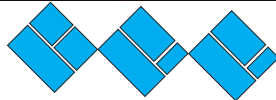




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2015



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

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



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

CORPORATE INFORMATION

Modaraba Company	B.R.R. Investments (Private) Limited
Chairman	Mr. Rafique Dawood
Chief Executive	Mr. Ayaz Dawood
Directors	Mr. Waqas Anwar Qureshi - Director Syed Ali Raza - Director
Audit Committee	Mr. Waqas Anwar Qureshi - Chairman Mr. Rafique Dawood - Member Syed Ali Raza - Member
HR and Remuneration Committee	Syed Ali Raza - Chairman Mr. Rafique Dawood - Member Mr. Waqas Anwar Qureshi - Member
Shariah Advisor	Mufti Syed Sabir Hussain
Chief Financial Officer	Syed Tariq Masood
Company Secretary	Mr. Tahir Mehmood
Auditors	BDO Ebrahim & Co. Chartered Accountants
Legal Advisor	S. & B Durani Law Associate Rauf and Ghaffar Law Associates Malik & Malik Law Associates
Bankers	Al -Baraka Bank(Pakistan) Limited Habib Metropolitan Bank Limited National Bank of Pakistan
Web-site	www.firstdawood.com/brr
Registered Office & Head Office	18th Floor, B.R.R Tower Hassan Ali Street off. I.I Chundrigar Road, Karachi-74000 PABX 92-21-32602401-06 Fax : 92-21-3227-1912
Registrars	F.D Registrar Services (SMC-Pvt.) Ltd 1705, 17th Floor, Saima Trade Tower "A" I.I Chundrigar Road, Karachi-74000 Phone # 92-21- 35478192-3 # 92-21-32271905-6 Fax # 92-21-32213243
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

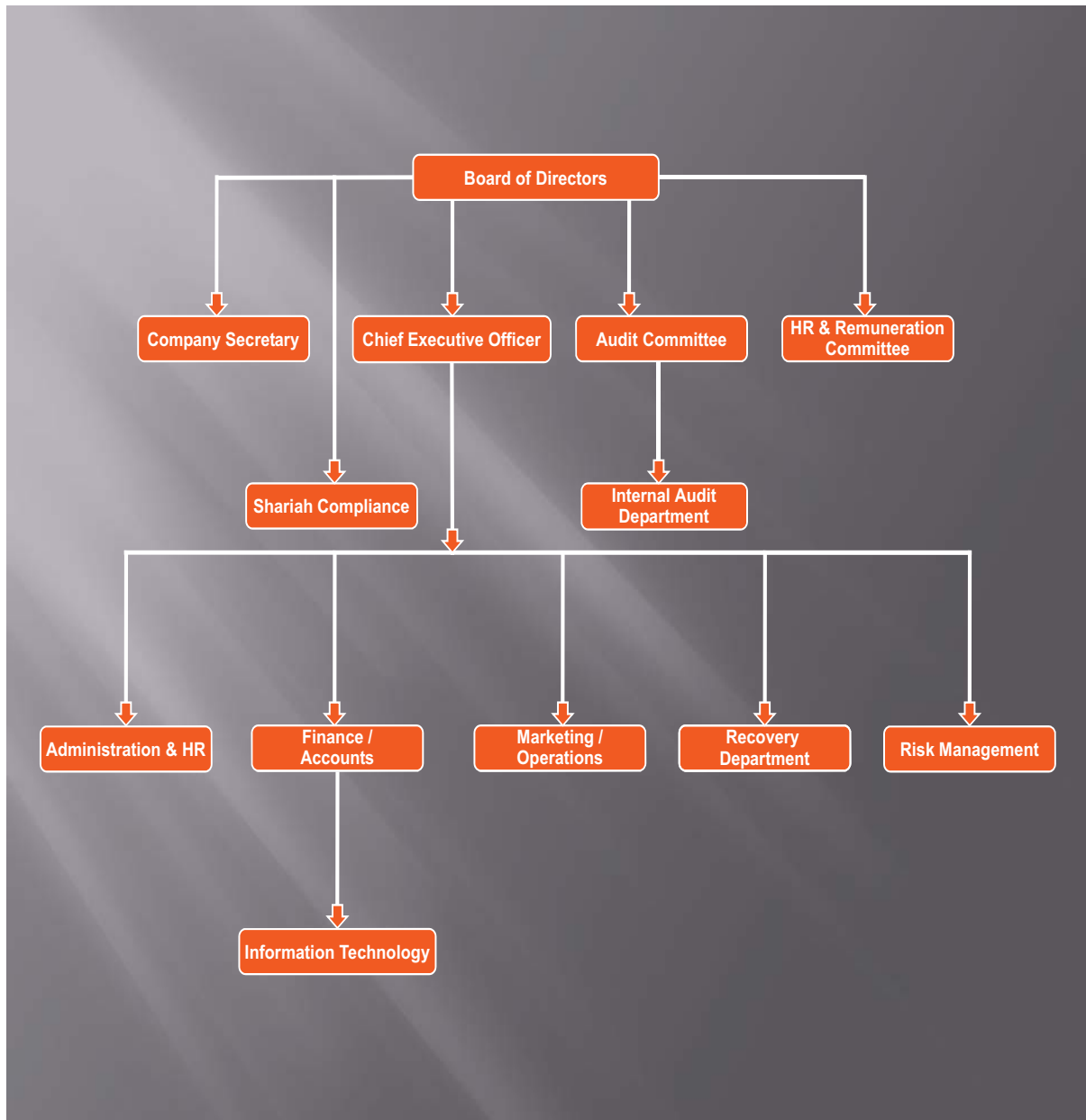
To innovate and promote Islamic Financial Products, based on Sharia Principles and to curb interest based financial systems, thereby facilitating establishment of an equitable economic system.

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)



Syed Ali Raza
(Director)



Ayaz Dawood
(Chief Executive)



Waqas Anwar Qureshi
(Director)



MANAGEMENT

Syed Tariq Masood
(Chief Financial Officer)



Tahir Mehmood
(Company Secretary)



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





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

The Board of Directors of B.R.R. Investments (Pvt) Ltd, Manager of B.R.R Guardian Modaraba (BRRGM) in their meeting held on September 30, 2015 has declared cash dividend @ Re. 0.405 per Modaraba Certificate for the year ended June 30, 2015.

To determine the names of Certificate-Holders entitled to receive dividend and to attend the Annual Review Meeting, the Certificate Transfer Books of the Modaraba will be closed from October 24, 2015 to October 31, 2015 (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 (Registrar Office), before the close of business hours on October 23, 2015 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-XVI of Certificate-Holders of BRRGM will be held on Saturday October 31, 2015 at 5:00 p.m. at First Floor, BRR Tower, Hassan Ali Street, off: I.I Chundrigar Road Karachi, 74000

Place Karachi
October 8, 2015

By Order of the Board
Tahir Mehmood
Company Secretary

REQUEST TO CERTIFICATE-HOLDERS

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

In order to comply with the directives of SECP vide their SRO 831(1)/2012 dated July 5, 2012 the Registrar Office may withhold the dispatch of Dividend Warrant under Section 251(2) (a) of the Companies Ordinance, 1984 of those Certificate-Holders who fails to submit the copy of CNIC before the close of book of Certificate-Holders for entitlement of dividend as for the year ended June 30, 2015 announced by the Board of Directors in their meeting held on September 30, 2015.

New Tax Implications on dividends

Increased Tax Rates on Filers/ Non-Filers

Through the Finance Act, 2015, enhanced rate of withholding tax on dividend amount has been prescribed in the Income Tax Ordinance, 2001, (Ordinance). New tax rates are as under:

- a) For Filers of Income Tax return 12.5%
- b) For Non-Filers of Income Tax return 17.5%

A 'filer' is a taxpayer, whose name appears in the Active Taxpayers List (ATL) issued by FBR, from time to time, whereas 'non-filer' is a person other than a 'filer'. FBR has uploaded an ATL on its web-site, which can be accessed at [http:// fbr.gov.pk](http://fbr.gov.pk).



The Modaraba will check each certificate holder's status on the latest ATL available at the first day of Book Closure and, if the certificate holder's name does not appear on the ATL, the increased rate of withholding tax at 17.5% would be applied. In case of 'filer', withholding tax rate of 12.5% will be applicable

The corporate certificate holders having CDC accounts are required to have their NTN updated with their respective participants, whereas corporate physical certificate holders should send a copy of their NTN certificate to our Registrar Office, mentioning their Folio No. and the name of the Company.

Taxation for Joint Certificate holders

The FBR has clarified that where the certificates are held in joint accounts/ names, each account/ joint holder will be treated individually as either a filer or a non-filer and tax will be deducted according to his/her certificate holding. The certificate holders, are having joint certificate holding status, are requested to kindly intimate their joint certificate holding proportions to the Registrar Office of the Modaraba as mentioned above latest by October 23, 2015 in the following format:

Folio/ CDC A/c No.	Name of Certificate Holders (principle/ joint holders)	No. of Certificates or percentage (Proportion)	CNIC No.	Signature

If the certificate holding proportion is not advised or determined, each joint certificate holder will be assumed to hold equal proportion of certificates and deduction of withholding tax will be made accordingly.

Requirement of Valid Tax Exemption Certificate for Claiming Exemption from Withholding Tax

As per FBR Circulars C.No.1(29)WHT/2006 dated 30 June 2010 and C.No. 1(43)DG(WHT)/2008-VoI.II-66417-R dated 12 May 2015, the valid exemption certificate is mandatory to claim exemption of withholding tax U/S 150 of the Income Tax Ordinance 2001 (tax on dividend amount) where the statutory exemption under Clause 47B of Part-IV of Second Schedule is available. The certificate holders who fall in the category mentioned in above clause and want to avail exemption U/S 150 of the Ordinance, must provide valid Tax Exemption Certificate to our Registrars Office before book closure otherwise tax will be deducted on dividend as per applicable rates.

Dividend Bank Mandate:

Under section 250 of the Companies Ordinance 1984, a certificate holder may, if so desires, authorize the Company to credit his future cash dividends directly in his bank account. Please note that this dividend mandate is optional and not compulsory.

If you wish that your future cash dividends directly be credited in your bank account, instead of issue of dividend warrant, please tick the 'YES' box below and provide the following information, under your signature, to our Registrar Office mentioned above.

YES	NO
-----	----



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

Name of Shareholder	
Folio No.	
Title of the Bank Account	
Bank Account Number	
Bank's Name	
Branch Name and Address	
Cell number of the shareholder, if any.	
Landline number of the shareholder, if any.	
CNIC No./ NTN (please attached copy)	

Signature of the Certificate holder (s)

(signature should agree with the specimen signature registered with the Company)

Certificateholders having Certificate in their CDC accounts are required to have their bank mandates updated with their respective participants.



DIRECTORS' REPORT

On behalf of the Board of Directors of B.R.R. Investments (Private) Limited ('BRRRI' or 'the company'), manager of B.R.R. Guardian Modaraba ('BRRGM' or 'the Modaraba'), it gives me great pleasure to present to you the Annual Report and Audited Financial Statements for the year ended June 30, 2015.

MODARABA'S PERFORMANCE:

Summary of the comparative financial performance is given below;

	June 30, 2015	June 30, 2014
Rupees.....	
Profit Before Management Fee & WWF	81,068,289	47,843,699
Management Fee	8,106,829	4,784,370
Sales Tax on Management Fee	1,297,093	765,499
Provision for Workers' Welfare Fund	1,433,287	845,877
Profit After Management Fee & WWF	70,231,080	41,447,953
Earning per certificate	0.90	0.53
Certificate Holder's Equity	991,133,347	854,297,600
Break up value - per certificate	12.69	10.94

Dividend:

The Board is pleased to announce Rs. 0.405 per certificate cash dividend for the year ended June 30, 2015 versus Rs. 0.24 per certificate last year an increase of 68.75%.

NATURE OF BUSINESS AND MARKET DYNAMICS:

B.R.R Guardian Modaraba (BRRGM) is pioneer in the field of Modaraba in Pakistan, it was founded in 1983. Being the pioneer and the oldest Modaraba, BRRGM has got unique feature as per its prospectus, which has made it stand-out in many ways. BRRGM has successfully completed three decades of operations and serves businesses and economy of Pakistan through Sharia-compliant financial products. There was time when 'Modaraba sector' constituted of over 50 Modarabas, but because of lack of support, this sector has shrunk to a handful of active and performing Modarabas. BRRGM, itself has acquired / merged a few Modarabas, thus supporting the sector, which at times has been left on its own. BRRGM, apart from other innovative business plans; during prior years, successfully completed a 20 storey TOWER in business district (I.I. Chundrigar Road) of the country. BRR Tower is an Icon in the country because of its unique features. The management of BRRGM has invested in alternate energy; security, cleanliness, efficiency, services and outlook of the Tower. This is the reason that not only corporate, but leading multi-nationals are approaching to take your tower on rent. So far, two floors have been rented-out to a foreign company, while agreement is made with leading multi-national commercial bank for four floors. A reputed media group is now a tenant of the one floor. One floor has been rented to a subsidiary of an international big-4 audit firm. The benefit of renting-out to 'AAA' corporate and foreign companies will assist and ensure prompt collection of receivables (rentals). Further, during the year as per Modaraba's Sukuk Master Restructuring / Settlement Agreement dated April 15, 2011, with Bank of Khyber (BOK) according to which both Modaraba and BOK have agreed to settle BOK's investment of 20,000 units of Modaraba's Sukuk against 7th floor of BRR Tower was extended after RM's approval.



In view of our environmental friendly building with renewable energy on its roof, your Modaraba has won the Award for "12th Annual Environment Excellence Awards 2015" from the 'National Forum for Environment & Health' of Pakistan in the category of 'Public Utility' of a Commercial Building.

ECONOMIC REVIEW

Pakistan's economy has emerged from turbulent times with significant improvement on major fronts. GDP growth has slightly improved at 4.2 % in FY15 against 4.1% in FY14. An overall increase in the Real GDP growth rate is largely contributed by the increase in the percentage share in GDP growth by service sector i.e. from 4.4% to 5%. Services sector remains the key contributor to economic growth contributing 59% towards the GDP this year.

Progress was made on key structural reforms - the privatization process was resumed after a gap of 8 years and two capital market transactions were completed during FY14. Moreover, the process of privatizing public sector enterprises has also been initiated on a fast track basis and financial advisors for various entities have already been appointed.

The key feature of the current fiscal year was the stabilization of the economy to a great extent with inflation hitting the lowest level at 2.1% on YoY in April since 2003-04, improvement of international ratings by Moody's and Standard & Poor's, policy rate reduced to its lowest in last 42 years at 7%, successful IMF reviews, issuance of Ijara Sukuk bonds and the hallmark of recent history, the agreement with Chinese Government on China Pak Economic Corridor (CPEC). The decline in international oil prices helped in stabilization of PKR to USD exchange rate and building of foreign exchange reserves by saving on import bill of oil and reduction in subsidies provided to the power sector pulling down the current account deficit to \$1.364 billion in July-April 2014-15 from 2.931 billion in the same period last year.

