE SINCE 1989

**UNDER CERTIFICATE
OF POSTING**



B.R.R. SECURITY VAULT

CUSTODIAL & REPOSITORY SERVICE

A DIVISION OF B.R.R. GUARDIAN MODARABA



Country's premier safe deposit locker service offers a unique and effective solution

- ◆ A purpose built structure designed on the "Fortress Formula"
- ◆ Computerised access procedures, secure yet quick
- ◆ Advanced security systems and closed-circuit TV monitors
- ◆ Full load standby generator with instant automatic switch-on
- ◆ Specially trained armed guards on duty round the clock
- ◆ All risks insurance cover, including unaccountable losses
- ◆ Wide variety of sizes in lockers and cabinets
- ◆ Convenient service hours.

Opens 365 days of the year

If undelivered, please return to:

B.R.R. Guardian Modaraba

1900-B, Saima Trade Towers,
I.I. Chundrigar Road, Karachi-74000