

ANNUAL

REPORT

2011



B.R.R. GUARDIAN MODARABA

(An Islamic Financial Institution)

Managed by

B.R.R. Investments (Private) Limited



B.R.R. GUARDIAN MODARABA
(An Islamic Financial Institution)

Contents	Page
<u>Corporate Information</u>	<u>2</u>
<u>Mission Vision and Overall Corporate Strategy</u>	<u>3</u>
<u>Notice of Annual Review Meeting</u>	<u>4</u>
<u>Directors' Report</u>	<u>5</u>
<u>Statement of Compliance with the Code of Corporate Governance</u>	<u>8</u>
<u>Auditors' Review Report</u>	<u>10</u>
<u>Auditors' Report</u>	<u>11</u>
<u>Balance Sheet</u>	<u>13</u>
<u>Profit and Loss Account</u>	<u>14</u>
<u>Statment of Comprehensive Income</u>	<u>15</u>
<u>Cash Flow Statement</u>	<u>16</u>
<u>Statement of Changes in Equity</u>	<u>18</u>
<u>Notes to the Financial Statements</u>	<u>19</u>
<u>Pattern of Certificate Holding</u>	<u>56</u>
<u>Additional Information</u>	<u>58</u>
<u>Six Years Financial Summary</u>	<u>59</u>



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 Farouq Habib Rahimtoola Mr Muhammad Shahid Murtaza
Audit Committee	Mr Farouq Habib Rahimtoola - Chairman Mr. Rafique Dawood - Member Mr Muhammad Shahid Murtaza - Member
Chief Operating Officer	Mr. Saeed Siddiqui
Chief Financial Officer	Syed Tariq Masood
Company Secretary	Mr Tahir Mehmood
Auditors	Ernst & Young Ford Rhoude Sidat Hyder Chartered Accountants
Legal Advisor	Rauf Ghaffar Law Associate Malik & Maliks
Bankers	Al -Barka Bank(Pakistan) Limited Habib Metropolitan Bank Limited National Bank of Pakistan NIB Bank Limited Oman International Bank S.A.O.G.
Web-site	www.firstdawood.com/brr
Registered Office & Head Office	1900-B, Saima Trade Towers, I.I Chundrigar Road, Karachi-74000 PABX 32271874-84 37010960-65 37014641-4 Fax 92-21-227-1912
Registrars	F.D Registrar Services (SMC-Pvt.) Ltd 11th Floor, Trade Centre, I.I Chundrigar Road, Karachi-74000 Phone # 92-21-35478192-93 Fax # 92-21-32621233
Branch Offices	Suit No. 210, 5th Floor, Siddiq Trade Centre, Main Boulevard, Gulberg - III, Lahore Office No. 20 & 21, 1st Floor, Beverly Centre, 56-G7, Jinnah Avenue, Islamabad-44000
Security Vault	G-187 Block 2, Shahr-eh-Quaideen, PESHS Karachi-75400



B.R.R. GUARDIAN MODARABA
(An Islamic Financial Institution)

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.



B.R.R. GUARDIAN MODARABA
(An Islamic Financial Institution)

NOTICE OF ANNUAL REVIEW MEETING (ARM -XII) 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, 2011 have declared cash dividend of BRRGM @ Re. 0.25 per Modaraba Certificate i.e. 2.50% for the year ended June 30, 2011.

To determine the names of Certificate Holders entitled to receive Cash dividend and to attend the Annual Review Meeting, the Certificate Transfer Book will remain closed from October 18, 2011 to October 24, 2011 (both days inclusive). Transfers received at the Registrar Office, F.D. Registrar Services (SMC-Pvt.) Ltd at 1108, 11th Floor, Trade Centre I.I. Chundrigar Road, Karachi, before the close of business hours on October 17, 2011 will be treated in time for the entitlement of dividend Further Certificate Holders are advised to notify to the Registrar Office of any change in their addresses.

The ARM-XII of Certificate Holders of BRRGM will be held on Monday October 24, 2011 at 3:00 p. m. at Ground Floor, BRR Tower, Plot No. 11/14 Hassan Ali Street, off: I.I Chundrigar Road Karachi, 74000

Place Karachi
October 2, 2011

By Order of the Board
Company Secretary



B.R.R. GUARDIAN MODARABA
(An Islamic Financial Institution)

Directors' Report

Dear Certificate holders,

On behalf of the Board of Directors of B.R.R. Investments (Private) Limited ('BRRRI' or 'the company'), manager of B.R.R. Guardian Modaraba ('BRRGM' or 'the Modaraba'), it gives me pleasure to present to you the Annual Report and Audited Financial Statements for the year ended June 30, 2011.