The FY16 budget predicts an aggressive growth in resources to the tune of PKR 4.1 trillion, up by 35% from last year's target of PKR 3 trillion; mainly relying on an ambitious FBR's tax collection targets based on some measures through increase of withholding taxes and other steps, which will help in restricting the fiscal deficit. However, aggressive targets as this are less likely to materialize given the downward revisions of targets that have been a regular phenomenon almost every year. Moreover, the fiscal measures proposed to enhance the tax collections are largely based on withholding taxes and other superficial changes, rather than any basic reforms.

STRATEGY FOR BUSINESS SUSTAINABILITY

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

As our business strategy, we shall remain focused on following area in FY 2015 -2016;

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



MARKET SHARE INFORMATION

Total Assets Of Modaraba Sector	
Financial Year	Rupees in Million
2010	24,469
2011	26,343
2012	29,195
2013	31,434
2014	30,212

The market share of BRRGM as per the MAP Year Book 2014 of NBFI & Modaraba Association of Pakistan for the financial year ended June 30th, 2014 is presented below:

	-----Rs. In million-----		
	Combine position of 25 modarabas	BRRGM's share	% of BRRGM's share to all modarabas
Total Equity	14,487.75	854.30	5.89%
Total Assets	30,211.89	2,305.81	7.63%
Net Profit	1,544.58	41.44	2.68%

RESOURCES, OPPORTUNITIES, BUSINESS RISKS AND MITIGANTS:

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

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, 2015. The external auditors review report on the statement of compliance with the code of corporate governance is annexed with this report.

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

- The financial statements prepared by management present fairly Modaraba's state of affairs, the result of its operations, cash flows and changes in equity.
- Your Modaraba has maintained proper books of accounts.
- Appropriate accounting policies have been consistently applied in the preparation of financial statements on reasonable and prudent judgment.



- Relevant International Accounting Standards and Islamic Financial Accounting Standards, as applicable in Pakistan, provisions of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the Modaraba Companies & Modaraba Rules, 1981 and directives of the Securities and Exchanges Commission of Pakistan have been followed in the preparation of financial statements.
- The system of internal controls is sound in design and has been effectively implemented and monitored.
- There are no significant doubts over the ability to continue as going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- There are no statutory payments on account of taxes, duties, levies and charges outstanding, except as disclosed in the financial statements.
- There has been no departure from the best practices of transfer pricing.

TRADING / DEALING IN CERTIFICATE OF MODARABA:

During the fiscal year, no trade in the certificate of the Modaraba was carried out by the Directors, CFO, Company Secretary, and their spouses of minor children except the CEO has purchased 131,731 BRRGM's Certificates.

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, 2015 is Rs. 24.858 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 2015-16 subject to approval of Registrar Modaraba Companies and Modarabas.

KEY OPERATING AND FINANCIAL DATA:

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

RISK MANAGEMENT FRAMEWORK:

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

Board of Directors Meetings

The status of Board of Directors Meetings is as follows:

Sr. No	Name	Designation	Attendance
1	Mr. Rafique Dawood	Chairman	5 out of 5
2	Mr. Ayaz Dawood	CEO	5 out of 5
3	Mr. Waqas Anwer Qureshi	Director	3 out of 5*
4	Syed Ali Raza	Director	5 out of 5

* The leave of absence was granted by the BOD.

Audit Committee Meetings

The status of Board Audit Committee Meetings is as follows:

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

AUDITORS' OBSERVATIONS:

The auditors have expressed their unmodified opinion on the financial statement except for certain emphasis of matter paragraphs with explanations below:

- I. Refer to Note 1.2 to the financial statement, the Modaraba having sufficient statutory reserve to wipe off the accumulated loss and our breakup value per certificate is above Rs.10/. Our statutory reserves now exceed our accumulated losses.



- II. Refer to note 1.3 to the financial statements which primarily highlights a development being directions issued by Registrar Modaraba under Section 18-A of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 to the Modaraba in April 2013 in the backdrop of disposal of a property by the Modaraba. To dispel any misconception in the matter we further clarify that the Modaraba possessed a large office space about three years back being 15th Floor in Tower 'A' of Saima Trade Towers, I. I. Chundrigar, Karachi. Due to shrinkage of operations since it had the opportunity to shift in the adjacent Tower 'B' of the same building which was 1/3rd less in size, the Modaraba decided to dispose of the 15th Floor. Since recession in the market prevented its sale at a desired market price, the Modaraba got an opportunity to sell through its associated concern which yielded better price to the Modaraba as it involved payment of consideration through cash and other assets. The issue of 15th floor has never caused any loss to the Modaraba. On the contrary it proved beneficial as Modaraba was able to fetch better price through the deal executed to which nothing is outstanding.
- III. Refer to note 5.1.1 to the financial statements, the property 19th Floor valuing Rs. 70.00 Million acquired by the Modaraba was received in settlement and had allowed its acquisition by an associated concern which was purchased by the Modaraba having injunction of the Court against its transfer. Since Modaraba holds the title documents and physical possession of the property as well as generates rent for the Modaraba its commercial value cannot be undermined. Since the case is sub-judice and vendor is intervener in the case, we cannot make any comments except keeping full details in front of the certificate holders.
- IV. Refer to note 7.3 to the financial statements; the management of the Modaraba has requested Registrar Modaraba (RM) for relaxation of direction issued under section 18-A of the Modaraba Ordinance, 1980 letter dated September 14, 2015. B.R.R Guardian Modaraba (BRRGM) being the issuer of Musharika Based TFCs would like to invoke clause 8 (II) of Master Restructuring / Settlement Agreement. BRRGM and would like to settle its liability against BRRGM Sukuk held by Equity International (Private) Limited (EIL) against the sukuku of Al Razi Health Care (Private) Limited held by the Modaraba. As per Master agreement, BRRGM can settle / swap the TFC which will subsequently be marked as cancelled or liability no longer payable through the trustee. Further, EIL intends to settle the amount payable to BRRGM against the Musharika facility extended to it by making payment in cash. This settlement, if got approval from RM, will also benefit to Modaraba Certificate holders.
- Refer to note 9.3.4 to the financial statements; the unlisted shares of DFTL were not purchased specifically by the Modaraba for investment purpose. The investment threshold of 5% of the equity was compromised due to receipt of same in settlement in the previous years.
- V. Refer to note 19.1 to the financial statements, the Modaraba has not met its past due obligation towards the commercial bank on its respective repayment dates. Later, Modaraba offered a proposal for settlement which includes debt to asset swap and rescheduling of the amount due. However, restructuring has not been finalized to date by the bank.
- VI. Refer to note 5.1.4; 8.40 million shares of 'Burj Bank Limited' (at par value) were transferred from the Modaraba's investment portfolio in favor of 'State Life Insurance Company' on the order of Sind High court. In view of that scenario BRRGM was compelled to close its book of accounts and has agreed to swap its investment from a related party against consideration of fixed assets having equivalent total worth of shares i.e. 101 acres of agricultural land at Gharo (title & possession of which has transferred in name of Modaraba) valuing Rs. 55.88 million and another 8.56 acres of land situated at Pattoki valued Rs. 25.10 million. Due to some pending litigation it was held in abeyance. In lieu of Pattoki land its has already been approved by the BoD in their meeting held on April 29,2015 to accept cash payment option payable in equal monthly installments with upfront payment of Rs. 10.10 million. This is also approved by the Registrar Modaraba vide letter dated September 14, 2015. Please note that this transaction resulted in profit of Rs. 23.125 million.



INTERNAL CONTROL AND AUDIT FUNCTION:

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

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

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 Muhammad Nadeem Siddiqui, from December 01, 2014, for adhering to the highest standards of Shariah Compliance.

ACHIEVEMENT AND FUTURE STRATEGY:

BRR TOWER:

BRR has been enjoying a place for being recognized as pioneer in Modaraba companies in Pakistan. We take pride in the solid reputation we have built within the industry and with our share holders. B.R.R. Guardian Modaraba is the only Modaraba among the existing ones which does not belong to any banking group nor is a trading Modaraba that has not only survived but has taken great strides despite adverse circumstances. Many organizations or businesses fall short of achieving their growth objectives for revenue and profitability mainly because of two major reasons:

- Inadequate consideration of opportunities within the core business, adjacent to the core business or within new business sub-segments.
- An organizational infrastructure that cannot support successful execution.

With the aim of building solid foundations for future growth together with some real estate knowledge and clear understanding of firm and greater return on investment, the Management of BRR initiated strategic projects. This includes constructing of a 20 story office tower at the 'Manhattan Street' of Karachi.

B.R.R. TOWER is an icon for its management and a landmark for visitors and community members of NBFC's. A piece of land on 120,000 square feet area has turned into a classic state of the art symbol of construction. The uniqueness of this building which distinguish it from many buildings in the same vicinity is six floors for vehicle parking which easily accommodates around 300 cars' at a time. The building has its own power generation capacity through 1200 KVA standby diesel operated power generating unit. Besides, another unique feature of the tower is its contribution towards ECO System through REA Project which generates 35KW electricity through Wind Turbine and Solar PV Pannels. BRR Tower is the only commercial building so far in the city which has this multi-functional mechanism.



In this recognition, the BRR TOWER has recently received the Award for "**12th Annual Environment Excellence Awards 2015**" from the '**National Forum for Environment & Health**' of Pakistan in the category of 'Public Utility' of a Commercial Building.

ENERGY SAVING ENVIRONMENTAL MEASURES;

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

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

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

FUTURE PROSPECTS;

As a Modaraba we aim to increase our corporate value through sustainable growth, offering innovative services and fully Shariah Compliant products. To underscore the success of the management strategic growth plan, BRR continues to post satisfactory financial results exceeding the average growth ratios of peer companies of the country.

The above serves to underline the Modaraba's relentless drive, ambition and passion to deliver what really matters to its stakeholders.

HUMAN RESOURCE MANAGEMENT POLICIES & SUCCESSION PLANNING:

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

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

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

SUCCESSION PLAN;

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



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

CORPORATE SUSTAINABILITY;

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

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

Corporate Social Responsibility:

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

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

All non-Shariah income and dividend have been purified by the Shariah Advisor of the Modaraba and has been given to charities.

Health, Safety & Environment

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

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

PATTERN OF CERTIFICATE HOLDING:

The pattern of certificate holding as on June 30, 2015 along with disclosure as required under the Code of Corporate Governance is annexed



CONCLUSION & APPRECIATION:

Looking ahead, 2015-16 we will strive to enhance market outreach and add quality assets through costume base portfolio and renting out properties. We always adopt best practices in its endeavor to create certificate holders wealth and gain market-confidence. BRRGM remains determined in maintaining its status amongst the top tier Modarabas of the country and committed for its smooth operations.

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

Karachi.
September 30, 2015.

Rafique Dawood



STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2015.

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

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

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

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

Category	Names
Independent Director	Mr. Waqas Anwer Qureshi Mr. Syed Ali Raza
Executive Director	Mr. Ayaz Dawood
Non-Executive Director	Mr. Rafique Dawood

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

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Modaraba.
3. All the resident directors of the Management Company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI and none of them is a member of any Stock Exchange.
4. No casual vacancy has occurred during the year on the board.
5. The Management Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures. It has also been placed on the website of the Modaraba.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Modaraba. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of the employment of CEO, other executive and non - executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.



9. The Majority of the directors of the board are having more than 14 years of education and more than 15 years of experience therefore they are exempted from the Director's training programs as prescribed by the Code of Corporate Governance. Further, the directors of the company have been provided with copies of the Listing Regulations, Code of Corporate Governance, Modaraba Rules, Company's Memorandum and Articles of Association, Modaraba Prospectus and all other relevant rules and regulations and hence are conversant of the relevant laws applicable to the Modaraba, its policies and procedures and provisions of memorandum and article of Associations and of their duties and responsibilities.
10. The Board has approved the appointment of Head of internal audit including their remuneration, term and conditions of employment. No new appointment of CFO or Company secretary has been made during the year.
11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Modaraba were duly endorsed and signed by the CEO and CFO before the approval of the Board.
13. The directors, CEO and executives do not hold any interest in the certificates of the Modaraba other than that disclosed in the pattern of certificate holding.
14. The Modaraba has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises three members, of whom all are non-executive directors and the Chairman of the committee is an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Modaraba and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed an HR and Remuneration Committee. It comprises three members, of whom the majority are non-executive directors and the chairman of the committee is an independent director.
18. The board has outsourced the internal audit function to J.A.S.B & Associates, Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Modaraba.
19. The statutory auditors of the Modaraba have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold certificates of the Modaraba and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.



21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Modaraba's securities, was determined and intimated to directors, employees and stock exchange.
22. Material / price sensitive information has been disseminated among all market participants at once through stock exchange.
23. We confirm that all other material principles contained in the CCG have been complied.

September 30, 2015

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

Ayaz Dawood
Chief Executive Officer



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Lakson Square, Building No.1
Sarwar Shaheed Road
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Pakistan

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended June 30, 2015 prepared by the Board of Directors of B.R.R. INVESTMENT (PRIVATE) LIMITED (the Modaraba Company) in respect of B.R.R. GUARDIAN MODARABA (the Modaraba) to comply with the Listing Regulations of the Karachi Stock Exchange Limited, where the Modaraba is listed.

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

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

The Code requires the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Modaraba's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance, for the year ended June 30, 2015.

KARACHI

DATED: 30 SEP 2015

CHARTERED ACCOUNTANTS

Engagement Partner: Zulfikar Ali Causer

AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of **B.R.R. GUARDIAN MODARABA** ("the Modaraba") as at June 30, 2015 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

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

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

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

BDO Ebrahim & Co. Chartered Accountants

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- iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at June 30, 2015 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Modaraba and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Without modifying our opinion, we draw attention to:

- (i) note 1.2 to the financial statements which states that accumulated losses of the Modaraba, amounting to Rs. 529.932 million, exceed 50 percent of the total amount subscribed by the holders of the Modaraba Certificates by Rs. 139.700 million. The management believes that the Modaraba has sufficient statutory reserve available which could be applied against the accumulated losses with the approval of the concerned authorities.
- (ii) note 1.3 to the financial statements which states that the Modaraba has received directions under section 18A of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) from the Registrar Modaraba (the Registrar), under which prior approval of the Registrar is required by the Modaraba before entering into certain transactions.
- (iii) note 5.1.1 to the to the financial statements which states that the Modaraba had swapped certain assets with an office premises valuing Rs. 70 million from an associated undertaking, the title of which has not been transferred in the name of Modaraba as a commercial bank has obtained a stay order against the same. However, the original title documents and possession of the property rest with Modaraba.
- (iv) note 7.3 and 9.3.4 to the financial statements which describes certain non compliances with the requirement of the Modaraba Companies and Modaraba Rules, 1981 and the Prudential Regulations for Modarabas.

BDO Ebrahim & Co. Chartered Accountants

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- (v) note 20.1 to the financial statements which states that the Modaraba has defaulted on its obligation towards the commercial bank on its respective repayment dates. The Modaraba has applied for restructuring which has not been finalized to date by the bank and the Modaraba continues to accrue markup at rates mentioned in the last agreement between Modaraba and bank. We have received independent confirmation of this balance from the commercial bank confirming the principal amount, however has not confirmed the amount of accrued markup as at June 30, 2015. The management considers it prudent to maintain a provision in respect of accrued markup as stated in note 23 to the financial statements.
- (vi) note 15.1 to the financial statements which provides details regarding the transaction relating to swapping of shares of Burj Bank Limited against properties of First Dawood Investment Bank Limited.

KARACHI

DATED: September 30, 2015

CHARTERED ACCOUNTANTS

 Engagement Partner: Zulfikar Ali Causer

BDO Ebrahim & Co. Chartered Accountants

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SHARI'AH ADVISOR'S REPORT

I have conducted the Shari'ah review of B.R.R. Guardian Modaraba managed by B.R.R. Investments Pvt. Limited for the year ended 30th June, 2015. In accordance with the requirements of the Shari'ah compliance and Shari'ah audit Mechanism for Modaraba that except the observation as per 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 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 except interest on bank balance of Rs 92,586 that has been transferred to Charity account.
4. The dividend that have been realized during the period has been purified and Rs 92,347 has been transferred to Charity account. It has been subsequently paid to charitable institutions after obtaining prior approval from Shari'ah advisor.

Observations:

- i. Separate charity account has been maintained by the Modaraba;
- ii. 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:

Investments	Name of Company
1,935,506	Dawood capital Management

No earnings have been realized from the above mentioned instruments, if any, will be transferred to charity account.

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

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 07, 2015



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

**BALANCE SHEET
AS AT JUNE 30, 2015**

	Note	2015 Rupees	2014 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	217,135,817	259,956,486
Investment properties	6	1,156,009,190	1,241,609,552
Long term musharaka finances	7	9,368,211	118,461,034
Long-term loans and deposits	8	9,123,276	10,625,429
		1,391,636,494	1,630,652,501
CURRENT ASSETS			
Short-term investments	9	546,307,215	455,539,260
Current portion of musharaka finances	7	101,337,012	97,534,762
Ijarah / lease rental receivable	10	1,219,983	5,248,645
Loans, deposits, advances and prepayments	8	28,153,125	9,586,731
Accrued profit	11	16,684,352	14,820,765
Other receivables	12	27,259,599	19,902,845
Taxation	13	2,757,407	3,020,843
Cash and bank balances	14	35,267,673	69,501,445
		758,986,366	675,155,296
Non current assets held for sale	15	55,800,000	-
		814,786,366	675,155,296
TOTAL CURRENT ASSETS		814,786,366	675,155,296
TOTAL ASSETS		2,206,422,860	2,305,807,797
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized capital			
87,000,000 (2014: 87,000,000) Modaraba certificates of Rs. 10/- each		870,000,000	870,000,000
Issued, subscribed and paid-up certificate capital	16	780,462,550	780,462,550
Statutory reserve	17	606,102,040	570,986,500
Accumulated loss		(565,047,579)	(581,431,838)
Surplus on revaluation of investments	18	169,616,336	84,280,388
		991,133,347	854,297,600
LIABILITIES			
NON-CURRENT LIABILITIES			
Diminishing musharaka based Term Finance Certificates	19	116,852,448	382,566,250
Long-term murabaha, musharaka and finance under mark-up arrangements	20	-	28,950,000
Long-term security deposits	21	95,912,955	97,965,207
		212,765,403	509,481,457
TOTAL NON-CURRENT LIABILITIES			
CURRENT LIABILITIES			
Current portion of murabaha, musharaka and finance under mark-up arrangements	20	312,149,098	365,749,098
Current portion of diminishing musharaka based Term Finance Certificates	19	270,708,172	171,953,125
Current portion of security deposits	21	2,651,855	136,493
Creditors, accrued and other liabilities	22	128,894,058	86,445,624
Accrued profit on borrowings	23	265,450,094	295,399,481
Profit distribution payable	24	22,670,833	22,344,919
		1,002,524,110	942,028,740
TOTAL CURRENT LIABILITIES		1,002,524,110	942,028,740
TOTAL EQUITY AND LIABILITIES		2,206,422,860	2,305,807,797
CONTINGENCIES AND COMMITMENTS			
	25		

The annexed notes from 1 to 49 form an integral part of these financial statements.

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

Rafique Dawood
Chairman

Ayaz Dawood
Chief Executive Officer

Syed Ali Raza
Director



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

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2015**

	Note	2015 Rupees	2014 Rupees
INCOME			
Ijarah / lease rentals		37,066,238	31,070,023
Income on musharaka finances		18,568,439	52,193,275
Return on investments - net	26	46,990,282	41,728,342
Profit on bank balances		3,872,101	18,475,793
Rental income	27	98,353,506	90,917,228
Reversal of provision against doubtful receivables - net	28	3,173,930	64,508,512
Unrealized gain on revaluation of held-for-trading investment		33,467,919	14,543,500
Gain on disposal of ijarah assets		2,110,359	-
Other income	29	94,103,281	14,315,216
Reversal of impairment	32	23,125,200	-
		360,831,255	327,751,889
EXPENSES			
Amortization on ijarah assets	5.2.3	33,561,001	26,617,916
Loss on disposal of ijarah assets		-	468,504
Administrative expenses	30	136,884,904	103,892,200
Financial charges	31	79,443,534	135,559,907
Bad debt expenses		23,655,220	1,054,002
Impairment of assets	32	6,218,307	12,315,661
		279,762,966	279,908,190
		81,068,289	47,843,699
Modaraba management company's fee	33	8,106,829	4,784,370
Sales tax on Modaraba management company's fee		1,297,093	765,499
Provision for Workers' Welfare Fund	34	1,433,287	845,877
Profit before taxation		70,231,080	41,447,953
Taxation	35	-	-
Profit for the year		70,231,080	41,447,953
Earnings per certificate - basic and diluted	36	0.90	0.53

The annexed notes from 1 to 49 form an integral part of these financial statements.

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

Rafique Dawood
Chairman

Ayaz Dawood
Chief Executive Officer

Syed Ali Raza
Director



**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2015**

	2015 Rupees	2014 Rupees
Profit for the year	70,231,080	41,447,953
Other comprehensive income for the year		
Items that will be subsequently reclassified to profit or loss:		
Unrealized surplus on revaluation of available-for-sale investments	89,263,707	47,173,204
Unrealised gain on revaluation of investments classified as available-for-sale transferred to the income statement on	(3,927,759)	<u>(12,190,402)</u>
Total comprehensive income for the year	<u>155,567,028</u>	<u>76,430,755</u>

The annexed notes from 1 to 49 form an integral part of these financial statements.

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

Rafique Dawood
Chairman

Ayaz Dawood
Chief Executive Officer

Syed Ali Raza
Director



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

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2015

	2015 Rupees	2014 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	70,231,080	41,447,953
Adjustment of non-cash and other items:		
Depreciation	43,797,753	33,103,286
Amortization on ijarah assets	33,561,001	26,617,916
Liabilities no longer payable written back	-	(4,536,072)
Reversal of provision against musharaka and ijarah finances-net	(3,173,930)	(31,879,973)
Gain on disposal of property and equipment - owned	(90,698,999)	(225,207)
(Gain) / loss on disposal of property, plant and equipment - leased / ijarah	(2,110,359)	468,504
Profit on musharaka, murabaha and finance under mark-up arrangements	79,370,778	135,510,719
Unrealized gain on revaluation of held-for-trading investment	(33,467,919)	(14,543,500)
Impairment of assets	-	12,315,661
Reversal of impairment	(16,906,893)	-
Return on investments - net	(46,990,282)	(41,728,342)
	(36,618,850)	115,102,992
	33,612,230	156,550,945
(Increase) / decrease in current assets		
Ijarah / lease rentals receivable	4,380,032	4,363,132
Loans, advances and prepayments	(17,064,241)	(5,339,005)
Accrued profit	(1,863,587)	68,834,758
Other receivables	(7,356,754)	(10,184,584)
	(21,904,550)	57,674,301
Increase / (decrease) in current liabilities		
Creditors, accrued and other liabilities	32,664,965	17,773,595
Rent received in advance	9,783,469	4,314,667
Customers' security deposit	463,110	(10,643,302)
	42,911,544	11,444,960
Income tax (paid) / refunded	(263,436)	4,131,524
Net cash generated from operating activities	54,355,788	229,801,730
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments (purchased) / disposed off-net	65,144,393	(41,512,274)
Income received on investments	27,062,524	41,728,342
Musharaka finances	85,240,975	488,812,184
Addition to property and equipment - owned	(6,508,300)	(4,265,734)
Addition to property, plant and equipment - ijarah	(5,230,200)	(76,040,917)
Additions to non current assets held for sale	(55,800,000)	-
Addition to capital work-in-progress	-	(61,693,510)
Net proceeds from transfer of investment properties	162,949,820	-
Proceeds from disposal of property and equipment - owned	1,305,170	282,954
Proceeds from disposal of property, plant and equipment - leased / ijarah	14,480,345	21,915,583
Net cash generated from investing activities	288,644,727	369,226,628
CASH FLOWS FROM FINANCING ACTIVITIES		
Profit paid to certificate holders	(18,405,367)	(24,416,769)
Finance under murabaha, musharaka and finance under mark-up arrangements	(249,508,755)	(668,780,624)
Financial charges paid	(109,320,165)	(231,498,807)
Net cash used in financing activities	(377,234,287)	(924,696,200)
Net (decrease) in cash and cash equivalents	(34,233,772)	(325,667,842)
Cash and cash equivalents at the beginning of the year	69,501,445	395,169,287
Cash and cash equivalents at the end of the year	35,267,673	69,501,445

The annexed notes from 1 to 49 form an integral part of these financial statements.

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

Rafique Dawood
Chairman

Ayaz Dawood
Chief Executive Officer

Syed Ali Raza
Director



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

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2015

	Issued, subscribed and paid-up certificate capital	Capital reserves		Surplus on revaluation of investment	Accumulated loss	Total
		Profit prior to floatation	*Statutory reserve			
----- (Rupees) -----						
Balance as at July 01, 2013	780,462,550	10,532,683	539,818,399	49,297,586	(578,050,034)	802,061,184
Profit for the year ended June 30, 2014	-	-	-	-	41,447,953	41,447,953
Unrealized gain on revaluation of available-for-sale investments - net	-	-	-	34,982,802	-	34,982,802
Total comprehensive income for the year	-	-	-	34,982,802	41,447,953	76,430,755
Profit distribution for the year ended June 30, 2013 @ Re.0.31 per certificate	-	-	-	-	(24,194,339)	(24,194,339)
Transfer to statutory reserve	-	-	20,635,418	-	(20,635,418)	-
Balance as at June 30, 2014	<u>780,462,550</u>	<u>10,532,683</u>	<u>560,453,817</u>	<u>84,280,388</u>	<u>(581,431,838)</u>	<u>854,297,600</u>
Profit for the year ended June 30, 2015	-	-	-	-	70,231,080	70,231,080
Unrealized gain on revaluation of available-for-sale investments - net	-	-	-	85,335,948	-	85,335,948
Total comprehensive income for the year	-	-	-	85,335,948	70,231,080	155,567,028
Profit distribution for the year ended June 30, 2014 @ Re.0.24 per certificate	-	-	-	-	(18,731,281)	(18,731,281)
Transfer to statutory reserve	-	-	35,115,540	-	(35,115,540)	-
Balance as at June 30, 2015	<u>780,462,550</u>	<u>10,532,683</u>	<u>595,569,357</u>	<u>169,616,336</u>	<u>(565,047,579)</u>	<u>991,133,347</u>

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

The annexed notes from 1 to 49 form an integral part of these financial statements.

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

Rafique Dawood
Chairman

Ayaz Dawood
Chief Executive Officer

Syed Ali Raza
Director



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

1. LEGAL STATUS AND NATURE OF THE BUSINESS

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

The Modaraba is listed on the Karachi Stock Exchange Limited. The Modaraba's principal activity is leasing (Ijarah) of assets, deployment of funds in musharakas, murabahas and investment in properties, equity and debt securities. The Modaraba also provides custodial and management services in the name of B.R.R. Security Vault.

- 1.2 As per section 23 of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, a Modaraba shall be wound up by the Tribunal on an application made by the Registrar if the accumulated losses of the Modaraba exceeds 50 percent of the total amount subscribed by the holders of the Modaraba Certificates. As at June 30, 2015, the accumulated losses of the Modaraba amounted to Rs. 529.932 million which exceed 50 percent of the total amount subscribed by the holders of the Modaraba Certificates by Rs. 139.700 million. The management believes that the Modaraba has sufficient statutory reserves available which could be applied against the accumulated losses with the approval of the concerned authorities. Taking into consideration the statutory reserves amounting to Rs. 606.102 million (2014: Rs. 570.986 million), accumulated losses net of reserves are less than 50 percent of the paid up capital. Further, management is of the view that construction work on BRR Tower has completed due to which rental income of the Modaraba is expected to increase significantly in future period.

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

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

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

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



2.3 **Functional and presentation currency**

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

2.4 **Significant accounting estimates and judgments**

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

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

Amortization of property, plant and equipment - leased

For details please refer note 4.2.1 to these financial statements.

Depreciation on property and equipment

For details please refer note 4.2.2 to these financial statements.

Classification and valuation of investments

For details please refer note 4.5 to these financial statements.

Provision for doubtful receivables

For details please refer note 4.6 to these financial statements.

Impairment of investments, debt securities and leased assets

For details please refer note 4.9 to these financial statements.