Economic Scenario

Pakistan's economy continues to remain under pressure from the International Economy, and is trying hard to meet these new challenges.

Pakistan has also put on hold its relations with IMF and the repercussion may be detrimental to our economy.

In spite of these pressures, coupled with local challenges of, with high inflation, high interest rates and low growth. Your Modaraba has become profitable, and actions are being to ensure future profitability.

Modaraba's Performance

Summary of the comparative financial performance is given below;

	June 30, 2011	June 30, 2010
 Rupees.....	
Total Income	614,992,493	631,419,004
Total Expenses	567,710,423	792,652,735
Profit / (Loss) Before Management Fee & WWF	47,282,070	(161,233,731)
Management Fee	4,728,207	-
Provision for Workers' Welfare Fund	851,077	-
Profit / (Loss) After Management Fee & WWF	41,702,786	(161,233,731)
Certificate Holder's Equity	732,683,816	632,893,804
Break up value – per certificate	9.39	8.11

During the year your Modaraba made a profit of Rs 41.7 Million for the year ended June 30, 2011 as opposed to loss of Rs 161.2 Million, which was primarily due to unprecedented conditions of 2008 & 2009. The Certificate Holders Equity increased by 15.76% (99.7 Million) which shows the strength of your Modaraba.

Profit Distribution

The Board is pleased to announce 0.25 per certificate cash dividend for the year ended June 30, 2011.

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, 2011. The external auditors review report on the statement of compliance with the code of corporate governance is annexed with this report.

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

- The financial statements prepared by management present fairly Modaraba's state of affairs, the result of its operations, cash flows and changes in equity.
- Your Modaraba has maintained proper book of accounts.
- Appropriate accounting policies have been consistently applied in the preparation of financial statements on reasonable and prudent judgment.
- Relevant International Accounting Standards, as applicable in Pakistan, provision of the Non-Banking Finance Companies (Establishment & Regulation) Rules, 2003, and directives of the Securities and Exchanges Commission of Pakistan have been followed in the preparation of financial statements.
- The system of internal controls is sound in design and has been effectively implemented and monitored.
- There are no significant doubts over the ability to continue as going concern.



B.R.R. GUARDIAN MODARABA
(An Islamic Financial Institution)

- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- There are no statutory payments on account of taxes, duties, levies and charges outstanding, except as disclosed in the financial statements.
- There has been no departure from the best practices of transfer pricing.

Trading/Dealing in Certificate of Modaraba

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

Statement of Ethics and Business Practices

The Board of Directors of the Management Company has adopted the required Statement of Ethics and Business Practices for the Modaraba. All employees are of this statement and are requested to observe these rules of conduct to business and regulations.

Staff Retirement Benefits

BRR Guardian Modaraba operates a provident Fund scheme for all permanent employees. The value of investment to date is Rs.19 million.

Post Balance Sheet Events

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

Transaction with Connected Persons/Related Parties

All transaction between BRR Guardian Modaraba (BRRGM) and connected person/related parties are carried out on an arm's length basis.

Internal Control and Audit Function.

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

Auditors

The retiring auditors of Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accounts, retired and offered themselves for reappointment on the recommendation of the Audit Committee of your Modaraba, the Board has agreed to recommend the appointment of Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accounts, to function as Modaraba's statutory auditors for the year ending June 30, 2012.

Key Financial Highlight

Key financial highlights are summarized and annexed to these financial statements.

Risk Management Framework

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

Board Meetings

The status of the Board meetings is as follows:

S. No	Name	Designation	Attendance
1	Mr. Rafique Dawood	Chairman	4 out of 4
2	Mr. Ayaz Dawood	Chief Executive	4 out of 4
3	Mr. Majid Dawood	Director	0 out of 4
4	Mr. Farouq Habib Rahimtoola	Director	4 out of 4

During the period Mr. Majid Dawood has resigned, a casual vacancy occurred in the Board on March 25, 2011 and was filled by Mr. Shahid Murtaza, the approval has been obtained by Securities and Exchange of Pakistan Limited on July 18, 2011.