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

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

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

	Effective date (annual periods beginning on or after)
IFRIC 21 Levies	January 01, 2014



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

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

	Effective date (annual periods beginning on or after)
IFRS 2 Share-based Payment - Amendments resulting from Annual Improvements 2010-2012 Cycle (definition of 'vesting condition')	January 01, 2013
IFRS 3 Business Combinations - Amendments resulting from Annual Improvements 2010-2012 Cycle (accounting for contingent consideration) and 2011-2013 Cycle (scope exception for joint ventures)	July 01, 2014
IFRS 8 Operating Segments - Amendments resulting from Annual Improvements 2010-2012 Cycle (aggregation of segments, reconciliation of segment assets)	July 01, 2014
IFRS 10 Consolidated Financial Statements - Amendments for investment entities	January 01, 2014
IFRS 12 Disclosure of Interests in Other Entities - Amendments to transitional guidance	January 01, 2014
IFRS 13 Fair Value Measurement - Amendments resulting from Annual Improvements 2011-2013 Cycle (scope of the portfolio exception in paragraph 52)	July 01, 2014
IAS 16 Property, Plant and Equipment - Amendments resulting from Annual Improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on revaluation)	July 01, 2014
IAS 19 Employee Benefits - Amended to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service	July 01, 2014
IAS 24 Related Party Disclosures - Amendments resulting from Annual Improvements 2010-2012 Cycle (management entities)	July 01, 2014
IAS 27 Separate Financial Statements - Amendments for investment entities	January 01, 2014
IAS 32 Financial Instruments: Presentation - Amendments relating to the offsetting of assets and liabilities	January 01, 2014
IAS 36 Impairment of Assets - Amendments arising from recoverable amount disclosures for non financial assets	January 01, 2014
IAS 38 Intangible Assets - Amendments resulting from Annual Improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on revaluation)	July 01, 2014
IAS 39 Financial Instruments: Recognition and Measurement - Amendments for novations of derivatives	January 01, 2014
IAS 40 Investment Property - Amendments resulting from Annual Improvements 2011-2013 Cycle (interrelationship between IFRS 3 and IAS 40)	July 01, 2014



3.3 Amendments not yet effective

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

	Effective date (annual periods beginning on or after)
IFRS 5 Non-current Assets Held for Sale and Discontinued Operations: Amendments resulting from September 2014 Annual Improvements to IFRSs	January 01, 2016
IFRS 7 Financial Instruments: Disclosures - Amendments resulting from September 2014 Annual Improvements to IFRSs (Servicing Contracts and Applicability of the offsetting amendments in condensed interim financial statements)	January 01, 2016
IFRS 9 Financial Instruments - Finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition	January 01, 2018
IFRS 10 Consolidated Financial Statements - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	January 01, 2016
IFRS 10 Consolidated Financial Statements - Amendments regarding the application of the consolidation exception	January 01, 2016
IFRS 11 Joint Arrangements - Amendments regarding the accounting for acquisitions of an interest in a joint operation	January 01, 2016
IFRS 12 Disclosure of Interests in Other Entities - Amendments regarding the application of the consolidation exception	January 01, 2016
IAS 1 Presentation of Financial Statements - Amendments resulting from the disclosure initiative	January 01, 2016
IAS 16 Property, Plant and Equipment - Amendments regarding the clarification of acceptable methods of depreciation and amortisation and amendments bringing bearer plants into the scope of IAS 16	January 01, 2016
IAS 19 Employee Benefits - Amendments resulting from September 2014 Annual Improvements to IFRSs	January 01, 2016
IAS 27 Separate Financial Statements (as amended in 2011) -Amendments reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements	January 01, 2016
IAS 28 Investments in Associates and Joint Ventures - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	January 01, 2016



	Effective date (annual periods beginning on or after)
IAS 28 Investments in Associates and Joint Ventures - Amendments regarding the application of the consolidation exception	January 01, 2016
IAS 34 Interim Financial Reporting - Amendments resulting from September 2014 Annual Improvements to IFRSs	January 01, 2016
IAS 38 Intangible Assets - Amendments regarding the clarification of acceptable methods of depreciation and amortisation	January 01, 2016
IAS 39 Financial Instruments: Recognition and Measurement: Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception	January 01, 2018
IAS 41 Amendments bringing bearer plants into the scope of IAS 16	January 01, 2016

3.4 **Standards or interpretations not yet effective**

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

IFRS 1 First Time Adoption of International Financial Reporting Standards
 IFRS 9 Financial Instruments
 IFRS 14 Regulatory Deferral Accounts
 IFRS 15 Revenue from Contracts with Customers

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

4 SIGNIFICANT ACCOUNTING POLICIES

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

4.1 **Property, plant and equipment under ijarah arrangements**

The Modaraba has adopted Islamic Financial Accounting Standard 2 - Ijarah in the year ended June 2009 for all Ijarah contracts commencing on or after July 01, 2008. The assets subject to ijarah commencing on or after July 01, 2008 are stated at cost less accumulated amortization and impairment losses, if any. Amortization is charged on these assets using the straight line method over the ijarah period which is from date of delivery of respective assets to mustajir upto the date of maturity / termination of ijarah agreement. In respect of the addition or deletion during the year, amortization is charged proportionately to the period of ijarah.



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

4.2 **Property, plant and equipment**

4.2.1 **Leased out and amortization**

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

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

4.2.2 **In own use and depreciation**

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

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

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

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

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

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

4.3 **Capital work-in-progress**

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

4.4 **Investment properties**

Property held to earn rentals or for capital appreciation or for sale in the ordinary course of business is classified as investment property. The investment property of the Modaraba comprises of buildings including capital work-in-progress and is valued using the cost method i.e. at cost less any accumulated depreciation and any identified impairment loss.

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

4.5 **Non current assets – held for sale**

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amounts are expected



to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount immediately prior to their classification as held for sale and fair value less cost to sell. Once classified as held for sale, the assets are not subject to depreciation or amortisation. Any gain or loss arising from the sale of these assets are reported in other operating income.

4.6 **Investments**

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

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

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

4.6.2 **Available-for-sale**

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

4.6.3 **Held to maturity**

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

4.6.4 **Loans and receivables**

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

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

4.7 **Provisions**

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

4.8 **Trade date accounting**

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



4.9 Recognition and derecognition of financial instruments

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

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

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

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

4.10 Impairment

4.10.1 Financial assets

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

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

4.10.2 Available-for-sale investments

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

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

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

4.10.3 Non-financial assets

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



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

4.11 Revenue recognition

4.11.1 Ijarah income / operating lease income

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

Unrealised lease income pertaining to non-performing leases is held in suspense account, where necessary, in accordance with the requirements of the Prudential Regulations. Leases in which a significant portion of the risk and reward is retained by the Modaraba are classified as operating lease. Rental income from operating leases is recognized on straight line on an accrual basis.

4.11.2 Murabaha and musharaka transactions

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

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

4.11.3 Rental income

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

4.11.4 Dividend income

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

4.11.5 Gain and losses on sale of investment

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

4.11.6 Income on debt securities

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

4.11.7 Income on balances with banks

Profit on bank deposit is recognized on accrual basis.

4.11.8 Unrealised income on non-performing assets

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



4.12 Taxation

4.12.1 Current

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

4.12.2 Deferred

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

4.13 Staff provident fund

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

4.14 Foreign currencies translation

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

4.15 Financial assets

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

4.16 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.

4.17 Cash and cash equivalents

Cash and cash equivalents are carried at cost. For the purpose of the cash flow statement, cash and cash equivalents consist of cash in hand, balances at banks in current and deposit accounts and stamps in hand, as well as balance held with the State Bank of Pakistan (SBP).

4.18 Profit distribution and other appropriations of profit

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

4.19 Offsetting financial assets and financial liabilities

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

4.20 Related party transactions

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

	Note	2015 Rupees	2014 Rupees
Property and equipment-owned	5.1	95,635,567	97,755,449
Property, plant and equipment- leased / ijarah	5.2	<u>121,500,250</u>	<u>162,201,037</u>
		<u>217,135,817</u>	<u>259,956,486</u>

5.1 Property and equipment-owned

Particulars	2 0 1 5							
	Cost				Depreciation			
	As at July 01, 2014	Additions / (disposals) / transfer* during the year	As at June 30, 2015	As at July 01, 2014	For the year / (on disposals) / (on transfers*)	As at June 30, 2015	Written down value as at June 30, 2015	Rate of depreciation per annum
	Rupees							
Leasehold land	2,527,890	-	2,527,890	1,137,553	50,558	1,188,111	1,339,779	2%
Building on leasehold land (note 5.1.1, 5.1.2 and 5.1.3)	103,710,454	-	103,710,454	22,156,748	2,706,239	24,862,987	78,847,467	5%
Lockers	20,225,218	180,000	20,405,218	15,725,866	398,847	16,124,713	4,280,505	5%
Furniture and fixtures	9,217,408	-	9,217,408	8,370,797	625,097	8,995,894	221,514	10%
Vehicles	20,916,679	4,473,482 (6,129,955)	19,260,206	11,771,815	3,644,480 (5,531,523)	9,884,772	9,375,434	20%
Office equipment and appliances	19,280,618	1,854,818 (511,486)	20,623,950	18,960,039	604,515 (511,472)	19,053,082	1,570,868	33.33%
Total	175,878,267	6,508,300 (6,641,441)	175,745,126	78,122,818	8,029,736 (6,042,995)	80,109,559	95,635,567	
	2 0 1 4							
	Cost				Depreciation			
	As at July 01, 2013	Additions / (disposals) / transfer* during the year	As at June 30, 2014	As at July 01, 2013	For the year / (on disposals) / (on transfers*)	As at June 30, 2014	Written down value as at June 30, 2014	Rate of depreciation per annum
	Rupees							
Leasehold land	2,527,890	-	2,527,890	1,086,995	50,558	1,137,553	1,390,337	2%
Building on leasehold land (note 5.1.1, 5.1.2 and 5.1.3)	79,271,363	67,688,108	103,710,454	23,754,905	2,546,517	22,156,748	81,553,706	5%
Lockers	19,565,218	660,000	20,225,218	15,363,100	362,766	15,725,866	4,499,352	5%
Furniture and fixtures	9,217,408	-	9,217,408	7,566,852	803,945	8,370,797	846,611	10%
Vehicles	19,966,093	3,267,176 (2,316,590)	20,916,679	10,562,296	3,468,362 (2,258,843)	11,771,815	9,144,864	20%
Office equipment and appliances	18,942,060	338,558	19,280,618	18,861,514	98,525	18,960,039	320,579	33.33%
Total	149,490,032	71,953,842 (2,316,590) (43,249,017) *	175,878,267	77,195,662	7,330,673 (2,258,843) (4,144,674) *	78,122,818	97,755,449	

- 5.1.1 This includes an office premises costing Rs. 70 million, which was swapped by the Modaraba in March 2012 from First Dawood Investment Bank Limited (FDIBL), an associated undertaking with 6.1 million unlisted shares of Burj Bank Limited (at par value) along with a receivable from Equity International (Private) Limited (EIL), an associated undertaking. FDIBL earlier acquired the said property from a borrower as a settlement of its liabilities who has also defaulted in its obligation to commercial bank. The said commercial bank has obtained a stay order against the property due to which the execution of the sale deed for the said property and transfer of title in the name of the Modaraba are in abeyance. FDIBL has filed an application of intervention with the Honourable High Court of Sindh for removal of stay of the commercial bank and to effect the transfer of title in its favour, which is pending adjudication. As soon as the case in question is decided, FDIBL will be able to execute the sale deed in favour of the Modaraba. Nevertheless, the original title documents and possession of the property rest with the Modaraba. Further, Modaraba has rented out a portion of the above property to its associated undertakings and earned a rental income. Consequently, the cost of the property has been bifurcated between fixed assets and investment property on the basis of floor space occupied.
- 5.1.2 During prior year, work on BRR Tower is completed which is now available for both administrative and investment purpose. Management has bifurcated the cost of BRR Tower between fixed assets and investment property on the basis of separately identifiable estimated selling price as determined by an independent valuer. Modaraba has transferred an amount from capital work in progress of Rs. 67.688 million to building on lease hold land, from the cost of BRR Tower, which represents the cost of floor space occupied by the Modaraba for its administrative purpose while an amount of Rs. 498.631 million is recorded as investment property which is held by the Modaraba to earn rental income.
- 5.1.3 During prior year, the Modaraba transferred an office from owned fixed assets to investment property, amounting to Rs. 43.249 million, due to change in the use of the asset.

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

Property and equipment	Cost	Accumulated depreciation	Written down value Rupees	Disposal proceed	Gain / (Loss) on disposal	Mode of disposal	Particulars of purchaser
Toyota Corolla - ATY025	1,450,565	1,160,452	290,113	435,169	145,056	Company Policy	Asad Ali Sheikh - ex employee
Motor Cycle - KEL1594	41,000	34,197	6,803	6,803	-	Company Policy	M. Moin - ex employee
Toyota Corolla - AST891	1,354,000	1,353,999	1	135,400	135,399	Company Policy	Muhammad Ali Sakihi - ex employee
Motor Cycle - YR-288	41,500	25,591	15,909	20,059	4,150	Company Policy	Khadim Hussain - ex employee
Suzuki Mehran - AXY-291	612,000	326,400	285,600	418,200	132,600	Company Policy	M. Asif - ex employee
Motor- Cycle - LRV-3955	39,500	39,500	-	3,950	3,950	Company Policy	Farhan Lahore - employee
Toyota Corolla - ATU-201	1,323,690	1,323,689	1	132,628	132,628	Company Policy	Tariq Masood - employee
Suzuki Mehran - APQ-081	344,100	344,099	1	34,410	34,409	Company Policy	Usman Bawani - employee
Suzuki Cultus - ATP-136	833,000	832,999	1	83,300	83,299	Company Policy	Yousuf Ali - employee
Motor Cycle - KEI-3442	45,300	45,299	1	4,530	4,529	Company Policy	G - Nayyar - ex employee
Motor Cycle - KEI-3485	45,300	45,299	1	4,530	4,529	Company Policy	Rizwan Ansar - ex employee
Office equipment	511,486	511,471	15	26,190	26,175	-	Scrap sales
2015	6,641,441	6,042,995	598,446	1,305,169	706,724		
2014	2,316,590	2,258,843	57,747	282,955	225,208		

	Note	2015 Rupees	2014 Rupees
5.2 Property, plant and equipment - leased / ijarah			
Property and equipment - leased	5.2.1	43,597,039	43,645,889
Property, plant and equipment - ijarah	5.2.3	77,903,211	118,555,148
		<u>121,500,250</u>	<u>162,201,037</u>

5.2.1 Property, plant and equipment - leased

Particulars	2015									
	Cost			Depreciation			Accumulated impairment	Written down value as at June 30, 2015	Rate of depreciation per annum	
	As at July 01, 2014	Additions / (disposals) during the year	As at June 30, 2015	As at July 01, 2014	For the year / (on disposals)	As at June 30, 2015				
	Rupees									
Plant and machinery	320,922,069	-	320,922,069	274,576,209	-	274,576,209	10,474,838	35,871,022	11% - 25%	
Vehicles	106,933,475	-	106,933,475	53,370,640	-	53,370,640	46,106,234	7,456,601	20% - 33%	
Office equipment and appliances	488,500	-	-	439,650	-	-	-	-	20% - 33%	
Motor boat	2,694,300	(488,500)	2,694,300	2,424,884	(439,650)	2,424,884	-	269,416	20%	
Total	431,038,344	-	430,549,844	330,811,383	-	330,371,733	56,581,072	43,597,039		
		(488,500)			(439,650)					

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

	2015 Rupees	2014 Rupees
5.2.2 Particulars of impairment loss		
Opening balance	56,581,072	56,111,436
Impairment for the year	-	469,636
Closing balance	<u>56,581,072</u>	<u>56,581,072</u>

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

Particulars	2015							
	Cost			Amotization		As at June 30, 2015	Written down value as at June 30, 2015	Rate of amortization per annum
	As at July 01, 2014	Additions / (disposals) during the year	As at June 30, 2015	As at July 01, 2014	For the year / (on disposals)			
	Rupees							
Plant and machinery	20,054,955	-	20,054,955	2,258,145	4,600,740	6,858,885	13,196,070	11% - 25%
Vehicles	132,353,417	5,230,200 (27,377,000)	110,206,617	32,113,354	28,818,961 (15,059,964)	45,872,351	64,334,266	20% - 33%
Office equipment and appliances	826,000	- (41,000)	785,000	307,725	141,300 (36,900)	412,125	372,875	20% - 33%
Total	153,234,372	5,230,200 (27,418,000)	131,046,572	34,679,224	33,561,001 (15,096,864)	53,143,361	77,903,211	

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

5.2.4 In view of the large amount of disposals of property, plant and equipment given on lease / Ijarah, the Directors of the Management Company are of the opinion that no practical purpose will be served by presenting details of such disposals.