B.R.R. GUARDIAN MODARABA
(An Islamic Financial Institution)

Credit Rating

JCR-VIS Credit Rating Company Limited (JCR-VIS) has given long term entity Rating "D" to your Modaraba on July 9th, 2010. Since the Musharika Based TFC has been restructured therefore your Modaraba will be approaching JCR-VIS to upgrade the same.

Pattern of Certificate Holding

The pattern of certificate holding as on June 30, 2011 along with disclosure as required under the Code of Corporate Governance is annexed.

Future Outlook

Inline with increasing certificate holders value, your Modaraba is in the final stages of constructing a new, state of the art, 19-story Commercial Building which will be completed during the current year. The total area of the Building will be about 122,000 sq ft with 78,000 sq ft of Car Parking approximately.

Further, the profitability and cash flow of your Modaraba would be strengthen as soon as the building will be furnished, which it plans to rent-out. However, a portion of it may also be utilized to deleverage the Modaraba. This Building will be great asset of your Modaraba.

Appreciation

BRRGM is committed to adopting best practices in its endeavor to create certificate holders wealth and gain market-confidence. It is also committed to maintaining the smooth functioning of the modaraba's operations.

We thank our customers, business associates, lending financial institutions and bankers for putting their trust with us. We also appreciate the guidance provided to BRRGM by the Registrar Modaraba, Securities and Exchange Commission of Pakistan and other regulatory authorities. We appreciate and value the contribution of our staff.

We reaffirm our commitment to our Certificateholders to further enhance the value of their investment in the Modaraba.

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

Karachi.

September 30, 2011.

Rafique Dawood
Chairman



B.R.R. GUARDIAN MODARABA
(An Islamic Financial Institution)

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2011.

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

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

Regardless of the fact that B.R.R Investments (Private) Limited the management company of B.R.R Guardian Modaraba (the Modaraba) is a Private Limited Company, the Board of Directors of the management company are pleased that the Code of Corporate Governance is being complied with in material respects.

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

1. The Management Company encourages representation of independent non-executive directors on its Board of directors. At Present, the board includes two non-executive independent directors.
2. The directors of the Management Company have confirmed that none of them is serving as a director in more than ten listed companies.
3. All the directors of the Management Company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a Development Financial Institution, or a Non Banking Financial Institution and none of them is a member of a Stock Exchange.
4. A casual vacancy occurred in the Board on March 25, 2011 and was filled up by the directors on the same Day.
5. The Management Company has prepared a "Statement of Ethics and Business Practices", which has been signed by all the directors and employees of the Modaraba.
6. The Board has developed a vision/mission overall corporate strategy significant policies of modaraba. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of the Chief Executive Officer and other Executives directors have been taken by the Board.
8. The related party transactions and pricing method have been placed before the audit committee and approved by the Board with necessary justification for terms and pricing methods for transactions that were made on Terms equivalent to those prevail in the arm's length transactions.
9. The meetings of the Board were presided over by the Chairman. The Board met four time during the year. Written notices of the Board meetings, along with the agenda and working papers, were circulated at least Seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.



B.R.R. GUARDIAN MODARABA
(An Islamic Financial Institution)

10. The Directors of the Company have been provided with copies of the Listing Regulations, Code of Corporate Governance, Modaraba Rules, Company's Memorandum and Articles of Association, Modaraba Prospectus and all other relevant rules and regulations and hence are conversant of the relevant laws applicable to the Company, its policies and procedures and provisions of memorandum and article of Associations and of their duties and responsibilities.
11. No new appointment of CFO or Company secretary has been made during the year. The BoD has approved their remuneration and terms and conditions of employment as determined by CEO.
12. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
13. The financial statements of the Modaraba were duly endorsed and signed by the Chief Executive Officer and Chief Financial Officer before the approval of Board.
14. The directors, Chief Executive Officer and executives do not hold any interest in the certificates of the Modaraba other than that disclosed in the pattern of certificate holdings as on June 30, 2011.
15. The Modaraba has complied with all the corporate and financial reporting requirements of the Code.
16. The Board has formed an Audit Committee. It comprises 3 members. The Chairman of the committee is Non-Executive Director.
17. The meetings of the Audit Committee were held four times during the year prior to approval of the interim and final results of the Modaraba. The terms of reference of the committee have been formed and advised to the committee for compliance.
18. The board has appointed a firm of Chartered Accountants, as Internal Auditors of the Modaraba and has also approved their terms and condition for the starting form July 01, 2010. They are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Modaraba
19. The statutory auditors of the Modaraba have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold certificates of the Modaraba and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance to the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. We confirm that all other material principles contained in the Code have been complied.