	Note	2015 Rupees	2014 Rupees
6 INVESTMENT PROPERTIES			
Investment properties	6.1	1,089,589,190	1,175,189,552
Capital work-in-progress	6.2	66,420,000	66,420,000
		<u>1,156,009,190</u>	<u>1,241,609,552</u>

6 Investment properties

Particulars	2015							
	Cost		Depreciation			Written down		Rate of depreciation per annum
	As at July 01, 2014	Additions / transfers* during the	As at June 30, 2015	As at July 01, 2014	For the year / on transfers*	As at June 30, 2015	value as at June 30, 2015	
Rupees								
Leasehold land	197,802,400	-	189,511,155	28,234,213	3,981,258	30,635,715	158,875,440	2
Building on leasehold land (note 5.1.1, 5.1.2 and 5.1.3)	666,003,989	4,517,380 (48,444,927)	622,076,442	50,339,939	14,286,853 (806,691)	63,820,101	558,256,341	2-5
Office premises	560,326,414	-	560,326,414	170,369,099	17,499,906	187,869,005	372,457,409	2.2-5
Total	1,424,132,803	4,517,380 (56,736,172)	1,371,914,011	248,943,251	35,768,017 (2,386,447)	282,324,821	1,089,589,190	

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

	Note	2015 Rupees	2014 Rupees
6.2 Capital work-in-progress			
Civil works - B.R.R Tower (note 5.1.2)	6.2.2	-	-
Advance for office premises - Jofa Tower, Karachi	6.2.3	66,420,000	66,420,000
	6.2.1	<u>66,420,000</u>	<u>66,420,000</u>

6.2.1 Movement of carrying amount

	Civil work - B.R.R Tower	Advance against purchase of property - Jofa Tower Karachi	Total
	(Rupees)		
Year end June 30, 2015			
Opening balance	-	66,420,000	66,420,000
Additions (at cost)	-	-	-
Transferred to operating fixed assets (note 5.1)	-	-	-
Transferred to investment property (note 6.1)	-	-	-
Closing balance	-	66,420,000	66,420,000
Year end June 30, 2014			
Opening balance	504,625,683	66,420,000	571,045,683
Additions (at cost) - note 6.2.2	61,693,510	-	61,693,510
Transferred to operating fixed assets (note 5.1)	(67,688,108)	-	(67,688,108)
Transferred to investment property (note 6.1)	(498,631,085)	-	(498,631,085)
Closing balance	-	66,420,000	66,420,000

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

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

6.3 The fair value of investment property as at June 30, 2015 as per valuation report of independent valuer is Rs. 1,782.329 million (2014: Rs 1,724.944 million).

	Note	2015 Rupees	2014 Rupees
7 LONG TERM MUSHARAKA FINANCES			
Considered good	7.3	110,705,223	215,995,796
Considered doubtful		234,321,352	214,271,754
	7.1 & 7.4	345,026,575	430,267,550
Less: Provision for doubtful receivables	7.2	(234,321,352)	(214,271,754)
		110,705,223	215,995,796
Less: Current portion of musharaka finances		(101,337,012)	(97,534,762)
		9,368,211	118,461,034

7.1 The expected profit receivable on these arrangements ranges from 10.48% to 14.14% (2014: 11.16% to 18.88%) per annum. The arrangements are secured by way of hypothecation of stock, mortgage of property and equipment and pledge of shares. These finances are receivable on various dates up to November 13, 2021.

	Note	2015 Rupees	2014 Rupees
7.2 Movement of provision			
Opening balance		214,271,754	262,791,387
Charge for the year	28	24,701,568	5,075,895
Reversals during the year	28	(4,651,970)	(36,690,518)
Written off during the year		-	(16,905,010)
Closing balance		<u>234,321,352</u>	<u>214,271,754</u>
7.3 This includes musharaka finance amounting to Rs. 43.500 million (2014: Rs. 43.500 million) due from Equity International (Private) Limited (EIL), an associated company. The above exposure is in violation of Rule 31 of the Modaraba Companies and Modaraba Rules, 1981 according to which no loan or contribution shall be made by the Modaraba to any associated undertakings of the Modaraba. However, EIL has offered to settle its outstanding loan of Rs. 56.455 million, including outstanding markup of Rs. 12.955 million, against the Diminishing Musharaka based Term Finance Certificates (TFCs) of the Modaraba, amounting to Rs. 46.489 million held by them after taking necessary measures as per Trust Deed of the Modaraba. Apart from Diminishing Musharaka based TFCs, the musharaka finance is also secured by accrued markup and principle payable to EIL amounting to Rs. 46.489 million as at June 30, 2015.			
7.4 Ageing of musharaka finances			
Neither past due nor impaired		82,136,060	116,598,984
Past due but not impaired		28,569,163	99,396,812
Past due and impaired		<u>234,321,352</u>	<u>214,271,754</u>
		<u>345,026,575</u>	<u>430,267,550</u>
	Note	2015 Rupees	2014 Rupees
8 LOANS, DEPOSITS, ADVANCES AND PREPAYMENTS			
Loans - secured - considered good			
To employees	8.1	4,068,711	2,524,020
Less: Long term portion of loans to employees		<u>(1,163,449)</u>	<u>(625,569)</u>
		2,905,262	1,898,451
To executives	8.1, 8.2 & 8.3	2,788,207	2,286,356
Less: Long term portion of loans to executives		<u>(2,237,517)</u>	<u>(834,523)</u>
		550,690	1,451,833
Deposits		5,722,310	9,165,337
Less: Long term portion of deposits		<u>(5,722,310)</u>	<u>(9,165,337)</u>
		-	-
Advances - secured - considered good			
Against investment		18,596,100	4,000,000
Against purchase of vehicles		2,965,500	683,000
Against expenses		2,657,643	629,630
Against salary - secured, considered good		-	25,875
Prepayments			
Insurance		477,930	897,942
		<u>28,153,125</u>	<u>9,586,731</u>



- 8.1 These represent house loans disbursed to employees and executives under the terms of employment. These loans carry mark-up at the rate of 5% (2014: 5%) per annum and are secured against the mortgage of properties.
- 8.2 The maximum amount of loans and advances due from executives at the end of any month during the year was Rs. 0.175 million (2014: Rs. 2.286 million).
- 8.3 The Modaraba has taken the benefit of forced value of the collateral amounting to Rs. 1.673 million against a loan to an executive. Had this benefit of FSV not been taken by the Modaraba, the provision against such loan would have been Rs. 1.673 million (2014: Rs. 1.673 million).

	Note	2015 Rupees	2014 Rupees
9 SHORT-TERM INVESTMENTS			
Held-for-trading			
Listed ordinary shares	9.1	143,324,408	66,200,109
Available-for-sale			
Listed ordinary shares	9.2	182,182,209	87,636,125
Unlisted ordinary shares	9.3	120,743,707	209,007,335
Unlisted debt securities	9.4	121,374,099	130,919,792
		<u>424,300,015</u>	<u>427,563,252</u>
		567,624,423	493,763,361
Less: Provision for diminution in value of investments	9.5	(21,317,208)	(38,224,101)
		<u>546,307,215</u>	<u>455,539,260</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 / Units

2015	2014	Name of investee	2015 Rupees	2014 Rupees
Personal goods				
2,000	2,000	Packages Limited	1,188,161	1,003,140
3,000	38,000	Pakgen Power Limited	90,031	685,520
11,500	-	Nishat Mills Limited	1,313,898	-
32,500	-	Gul Ahmed Textile Mills Limited	1,594,124	-
Construction and materials				
14,500	22,500	D.G. Khan Cement Company Limited	2,070,061	1,979,097
8,200	8,000	Lucky Cement Limited	4,260,883	3,282,400
Electricity				
311,746	228,246	K-Electric Limited	2,624,892	1,937,802
5,000	-	Hub Power Company Limited	467,850	-
Oil and gas				
15,399	14,199	Attock Refinery Limited	3,517,901	3,014,305
9,830	6,750	Mari Petroleum Company Limited	4,606,341	2,520,654
30,750	18,850	National Refinery Limited	7,135,528	4,059,728
60,520	31,520	Pakistan Petroleum Limited	9,941,013	7,071,197
3,000	2,000	Pakistan State Oil Limited	1,157,370	777,699



Number of shares / Units			2015	2014		2015	2014
		Name of investee				Rupees	Rupees
		Multiutilities (Gas and Water)					
114,608	85,108	Sui Northern Gas Pipelines Limited				3,053,158	1,927,697
		Automobile and parts					
5,600	11,800	Indus Motor Company Limited				6,994,403	6,347,458
19,000	23,500	Agriauto Industries Limited				3,533,050	2,267,750
33,000	33,000	Sazgar Engineering Work Limited				1,270,500	1,155,000
-	500	Pak Suzuki Motor Company Limited				-	136,945
		Chemicals					
190,000	50,000	Fauji Fertilizer Bin Qasim Limited				10,510,799	1,988,500
57,000	47,000	Fauji Fertilizer Company Limited				8,516,940	5,275,750
14,547	9,347	ICI Pakistan Limited				6,239,136	3,648,872
10,000	10,000	Sitara Peroxide Limited				131,500	135,900
2,100	-	Sitara Chemical Industries Limited				630,420	-
580,000	550,000	Lotte Pakistan PTA Limited				4,013,601	3,954,501
-	1,000	Wah-Nobel Chemical Limited				-	70,000
14,100	13,100	Linde Pakistan Limited				1,972,590	2,206,040
		Engineering					
4,020	2,420	Millat Tractors Limited				2,756,997	1,207,895
29,100	32,000	K.S.B Pumps Company Limited				4,044,900	2,662,080
		Industrial Transportation					
3,700	4,500	Pakistan National Shipping Corporation Limited				393,125	320,040
100	100	Pakistan International Container Terminal Limited				26,702	28,602
		Fixed Line Telecommunications					
87,000	2,000	Pakistan Telecommunication Company Limited				1,783,500	50,939
		Food producers					
175	175	Mitchell's Fruit Farms Limited				76,393	115,500
		Cement					
12,833	5,000	Lafarge Pakistan Cement Limited				249,731	79,900
3,700	-	Cherat Cement Company Limited				322,011	-
		Pharma and Bio Tech					
1,100	700	Abbott Laboratories (Pakistan) Limited				734,042	400,624
7,215	6,000	Highnoon Laboratories Limited				1,848,266	1,016,760
6,400	7,000	Ferozsons Laboratories Limited				4,093,055	1,613,289
37,460	-	The Searle Company Limited				12,013,048	-



Number of shares / Units		Name of investee	Note	2015	2014
2015	2014			Rupees	Rupees
General Industries					
1,420	1,400	Siemens Pakistan Company Engineering Limited		1,809,406	1,759,800
80,500	-	Treet Corporation Limited		1,385,405	-
Financial services					
11,000	-	First UDL Modaraba		272,580	-
Commercial Banks					
163,791	152,000	BankIslami Pakistan Limited		1,670,669	1,498,721
Financial services					
85,104	N/A	Dawood Islamic Fund	12.2	23,010,428	-
				143,324,408	66,200,109

9.2 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	2015	2014
2015	2014		Rupees	Rupees
Oil and gas				
11,150	11,150	Mari Petroleum Company Limited	5,224,893	4,163,747
185,500	30,000	Pakistan Refinery Limited	949,760	4,852,500
10,396	10,396	Pakistan State Oil Company Limited	4,010,672	4,042,484
11,362	15,062	Shell Pakistan Limited	2,874,132	4,161,330
Chemicals				
49,852	49,852	Linde Pakistan Limited	6,974,294	8,395,077
65,769	65,769	Fauji Fertilizer Company Limited	9,827,204	7,382,571
14,199	14,199	Sitara Chemical Industries Limited	4,262,538	4,210,002
Construction and materials				
90	90	Maple Leaf Cement Factory Limited	459	2,704
Engineering				
56,000	56,000	KSB Pumps Company Limited	7,784,000	4,658,640
Industrial transportation				
1,000	1,000	Pakistan International Container Terminal Limited	267,000	286,000
5,000	5,000	Pakistan National Shipping Corporation	531,250	355,600



Number of shares			2015	2014
2015	2014		Rupees	Rupees
Name of investee				
Pharma and bio tech				
42,576	42,576	Abbott Laboratories (Pakistan) Limited	28,411,391	24,367,096
32,165	32,165	GlaxoSmithKline Pakistan Limited	6,289,544	5,340,355
638	564	Highnoon Laboratories Limited	163,435	95,574
Electricity				
5,100	5,100	The Hub Power Company Limited	477,207	299,574
Gas water and Multiutilities				
39,660	39,660	Sui Northern Gas Pipelines Limited	1,056,545	898,299
Technology & Communication				
1,912,344	-	Systems Limited - a related party	88,101,690	-
Financial services				
1,935,506	1,935,506	Dawood Capital Management Limited - a related party	9.2.1 4,722,634	3,871,011
3,339,922	3,339,922	First Dawood Investment Bank Limited - a related party (fully provided)		
			<u>10,253,561</u>	<u>10,253,561</u>
			<u>182,182,209</u>	<u>87,636,125</u>

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

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

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

-	956,172	System Limited- a related party- (note 9.3.3)	-	9,999,990
1,760,000	10,160,000	Burj Bank Limited	16,397,677	94,661,315
7,400,000	7,400,000	Dawood Family Takaful Limited - (note 9.3.4)	74,000,000	74,000,000
3,034,603	3,034,603	Islamabad Stock Exchange Limited - (note 9.3.5)	<u>30,346,030</u>	<u>30,346,030</u>
			<u>120,743,707</u>	<u>209,007,335</u>

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

June 30, 2015	Break-up value as per latest available audited financial statements (Rupees)	% of holding of the investee's paid-up capital	Auditors
Burj Bank Limited	10,351,413	0.22%	A. F. Fergusons & Co.
Dawood Family Takaful Limited	44,133,558	9.87%	Ernst & Young Ford Rhodes Sidat Hyder
Islamabad Stock Exchange Limited (note 9.3.2)	33,233,163	0.83%	BDO Ebrahim & Co.



June 30, 2014	Break-up value as per latest available audited financial statements (Rupees)	% of holding of the investee's paid-up capital	Auditors
Systems Limited	28,583,661	2.23%	Ernst & Young Ford Rhodes Sidat Hyder
Burj Bank Limited	66,690,776	1.24%	A. F. Fergusons & Co.
Dawood Family Takaful Limited	46,531,708	9.87%	Ernst & Young Ford Rhodes Sidat Hyder
Islamabad Stock Exchange Limited (note 9.3.2)	32,421,815	0.83%	BDO Ebrahim & Co.

9.3.2 Breakup value of investment in shares of Islamabad Stock Exchange Limited amounting to Rs. 32.207 million and Rs. 32.421 million are based on audited financial statements for the year ended June 30, 2014 and June 30, 2013 respectively.

9.3.3 During the year System Limited has been listed on Karachi Stock Exchange limited and, B245 therefore, has been transferred to available-for-sale listed ordinary shares.

9.3.4 The breakup value of investment in shares of Dawood Family Takaful (DFTL) is Rs. 44.133 million (as per latest audited accounts dated December 31, 2014) where as the cost of investment in shares of DFTL is Rs. 74 million. Since the embedded value of the shares of DFTL is Rs. 9.363 as per latest actuarial valuation which is lower than its par value, therefore impairment loss of Rs. 4.706 million has been recorded.

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

The breakup value of each share of ISE as per their latest available audited financial statements for the year ended June 30, 2014 is Rs. 10.95 per share which is greater than the par value of Rs. 10 of ISE's shares. Accordingly, investment in shares of KSE has been revalued at par value of Rs. 10 each as at previous balance sheet date and the resulting surplus on revaluation amounting to Rs 22.596 million was recognized in other comprehensive income being the difference of carrying value of Stock Exchange Membership Card and fair value of 3,034,603 allocated shares of Rs. 10 each.

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

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

Number of certificates		Name of investee	2015	2014
2015	2014		Rupees	Rupees
Sukuk				
3,925	3,925	Maple Leaf Cement Factory Limited	5,333,624	12,899,053
20,000	20,000	Al Razi Health Care (Private) Limited	65,555,563	77,333,339
4,000	4,000	K- Electric Sukuk-2	20,519,240	20,590,000
4,000	4,000	K- Electric Sukuk-3	20,999,260	20,097,400
10	-	AlBaraka Bank (Pakistan) Limited	8,966,412	-
			<u>121,374,099</u>	<u>130,919,792</u>



9.4.1 **Details of particulars of Sukuk**

Name of the investee	Repayment frequency	Profit Rate per annum	Maturity date	Secured / Unsecured
Maple Leaf Cement Factory	Monthly	6 months KIBOR + 1%	December 03, 2018	Unsecured
Al Razi Health Care (Private) Limited	Monthly	6 months KIBOR + 2.5%	November 04, 2017	Unsecured
K- Electric Sukuk-2	Quarterly	3 months KIBOR + 2.25%	June 23, 2017	Secured
K- Electric Sukuk-3	Quarterly	3 months KIBOR + 2.75%	June 17, 2019	Secured
AlBaraka Bank (Pakistan) Limited	Semi-Annually	6 Months KIBOR + 1.25%	July 14, 2021	Unsecured

	Note	2015 Rupees	2014 Rupees
9.5 Particulars of provision			
Opening balance		38,224,101	26,378,076
Charge for the year		6,218,307	11,846,025
Reversal for the year		(23,125,200)	-
Closing balance	9.5.1	<u>21,317,208</u>	<u>38,224,101</u>

9.5.1 This includes an amount of Rs. 6.046 million which pertains to the impairment on the shares of Burj Bank Limited.

10 IJARAH / LEASE RENTAL RECEIVABLES

Considered good		1,219,983	5,248,645
Considered doubtful		68,433,568	70,608,324
Lease rental receivables	10.1	<u>69,653,551</u>	<u>75,856,969</u>
Less: Provision for doubtful receivables	10.2	<u>(68,433,568)</u>	<u>(70,608,324)</u>
		<u>1,219,983</u>	<u>5,248,645</u>

10.1 This includes rentals receivable amounting to Rs. 0.140 million (2014: Rs. Nil) from a related party.

10.2 Particulars of provision of doubtful receivables

Opening		70,608,324	113,802,236
Charge for the year	28	297,076	1,868,664
Reversals during the year	28	(648,446)	(2,134,014)
Written off during the year		<u>(1,823,386)</u>	<u>(42,928,562)</u>
Closing balance		<u>68,433,568</u>	<u>70,608,324</u>

Ageing of lease rentals receivables

Neither past due nor impaired		1,219,983	4,715,382
Past due but not impaired - over 180 days		-	533,263
Past due and impaired		<u>68,433,568</u>	<u>70,608,324</u>
		<u>69,653,551</u>	<u>75,856,969</u>

11 ACCRUED PROFIT

Accrued profit on:			
PLS savings accounts		319,744	1,431,483
Debt securities		882,439	1,862,781
Musharaka finances		<u>15,482,169</u>	<u>11,526,501</u>
		<u>16,684,352</u>	<u>14,820,765</u>



	Note	2015 Rupees	2014 Rupees
12 OTHER RECEIVABLES			
Dividend receivable - unsecured - considered good		-	60,248
Due from associated undertakings-unsecured - considered good	12.1	25,180,000	-
Receivable against First Dawood Mutual Fund and Dawood Islamic Fund - related parties	12.2	-	6,006,404
Receivable from National Clearing Company of Pakistan Limited		518,134	13,380,001
		518,134	19,386,405
Rent receivable - unsecured, considered good		1,515,805	398,866
Other receivable		45,660	57,326
		<u>27,259,599</u>	<u>19,902,845</u>
Receivable from ex-employees - unsecured, considered doubtful	12.3	51,274,920	51,274,920
Less: Provision for doubtful receivables		(51,274,920)	(51,274,920)
		-	-
		<u>27,259,599</u>	<u>19,902,845</u>
12.1 This represents amounts receivable from First Dawood Investment Bank Limited in relation to the cash option amounting to Rs. 25.10 million which will be payable upfront at Rs. 10.10 million and remaining balance of Rs. 15.00 million in equal monthly installments, received in settlement of Burj Bank shares. (see note 15)			
12.2 The balance held under the head "other receivables" in the prior year includes an amount of Rs. 6.06 million receivable in respect of investment in First Dawood Mutual Fund and Dawood Islamic Fund. These funds were directed to be revoked by the Central Depository Company of Pakistan Limited vide SECP's directive dated March 22, 2013. During the year, under order dated January 22, 2015, the order passed by the SECP was set aside by the Appellate Bench. These balances have been transferred from other receivables to investment classified as available for sale in the financial statements since the funds have now been revived and have been valued on the basis of best available information about the net assets value obtained from the asset management company of the Funds.			
12.3 This represents balance receivable from certain ex-employees and other parties in respect of embezzlement of funds. The matter is pending before the Honourable Lahore High Court and National Accountability Bureau - Government of Pakistan. As a matter of prudence, full provision in respect of these receivables has been made in these financial statements.			
13 TAXATION			
Advance taxation		2,757,407	25,893,001
Less: Provision for doubtful receivables		-	(22,872,158)
		<u>2,757,407</u>	<u>3,020,843</u>
14 CASH AND BANK BALANCES			
Cash in hand		227,609	208,214
Cash with State Bank of Pakistan - current account		40	40
Cash with banks in:			
PLS savings accounts	14.1	24,391,213	65,094,924
Current accounts		10,648,811	4,198,267
		<u>35,267,673</u>	<u>69,501,445</u>



- 14.1 These carry mark-up at rates ranging from 5.5% to 8% (2014: 6% to 9.02%) per annum. The Modaraba has invested in TDR of Bank of Khyber which is in non-compliance of Sharia'h Compliance and Shari'ah Audit Mechanism (SCSAM) for Modarabas. However the same has been disposed of subsequently.

15 NON CURRENT ASSET HELD FOR SALE	Note	2015 Rupees	2014 Rupees
Non current asset held for sale	15.1	<u>55,800,000</u>	<u>-</u>

- 15.1 During prior year, the Modaraba agreed with First Dawood Investment Bank Limited (FDIBL) to swap its investment in equity securities of Burj Bank Limited (at par value) against consideration of agricultural land at Gharo valuing Rs. 55.880 million (the title and possession of which has been transferred in the name of the Modaraba), Pattoki land valuing Rs. 25.10 million and cash consideration amounting to Rs. 3.02 million. During the year, Central Depository Company of Pakistan Limited transferred the shares of Burj Bank Limited in compliance with the order of the Honorable High Court of Sindh in Execution No. 4 of 2014 dated November 18, 2014 and later modified on January 14, 2015. Since the shares of Burj Bank Limited were transferred as per the direction of the court order, the transaction has been recorded in the books of the Modaraba.

However, title of land situated at Patoki was not transferred to the Modaraba due to pending litigation on the title of the property. Therefore, instead of Patoki land, the Board of Directors of the Modaraba in their meeting held on April 29, 2015 decided, subject to approval of Securities and Exchange Commission of Pakistan (SECP), to accept cash amounting to Rs. 25.10 million which will be payable upfront at Rs. 10.10 million and remaining balance of Rs. 15.00 million in 30 equal monthly installments from FDIBL.

The Modaraba vide letter dated July 6, 2015 informed FDIBL about the direction of SECP and requested FDIBL to confirm the acceptance of the SECP direction. Based on correspondence with FDIBL, Modaraba requested SECP to approve receipt of Rs. 10.10 million as upfront payment and balance amount in 20 equal monthly installments of Rs. 750,000 each and a placement of 1.51 million shares of DFTL with the Modaraba as security. In response to Modaraba's request, SECP vide letter dated September 14, 2015 relaxed the transaction and directed to receive payment as per requested schedule. The shares shall be deposited and placed in CDC account of the Modaraba. The security shall not be released till final settlement of Rs. 15 million from FDIBL.

Subsequent to the balance sheet date, SECP vide letter dated July 02, 2015 directed the management of the Modaraba to sell / dispose of the land at Gharo valuing Rs. 55.80 million at the value of its acquisition and inject cash in the Modaraba within three months in order to secure the interests of the certificate holders of the Modaraba. SECP has directed the Modaraba to get the property re-evaluated from a valuer of repute, duly registered with Pakistan Banking Council before the proposed disposal.

16 ISSUED, SUBSCRIBED AND PAID-UP CERTIFICATE CAPITAL

Modaraba certificates of Rs. 10 each

Number of certificates			2015 Rupees	2014 Rupees
2015	2014			
39,359,741	39,359,741	Certificates issued as fully paid in cash	393,597,410	393,597,410
8,833,724	8,833,724	Certificates issued as fully paid bonus	88,337,240	88,337,240
<u>29,852,790</u>	<u>29,852,790</u>	Certificates issued to certificate holders of Guardian Modaraba under the Scheme of Amalgamation	<u>298,527,900</u>	<u>298,527,900</u>
<u>78,046,255</u>	<u>78,046,255</u>		<u>780,462,550</u>	<u>780,462,550</u>



B.R.R. Investments (Private) Limited (the Management Company) held 12,985,895 (16.63%) certificates of Rs.10 each as at June 30, 2015 (2014: 12,985,895 (16.63%) certificates).

Equity International (Private) Limited, an associated company, held 1,434,974 (1.84%) certificates of Rs.10 each as at June 30, 2015 (2014: 1,434,974 (1.84%) certificates).

Ayaz Dawood held 3,840,700 (4.921%) certificates of Rs.10 each as at June 30, 2015 (2014: 3,708,969 (4.752%).

17 STATUTORY RESERVE

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

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

During the year, the Modaraba has credited 50% of its profit to this reserve.

	Note	2015 Rupees	2014 Rupees
18 SURPLUS ON REVALUATION OF INVESTMENTS			
Listed ordinary shares		147,245,192	61,684,358
Unlisted shares		22,371,144	22,596,030
		<u>169,616,336</u>	<u>84,280,388</u>
19 DIMINISHING MUSHARAKA BASED TERM FINANCE CERTIFICATES			
Diminishing musharaka based Term Finance Certificates (TFCs)	19.1	387,560,620	554,519,375
Less: Current maturity		270,708,172	171,953,125
		<u>116,852,448</u>	<u>382,566,250</u>

19.1 The above TFCs represent privately placed instruments in the form of Diminishing Musharaka and are secured against investment properties and BRR Tower of the Modaraba. The tenure of the above TFCs is six years redeemable semi annually with six months grace period. Rate of profit is based on 1 month KIBOR on the last business day prior to the beginning of each semi-annual period. The TFC was restructured during 2011.

19.2 During prior year, Modaraba has entered into settlement agreement, according to clause 9 of Modaraba's Sukuk Master Restructuring / Settlement Agreement dated April 15, 2011, with Bank of Khyber (BOK) according to which both Modaraba and BOK have agreed to settle BOK's investment of 20,000 units of Modaraba's Sukuk against 7th floor of BRR Tower at a rate of Rs. 11,000 per square feet. BOK would pay cash over and above the settlement value of Sukuk's outstanding amount to the Modaraba in accordance with restructuring agreement. In this regard, No Objection Certificates (NOC) from majority Sukuk holders (approximately 52%) to proceed with the captioned transaction have been obtained which has been confirmed by the Bank Alfalah Limited, Trustee of Modaraba's Sukuk, vide their letter dated February 25, 2014.

The Modaraba received approval vide letter dated November 12, 2014 to execute the transaction subject to two conditions i.e the proposed transaction shall be for the exclusive purpose of settlement of outstanding 20,000 TFC Sukuk's issued by the Modaraba, valuing Rs. 83.058 million (Principal and Profit) and 2. the Modaraba Company shall provide the evidence of the receipt of the amount of Rs. 39.998 million from Bank of Khyber in cash as the value of the 7th Floor of BRR Tower over and above the amount of TFC Sukuk's.

The settlement transaction has now been recorded in the books of the Modaraba after meeting the above mentioned conditions.



Modaraba's Sukuks held by Bank of Khyber have been settled completely and No Objection Certificate vide letter dated August 29, 2015 has been accorded by BOK for the vacation of mortgage and charge created against the Musharaka Finance in favor of Modaraba.