September 30, 2011

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

Ayaz Dawood
Chief Executive Officer


B.R.R. GUARDIAN MODARABA
(An Islamic Financial Institution)


ERNST & YOUNG

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

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

We have reviewed the Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) for the year ended 30 June 2011 prepared by the Board of Directors of B.R.R. Investments (Private) Limited (the Management Company) of B.R.R. Guardian Modaraba (the Modaraba) to comply with Listing Regulation No. 35 (Chapter XI) of The Karachi Stock Exchange (Guarantee) Limited, where the Modaraba is listed.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Management Company's compliance, in all material respects, with the best practices contained in the Code in respect of the Modaraba for the year ended 30 June 2011.

Chartered Accountants

September, 30, 2011

Karachi


B.R.R. GUARDIAN MODARABA
(An Islamic Financial Institution)


ERNST & YOUNG

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

AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of **B.R.R. Guardian Modaraba** (the Modaraba) as at 30 June 2011 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

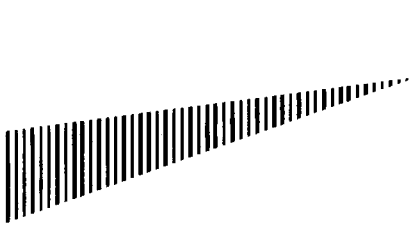
These financial statements are the Modaraba Management Company's [B.R.R. Investments (Private) Limited] responsibility who is also responsible to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards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

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

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



B.R.R. GUARDIAN MODARABA
(An Islamic Financial Institution)



ERNST & YOUNG

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

- (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Modaraba;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at 30 June 2011 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The financial statements of the Modaraba for the year ended 30 June 2010 were audited by another firm of Chartered Accountants, whose report dated 05 October 2010 expressed an unqualified opinion on such statements.

Chartered Accountants

Audit Engagement Partner: Shabbir Yunus

September 30, 2011

Karachi



B.R.R. GUARDIAN MODARABA
(An Islamic Financial Institution)
BALANCE SHEET
AS AT JUNE 30, 2011

	Note	June 30, 2011	June 30, 2010
		----- (Rupees) -----	
ASSETS			
Current assets			
Cash and bank balances	7	121,699,207	105,241,517
Musharaka and murabaha finances	8	363,948,003	752,659,747
Short term Investments	9	492,827,815	695,288,932
Lease rentals receivable	10	15,891,797	10,451,951
Loans, advances and prepayments	11	3,445,595	3,383,175
Accrued profit	12	99,033,362	146,674,931
Other receivables	13	77,961,265	34,224,907
Taxation refundable	14	5,653,090	2,513,915
Total current assets		1,180,460,134	1,750,439,075
Non current assets			
Long-term portion of musharaka and murabaha finances	8	529,730,717	593,776,835
Long-term loans	11	5,794,206	10,017,018
Long-term deposits		9,162,337	2,937,000
Fixed assets	15	578,975,887	606,625,029
Investment properties	16	662,676,184	679,279,440
Total non current assets		1,786,339,331	1,892,635,322
TOTAL ASSETS		2,966,799,465	3,643,074,397
LIABILITIES			
Current liabilities			
Murabaha, musharaka and finance under mark-up arrangements	17	702,955,586	1,587,796,827
Current portion of diminishing musharaka based Term Finance Certificates	21	27,500,000	80,000,000
Creditors, accrued and other liabilities	18	44,220,899	72,534,814
Accrued profit on borrowings	19	264,137,676	199,191,412
Customers' security deposits		26,072,835	15,550,542
Profit distribution payable	20	20,889,995	21,454,898
Total current liabilities		1,085,776,991	1,976,528,493
Non current liabilities			
Diminishing musharaka based Term Finance Certificates	21	772,500,000	720,000,000
Long-term portion of musharaka, murabaha and finance	17	281,881,007	158,866,672
Long-term portion of rentals received in advance	18	-	8,221,582
Long-term portion of customers' security deposits		93,957,651	146,563,846
Total non current liabilities		1,148,338,658	1,033,652,100
TOTAL LIABILITIES		2,234,115,649	3,010,180,593
NET ASSETS		732,683,816	632,893,804
Represented by:			
Certificate capital	19	780,462,550	780,462,550
Capital reserves	23	509,373,582	488,522,189
General reserve		56,000,000	56,000,000
Surplus / (deficit) on revaluation of investments		28,952,417	(29,134,809)
Accumulated loss		(642,104,733)	(662,956,126)
		732,683,816	632,893,804
CONTINGENCIES AND COMMITMENTS			
	24		