	Note	2015 Rupees	2014 Rupees
20 LONG TERM MURABAHA, MUSHARAKA AND FINANCE UNDER MARK-UP ARRANGEMENTS			
Murabaha arrangements	20.1	152,500,000	152,500,000
Musharaka arrangements	20.2	110,000,000	192,550,000
Mark-up arrangements			
Running finance	20.1	49,649,098	49,649,098
		312,149,098	394,699,098
Less: Long-term portion of musharaka arrangements		-	28,950,000
		<u>312,149,098</u>	<u>365,749,098</u>

- 20.1 The Modaraba has entered into Murabaha (purchase and sale) agreements with a commercial bank. As per the original contract, the Murabaha sale price was payable on deferred payment basis in quarterly/monthly installments by June 27, 2011. The Modaraba has not met its past due obligation towards the commercial bank on its respective repayment dates. Later, Modaraba offered a proposal for settlement which includes debt to asset swap and rescheduling of the amount due. However, restructuring has not been finalized to date by the bank. The Modaraba continues to accrue markup on the facilities at rate ranging from 11.28% to 14.24% (2014: 11.28% to 14.24%) per annum. The arrangements are secured by way of hypothecation of the leased assets and future rentals receivable.
- 20.2 The Modaraba has entered into Musharaka agreements with the commercial banks / financial institutions and other companies. These Musharaka arrangements are on profit sharing basis and payable upto December 28, 2014. Estimated rate of profit on Musharaka arrangement ranges from 8.98% to 16% (2014: 8.98% to 16%) per annum.

	Note	2015 Rupees	2014 Rupees
21 LONG TERM SECURITY DEPOSITS			
Lease / ijarah		59,949,303	61,622,533
Investment properties		24,551,007	23,298,667
Lockers		14,064,500	13,180,500
		98,564,810	98,101,700
Less: Long term portion		(95,912,955)	(97,965,207)
		<u>2,651,855</u>	<u>136,493</u>

	Note	2015 Rupees	2014 Rupees
22 CREDITORS, ACCRUED AND OTHER LIABILITIES			
Modaraba management fee payable	33	8,106,828	4,784,370
Sales tax on Modaraba management fee payable	33	3,049,014	1,751,921
Provision for Workers' Welfare Fund	34	2,901,723	2,314,313
Accrued liabilities		11,651,565	4,890,318
Rentals received in advance			
Lockers		23,292,964	17,157,667
Properties		25,445,052	21,796,880
Charity payable	22.1	117,009	107,569
Others	22.2	54,329,903	33,642,586
		<u>128,894,058</u>	<u>86,445,624</u>



	Note	2015 Rupees	2014 Rupees
22.1 Charity payable			
Opening balance		107,569	1,650,448
Accrued during the year		200,996	107,599
Payment		<u>(191,556)</u>	<u>(1,650,478)</u>
Closing balance		<u>117,009</u>	<u>107,569</u>
22.2 This includes principal and profit payable on diminishing musharaka based Term Finance Certificates to Equity International (Private) Limited amounting to Rs. 46.489 million (2014: Rs. 26.457 million).			
23 ACCRUED PROFIT ON BORROWINGS			
Finance under murabaha arrangements		96,211,400	77,081,040
Finance under musharaka arrangements		57,813,287	56,905,709
Finance under mark-up arrangements		32,237,007	26,672,420
Diminishing musharaka based TFCs		<u>79,188,400</u>	<u>134,740,312</u>
		<u>265,450,094</u>	<u>295,399,481</u>
24 PROFIT DISTRIBUTION PAYABLE			
Unclaimed profit payable to certificate holders		<u>22,670,833</u>	<u>22,344,919</u>
25 CONTINGENCIES AND COMMITMENTS			
25.1 There were no contingencies as at June 30, 2015.			
25.2 Commitments for capital expenditure in respect of BRR Tower amounted to nil (2014: Rs. 48.700 million).			
26 RETURN ON INVESTMENTS - NET			
Dividend income		11,054,117	7,123,050
Profit on debt securities		16,008,407	12,274,724
Gain on sale of investments		<u>19,927,758</u>	<u>22,330,568</u>
		<u>46,990,282</u>	<u>41,728,342</u>
27 RENTAL INCOME			
Investment properties	27.1	74,779,665	69,910,943
Lockers and custodial services		<u>23,573,841</u>	<u>21,006,285</u>
		<u>98,353,506</u>	<u>90,917,228</u>
27.1 This includes rental income amounting to Rs. 4.756 million (2014: Rs.3.334 million) from management company and associated companies / related parties.			

	Note	2015 Rupees	2014 Rupees
28 REVERSAL OF PROVISION AGAINST DOUBTFUL RECEIVABLES - NET			
Reversal during the year			
Lease rentals	10.2	648,446	2,134,014
Musharaka	7.2	4,651,970	36,690,518
Others	13	22,872,158	32,628,539
		28,172,574	71,453,071
Less: Charged during the year			
Lease rentals	10.2	(297,076)	(1,868,664)
Musharaka	7.2	(24,701,568)	(5,075,895)
		(24,998,644)	(6,944,559)
		<u>3,173,930</u>	<u>64,508,512</u>
29 OTHER INCOME			
Gain on disposal of property and equipment - owned / investment property	29.1	90,698,999	225,207
Income from poultry operation		1,024,850	-
Liabilities no longer payable written back		-	4,536,072
Miscellaneous and other termination charges		2,379,432	9,553,937
		<u>94,103,281</u>	<u>14,315,216</u>

29.1 This includes gain arising on settlement of transaction with Bank of Khyber amounting to Rs. 89.992 million as detailed in note 19.2.

	Note	2015 Rupees	2014 Rupees
30 ADMINISTRATIVE EXPENSES			
Salaries, allowances and other benefits	30.2	52,364,837	35,896,773
Travelling and conveyance		61,904	214,773
Entertainment		247,518	217,174
Electricity, water and gas		7,271,923	4,219,835
Telephone and fax		527,240	601,991
Postage and courier		293,149	333,276
Stationery and printing		987,459	1,237,531
Computer expenses		389,874	478,629
Subscriptions		3,211,603	3,247,206
Advertisement		55,075	44,259
Insurance		3,239,213	2,275,741
Repairs and maintenance		12,056,190	10,336,828
Rent, rates and taxes		3,267,336	2,540,815
Security expenses		1,376,476	1,030,308
Brokerage and commission		918,941	234,037
Legal and professional charges		2,900,987	4,686,684
Auditor's remuneration	30.1	1,270,100	1,383,610
Depreciation on owned assets	5.1	8,029,736	7,330,673
Depreciation on investment properties	6.1	35,768,017	25,772,613
Others		2,647,326	1,809,444
		<u>136,884,904</u>	<u>103,892,200</u>



	Note	2015 Rupees	2014 Rupees
30.1 Auditor's remuneration			
Audit fee		650,000	650,000
Limited review, special reports, certification and sundry advisory services		233,100	350,000
Out of pocket expenses		387,000	383,610
		1,270,100	1,383,610
30.2	During the year, the Modaraba contributed Rs. 1.925 million (2014: Rs. 1.658 million) to the provident fund.		
30.3 Disclosures relating to Provident Fund			
Size of the fund		82,012,601	73,015,196
Cost of investments made		47,555,452	33,957,731
Percentage of investments made		57.99%	46.51%
Fair value of investments		47,555,452	33,957,731
Break-up of investments			
Government securities		25,000,000	10,000,000
Term Finance Certificates		1,838,528	1,839,264
Investment in sukuk		11,450,654	13,690,165
Listed securities		4,145,346	3,307,378
Mutual Funds		5,120,924	5,120,924
			% age of size of the fund
Break-up of investments			
Government securities		52.57%	29.45%
Term Finance Certificates		3.87%	5.42%
Investment in sukuk		24.08%	40.32%
Listed securities		8.72%	9.74%
Mutual Funds		10.77%	15.08%
30.4	The figures for 2015 are based on the unaudited financial statements of the Provident Fund. Investments out of Provident Fund have been made in accordance with the provisions of section 227 of the Companies Ordinance 1984 and the rules formulated for this purpose.		
31 FINANCIAL CHARGES			
Profit on:			
Finance under murabaha arrangement		19,130,360	17,622,002
Finance under musharaka arrangement		4,481,504	41,987,844
Diminishing musharaka based TFCs		42,659,072	61,856,970
Finance under mark-up arrangement		13,099,842	14,043,903
Bank charges and commission		72,756	49,188
		79,443,534	135,559,907



	2015 Rupees	2014 Rupees
32 IMPAIRMENT / (REVERSAL ON IMPAIRMENT) - NET		
Impairment loss during the year		
Leased assets	-	469,636
Equity securities	6,218,307	11,846,025
	6,218,307	12,315,661
Less: Reversal of impairment on:		
Equity securities	(23,125,200)	-
	<u>(16,906,893)</u>	<u>12,315,661</u>

33 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. 8.106 million (2014: Rs. 4.785 million). Furthermore, during the current year an amount of Rs. 1.297 million (2014: Rs. 0.766 million) was charged on account of sales tax on management fee levied through Sindh Sales Tax on Services Act, 2011.

34 WORKER'S 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. 1.433 million (2014: Rs. 0.846 million) in respect of this liability.

35 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 reserves as required under Modaraba Regulations is distributed to the certificate holders. The Modaraba has decided to continue availing the tax exemption and hence no provision has been made in these financial statements for tax liabilities for the current year.

Return of income for the tax year 2014 has duly been filed and assessment upto tax year 2014 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 filed appeal before the Commissioner Appeals and decision of the Commissioner is in favor of the Modaraba. Further, the Department has filed appeal before the Income Tax Appellant Tribunal and the hearing of appeal is still pending. The Modaraba has sufficient refund available amounting to Rs. 3 million in tax year 2014.

	2015 Rupees	2014 Rupees
36 EARNINGS PER CERTIFICATE - BASIC AND DILUTED		
The earnings per share as required under IAS 33 "Earnings per share" is given below:		
Profit for the year	70,231,080	41,447,953
Weighted average number of certificates outstanding	78,046,255	78,046,255
Earnings per certificate - Basic and diluted (Rupees)	<u>0.90</u>	<u>0.53</u>



36.1 There were no convertible dilutive potential ordinary certificates outstanding as on June 30, 2015 and 2014.

37 REMUNERATION OF OFFICERS AND EXECUTIVES	2015 Rupees	2014 Rupees
Remuneration	17,475,000	19,225,000
Medical expenses	348,000	355,000
Retirement benefits	1,012,655	1,865,293
	<u>18,835,655</u>	<u>21,445,293</u>
Number of officers / executives at the end of the year	<u>12</u>	<u>18</u>

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

38 FUTURE MINIMUM LEASE RENTALS RECEIVABLES

Future minimum lease rentals receivable on the basis of lease agreements executed up to June 30, 2015 are as follows:

Receivable - not later than one year	35,544,300	36,085,272
Receivable - later than one year and not later than five year	72,518,173	87,647,110
	<u>108,062,473</u>	<u>123,732,382</u>

39 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The Modaraba's overall risk management 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.

39.1 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.

39.1.1 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, 2015, 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, 2015, approximately 34.02% (2014: 52.737%) 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. 2.653 million (2014: Rs. 4.120 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.



39.1.2 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.

39.1.3 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. 315.253 million (2014: Rs. 143.583 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. 15.762 million (2014: Rs. 7.179 million). However, in practice, the actual results may differ from the sensitivity analysis.

39.1.4 Segment by class of business for investment in equity securities

	2015		2014	
	Rupees	%	Rupees	%
Oil and gas	39,417,610	12.50%	34,663,644	24.14%
Chemicals	53,079,022	16.84%	37,267,213	25.96%
Construction and materials	6,331,403	2.01%	5,264,201	3.67%
Industrial engineering	14,585,897	4.63%	8,528,615	5.94%
Industrial transportation	1,218,077	0.39%	990,242	0.69%
Automobile and parts	11,797,953	3.74%	9,907,153	6.90%
Food producers	76,393	0.02%	115,500	0.08%
Personal goods	4,186,214	1.33%	1,688,664	1.18%
Pharma and biotech	53,552,781	16.99%	32,833,698	22.87%
Electricity	3,569,949	1.13%	2,237,376	1.56%
Gas water and multiutilities	4,109,703	1.30%	2,825,996	1.97%
Financial services	28,005,642	8.88%	3,871,011	2.70%
Cement	571,742	0.18%	79,900	0.06%
General industries	3,194,811	1.01%	1,759,800	1.23%
Commercial banks	1,670,669	0.53%	1,498,721	1.04%
Fixed line telecommunication	1,783,500	0.57%	50,939	0.04%
Technology and communication	88,101,690	27.95%	-	-
	315,253,056	100%	143,582,673	100%

39.2 Liquidity risk

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

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



B.R.R. Guardian Modaraba
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2015	Profit rate	Six months or less	Six to Twelve months	One to five years	Over five years	Total contractual cash flows
Rupees						
Musharaka, murabaha and finance under mark-up arrangements	9.5%-16%	312,149,098	-	-	-	312,149,098
Diminishing musharaka based TFCs'	1 month KIBOR	135,354,086	135,354,086	116,852,448	-	387,560,620
Creditors, accrued and other liabilities	-	-	128,894,058	-	-	128,894,058
Accrued profit on borrowing	-	265,450,094	-	-	-	265,450,094
Profit distribution payable	-	22,670,833	-	-	-	22,670,833
Total	-	735,624,111	264,248,144	116,852,448	-	1,116,724,703

2014	Profit rate	Less than 6 months	6 month - 1 year	1 year - 5 year	More than 5 years	Total contractual cash flows
Rupees						
Musharaka, murabaha and finance under mark-up arrangements	9.5%-16%	312,149,098	67,550,000	-	15,000,000	394,699,098
Diminishing musharaka based TFCs'	1 month KIBOR	84,765,625	87,187,500	382,566,250	-	554,519,375
Creditors, accrued and other liabilities	-	-	86,445,824	-	-	86,445,824
Accrued profit on borrowing	-	210,673,595	46,214,120	38,511,766	-	295,399,481
Profit distribution payable	-	-	22,344,919	-	-	22,344,919
Total	-	607,588,318	309,742,363	421,078,016	15,000,000	1,353,408,697

39.3 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:

	2015 Rupees	2014 Rupees
Musharaka and murabaha finance	110,705,223	215,995,796
Short-term investments	546,307,215	455,539,260
Lease rentals receivables	1,219,983	5,248,645
Loans, advances and other receivables	58,335,760	39,217,063
Accrued profit	16,684,352	14,820,765
Bank balances	35,040,064	69,501,445
	<u>768,292,597</u>	<u>800,322,974</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:

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

	2015		2014	
	Rupees	%	Rupees	%
Oil and gas	-	0.00%	1,109,640	0.68%
Transport	8,749,970	7.20%	16,034,437	9.89%
Food and confectioneries	1,696,070	1.40%	4,945,813	3.05%
Engineering and metals	1,233,500	1.02%	7,234,642	4.46%
Power generation	7,996,366	6.58%	7,788,944	4.80%
Insurance	1,754,830	1.44%	2,186,110	1.35%
Miscellaneous	100,069,508	82.36%	122,901,451	75.77%
	<u>121,500,244</u>	<u>100%</u>	<u>162,201,037</u>	<u>100%</u>

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

	2015		2014	
	Rupees	%	Rupees	%
Textile industry	15,663,169	4.54%	17,008,633	3.95%
Oil and lubricants	133,786,430	38.78%	134,577,471	31.28%
Sugar and allied	-	0.00%	30,609,100	7.11%
Chemical and pharmaceutical	49,114,014	14.23%	49,114,014	11.41%
Engineering	33,763,945	9.79%	33,763,945	7.85%
Auto and transportation	1,259,581	0.37%	7,205,686	1.67%
Hotelling industry	-	0.00%	9,471,425	2.20%
Real estate	-	0.00%	14,270,730	3.32%
Miscellaneous	111,439,436	32.30%	134,246,546	31.20%
	<u>345,026,575</u>	<u>100%</u>	<u>430,267,550</u>	<u>100%</u>

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

	2015		2014	
	Rupees	%	Rupees	%
Health care equipment and services	65,555,563	54.01%	77,333,339	59.07%
Construction and materials	5,333,624	4.39%	12,899,053	9.85%
Electricity	41,518,500	34.21%	40,687,400	31.08%
Miscellaneous	8,966,412	7.39%	-	0.00%
	<u>121,374,099</u>	<u>100%</u>	<u>130,919,792</u>	<u>100%</u>

39.4 **Financial instruments by category**

Financial assets

Loans and receivables at amortised cost

Long-term deposits	5,722,310	9,165,337
Musharaka finance	110,705,223	215,995,796
Ijarah / lease rental receivable	1,219,983	5,248,645
Loans and advances	31,076,161	10,148,881
Accrued profit	16,684,352	14,820,765
Other receivables	27,259,599	19,902,845
Cash and bank balances	35,267,673	69,501,445

Available-for-sale

Short-term investments	402,982,807	389,339,151
------------------------	-------------	-------------

Held-for-trading

Short-term investments	143,324,408	66,200,109
	<u>774,242,516</u>	<u>800,322,974</u>



	2015	2014
	Rupees	Rupees
Financial liabilities		
Financial liabilities at amortised cost		
Diminishing musharaka based Term Finance Certificates	387,560,620	554,519,375
Murabaha, musharaka and finance under mark-up arrangements	312,149,098	394,699,098
Customers' security deposits	98,564,810	98,101,700
Creditors, accrued and other liabilities	128,894,058	86,445,624
Accrued profit on borrowings	265,450,094	295,399,481
Profit distribution payable	22,670,833	22,344,919
	<u>1,215,289,513</u>	<u>1,451,510,197</u>

40 FAIR VALUE HIERARCHY

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

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

As at June 30, 2015, the Modaraba held the following financial instruments measured at fair value:

	Level 1	Level 2	Level 3	Total
	Rupees			
Investments at fair value through profit or loss - held-for-trading				
Listed ordinary shares	143,324,408	-	-	143,324,408
Available-for-sale investments				
Listed ordinary shares - net	182,182,209	-	-	182,182,209
Unlisted ordinary shares	-	-	120,743,707	120,743,707
Debt securities	-	-	121,374,099	121,374,099
	<u>325,506,617</u>	<u>-</u>	<u>242,117,806</u>	<u>567,624,423</u>

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

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

The following table presents the movement in level 3 instruments:



	2015	2014
	Rupees	Rupees
Opening balance	339,927,127	279,744,640
Redemption / sales during the year	(106,550,849)	(17,471,871)
Unrealized gain during the year	8,741,526	22,678,677
Additions / transfers during the year	-	54,975,681
Closing balance	<u>242,117,804</u>	<u>339,927,127</u>

41 CAPITAL RISK MANAGEMENT

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

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

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

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

Debts	699,709,718	949,218,473
Cash and bank balances	<u>(35,267,673)</u>	<u>(69,501,445)</u>
Net debt	<u>664,442,045</u>	<u>879,717,028</u>
Equity	<u>991,133,347</u>	<u>854,297,600</u>
Net debt to equity ratio	<u>0.67</u>	<u>1.03</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 operation or to undertake a transaction on adverse terms.

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

43 RELATED PARTY TRANSACTIONS

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

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

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



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

Relationship with the Modaraba	Nature of transactions / Balances	2015 Rupees	2014 Rupees
Management Company			
BRR Investments (Private) Limited	Share of common expense received	300,000	300,000
Associated companies / other related parties			
First Dawood Investment Bank Limited	Rent received against property	836,100	2,020,800
First Dawood Investment Bank Limited	Share of common expenses received	1,790,798	2,324,310
First Dawood Investment Bank Limited	Share of common expenses paid	358,587	644,505
Crescent Standard Modaraba	Share of common expenses received	350,569	446,923
First Dawood Employees Provident Fund	Transfer to provident fund	1,925,853	1,657,974
First Dawood Employees Provident Fund	Principal paid against investment in Sukuk	3,939,172	3,872,405
First Dawood Employees Provident Fund	Profit paid against investment in Sukuk	3,120,367	3,296,220
Dawood Family Takaful Limited	Rental Received against ijarah	431,992	1,191,846
Dawood Family Takaful Limited	Rent received against properties	3,244,230	4,488,380
Dawood Family Takaful Limited	Group Family Takaful	112,208	122,420
Dawood Family Takaful Limited	Principal paid against investment in Sukuk	22,217,188	21,840,628
Dawood Family Takaful Limited	Profit paid against investment in Sukuk	17,599,092	18,590,909
Dawood Equities Limited	Rental received against property	113,300	121,000
Hamida Dawood	Principal paid against investment in Sukuk	3,410,935	3,353,129
Hamida Dawood	Profit paid against investment in Sukuk	2,701,898	2,854,206
Dawood Global Foundation Systems Limited	Charity paid	186,556	-
Dawood Global Foundation Systems Limited	Dividend received	1,912,344	2,043,818



43.1 Year end balances

Relationship with the Modaraba	Nature of transactions / Balances	2015 Rupees	2014 Rupees
Management Company			
BRR Investments (Private) Limited	Management fee accrued	8,106,829	4,784,370
BRR Investments (Private) Limited	Share of common expenses receivable	-	731,318
Associated companies / other related parties			
First Dawood Investment Bank Limited	Consideration receivable against BBL shares	25,180,000	-
Dawood Islamic Fund	Receivables against investment	-	6,006,420
Equity International (Private) Limited	Accrued profit on musharaka	12,955,914	7,701,114
Equity International (Private) Limited	Principal payable against investment in Sukuk	24,521,875	13,643,750
Equity International (Private) Limited	Profit payable against investment in Sukuk	21,967,466	12,813,424
Dawood Family Takaful Limited	Rent receivable against property	1,081,410	-
Dawood Equities Limited	Brokerage and commission payable	918,941	234,837

43.2 Group shared services

The Company has entered into arrangements with associated undertakings to share various administrative, human resource and related 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 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 EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the Management Company in their meeting held on September 30, 2015 have approved profit distribution at the rate of 4.05% i.e. Rs. 31,608,733 (2014: at the rate of 2.4% i.e. Re. 0.24 per certificate) for the year ended June 30, 2015. These financial statements do not reflect this distribution.



46 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on September 30, 2015 by the Board of Directors of B.R.R. Investments (Private) Limited.

47 CORRESPONDING FIGURES

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

48 NUMBER OF EMPLOYEES

The number of employees as at year end was 86 (2014: 63) and average number of employees during the year was 75 (2014: 64).

49 GENERAL

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

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

**Rafique Dawood
Chairman**

**Ayaz Dawood
Chief Executive Officer**

**Syed Ali Raza
Director**



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

**PATTERN OF CERTIFICATE HOLDING - FORM "34"
CERTIFICATE HOLDERS STATISTICS AS AT JUNE 30, 2015**

Number of Certificate Holders	Certificate Holding			Certificate Held
	From		To	
1622	1	-	100	74,746
1292	101	-	500	354,166
2557	501	-	1,000	1,738,351
852	1,001	-	5,000	2,047,772
171	5,001	-	10,000	1,321,645
66	10,001	-	15,000	850,515
40	15,001	-	20,000	715,676
33	20,001	-	25,000	774,746
26	25,001	-	30,000	757,622
12	30,001	-	35,000	385,621
11	35,001	-	40,000	411,128
1	40,001	-	45,000	44,996
19	45,001	-	50,000	934,442
7	50,001	-	55,000	370,540
8	55,001	-	60,000	471,498
3	60,001	-	65,000	183,500
3	65,001	-	70,000	210,000
5	70,001	-	75,000	368,727
5	75,001	-	80,000	389,554
4	80,001	-	85,000	334,130
4	85,001	-	90,000	356,100
10	95,001	-	100,000	997,000
2	100,001	-	105,000	203,000
4	105,001	-	110,000	437,243
2	115,001	-	120,000	238,950
1	120,001	-	125,000	125,000
1	130,001	-	135,000	134,000
2	135,001	-	140,000	276,000
1	140,001	-	145,000	140,012
1	155,001	-	160,000	160,000
2	165,001	-	170,000	335,500
1	170,001	-	175,000	175,000
1	180,001	-	185,000	184,500
3	195,001	-	200,000	600,000
1	200,001	-	205,000	205,000
1	210,001	-	215,000	210,285
2	215,001	-	220,000	433,480
1	225,001	-	230,000	228,500
1	280,001	-	285,000	282,500
2	285,001	-	290,000	576,000
2	295,001	-	300,000	600,000
1	300,001	-	305,000	305,000
1	310,001	-	315,000	314,500
1	315,001	-	320,000	320,000
1	335,001	-	340,000	340,000
1	345,001	-	350,000	350,000
1	360,001	-	365,000	361,994
1	370,001	-	375,000	373,000



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

Number of Certificate Holders	Certificate Holding		Certificate Held
	From	To	
1	385,001	- 390,000	390,000
2	390,001	- 395,000	784,585
1	405,001	- 410,000	409,756
1	420,001	- 425,000	424,500
2	435,001	- 440,000	877,000
1	450,001	- 455,000	452,017
1	455,001	- 460,000	456,000
1	475,001	- 480,000	478,000
1	545,001	- 550,000	549,621
1	610,001	- 615,000	610,985
1	670,001	- 675,000	674,000
1	765,001	- 770,000	767,403
1	830,001	- 835,000	833,558
1	855,001	- 860,000	858,662
1	955,001	- 960,000	955,026
1	1,040,001	- 1,045,000	1,041,500
1	1,105,001	- 1,110,000	1,106,011
1	1,115,001	- 1,120,000	1,115,998
1	1,465,001	- 1,470,000	1,469,000
1	1,675,001	- 1,680,000	1,676,965
1	1,740,001	- 1,745,000	1,744,000
1	1,745,001	- 1,750,000	1,747,000
1	1,995,001	- 2,000,000	2,000,000
1	2,100,001	- 2,105,000	2,103,335
1	2,695,001	- 2,700,000	2,696,287
1	2,985,001	- 2,990,000	2,985,279
1	3,720,001	- 3,725,000	3,722,351
1	6,760,001	- 6,765,000	6,763,344
1	7,310,001	- 7,315,000	7,310,943
1	9,040,001	- 9,045,000	9,041,190
6821			78,046,255

S. No.	Categories of Certificate holders	Number of Certificate holders	Certificate Held	Percentage
1	Individuals	6,757	39,036,066	51.52
2	Financial Institutions	6	3,788,376	2.97
3	Investment Companies	18	4,383,536	5.62
4	Insurance Companies	1	7,310,943	9.37
5	Joint Stock Companies	24	7,319,337	9.32
6	Mutual Fund	2	4,838,349	6.52
7	Modarba Management Co.	2	10,082,690	12.92
8	Modarbas	3	305,107	0.39
9	Others	8	981,851	1.36
		6,821	78,046,255	100.00



**ADDITIONAL INFORMATION
AS AT JUNE 30, 2015**

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	4,004,749	5.13
	CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST Investment Corporation of Pakistan	3,973,351 31,398	
3	Directors, CEO their Spouse & Minor Children	3,866,500	4.95
	Rafique Dawood	25,800	
	Ayaz Dawood	3,840,700	
4	Public Sector Companies and Corporation	7,310,943	9.37
5	Banks, DFIs, NBFIs, Insurance Companies, Modarabas, Mutual Funds and Other Companies	14,708,602	18.85

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
State Life Insurance Corp. Of Pakistan	7,310,943	9.37
Amanah Investments Limited	6,947,844	8.90

SIX YEARS' FINANCIAL SUMMARY

2015	2014	2013	2012	2011	2010
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Key Financial Figures						
Profit & Loss Account						
(Rs. In million)						
Operating income	206.96	234.38	377.33	380.82	585.05	611.11
Other income	94.10	14.31	2.66	7.85	29.94	20.31
Amortization om ijarah assets	33.56	26.61	17.97	27.73	53.30	170.88
Financial charges	79.44	135.55	202.99	239.63	354.88	351.73
Administrative expenses	136.88	103.89	100.64	109.74	109.30	102.28
Provision/(Reversal) for doubtful debts/receivables	(26.30)	(64.50)	(9.15)	(29.52)	9.19	17.85
Provision for diminution in the value of investments - charge/(written back)	(33.47)	(14.54)	(12.84)	4.92	7.65	-
Net Profit	70.23	41.44	53.41	29.18	41.70	(161.23)
Dividend	31.61	18.73	24.19	14.04	19.51	-
Balance Sheet						
Paid-up Capital	780.46	780.46	780.46	780.46	780.46	780.46
Reserves	210.67	73.84	21.60	(7.65)	(47.77)	(147.57)
Certificate Holders Equity	991.13	854.29	802.06	772.81	732.68	632.89
Borrowings	699.71	949.22	1,617.99	1,756.81	1,784.83	2,546.66
Lease portfolio	121.50	162.20	135.63	97.72	128.98	289.63
Morabaha & Musharaka Portfolio	110.71	215.99	673.19	817.26	893.68	1,346.43

Performance Indicators						
Earnings / (Loss) per certificate (Rs.)	0.90	0.53	0.68	0.37	0.53	(2.07)
Profit paid per certificate (Rs.)	0.405	0.24	0.31	0.18	0.25	-
Profit paid per certificate (%)	4.05%	2.40%	3.10%	1.80%	2.50%	0.00%
Profit payout (after statutory reserves) (%)	90.01%	90.00%	90.00%	95.36%	93.57%	0.00%
Break-up value per certificate (Rs.)	12.70	10.95	10.28	9.90	9.39	8.11
Market value per certificate (Rs.)	7.73	6.00	3.75	2.45	2.19	1.29
Price Earnings ratio	8.59	11.32	5.48	6.55	4.10	(0.62)
Income/Expense ratio	1.29	1.17	1.18	1.09	1.08	0.80
Financial Charges/Total Expenses (%)	28.40%	48.43%	59.64%	62.32%	62.51%	44.36%

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





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