The annexed notes from 1 to 45 form an integral part of these financial statements.

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

Chief Executive

Director

Director



B.R.R. GUARDIAN MODARABA
(An Islamic Financial Institution)
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2011

	June 30, 2011	June 30, 2010
Note	----- (Rupees) -----	
INCOME		
Lease rentals	116,554,310	189,658,507
Income on musharaka and murabaha finances	239,865,475	232,387,615
Return on investments	25 67,870,137	101,677,246
Share of loss from associate	-	(11,242,846)
Markup on bank balances	10,792,543	9,539,932
Rental income	26 82,238,693	89,087,427
Profit on disposal of fixed assets	62,417,552	-
Other income	27 35,253,783	20,311,123
	<u>614,992,493</u>	<u>631,419,004</u>
EXPENSES		
Amortisation on leased assets	53,301,501	170,881,382
Impairment loss	28 33,378,720	149,919,865
Operating expenses	29 109,303,354	102,280,509
Financial charges	30 354,882,931	351,725,285
Provision against doubtful receivables - net	31 9,193,714	17,845,694
Loss on revaluation of investments - held-for-trading	7,650,203	-
	<u>567,710,423</u>	<u>792,652,735</u>
	<u>47,282,070</u>	<u>(161,233,731)</u>
Modaraba management company's fee	32 4,728,207	-
Provision for Workers' Welfare Fund	33 851,077	-
Profit / (loss) before taxation	<u>41,702,786</u>	<u>(161,233,731)</u>
Taxation	34 -	-
Profit / (loss) for the year	<u>41,702,786</u>	<u>(161,233,731)</u>
Earnings / (loss) per certificate - basic and diluted	<u>0.53</u>	<u>(2.07)</u>

The annexed notes from 1 to 45 form an integral part of these financial statements.

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

Chief Executive

Director

Director



B.R.R. GUARDIAN MODARABA
(An Islamic Financial Institution)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2011

	June 30, 2011	June 30, 2010
Note	----- (Rupees) -----	-----
Profit / (loss) for the year	41,702,786	(161,233,731)
Other comprehensive income for the year		
Unrealised surplus on revaluation of available-for-sale investments	58,087,226	53,707,604
Total comprehensive income for the year	<u>99,790,012</u>	<u>(107,526,127)</u>

The annexed notes from 1 to 45 form an integral part of these financial statements.

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

Chief Executive

Director

Director



B.R.R. GUARDIAN MODARABA
(An Islamic Financial Institution)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011

	June 30, 2011	June 30, 2010
	----- (Rupees) -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit / (loss) before taxation	41,702,786	(161,233,731)
Adjustments of non-cash and other items:		
Depreciation	42,107,145	44,696,913
Amortisation	53,301,501	170,881,382
Impairment loss	33,378,720	149,919,865
Share of loss from associate	-	11,242,846
Provision for doubtful murabaha and musharaka finances	26,004,443	4,229,193
Profit on settlement / disposal of investment property	(8,262,563)	-
Profit on disposal of property, plant and equipment - owned	(62,417,552)	(833,874)
Profit on disposal of property, plant and equipment - leased	(5,315,379)	(11,563,331)
Accrued Profit on musharaka, murabaha and finance under mark-up arrangements	354,779,734	351,181,684
Gain on investments	(67,870,137)	(101,677,246)
	365,705,912	618,077,432
(Increase) / decrease in current assets		
Lease rentals receivable	(5,439,846)	39,023,063
Loans, advances and prepayments	4,160,392	2,229,282
Accrued profit	43,702,342	(120,456,130)
Other receivables	(46,464,310)	(9,187,733)
	(4,041,422)	(88,391,518)
Increase / (decrease) in current liabilities		
Creditors, accrued and other liabilities	(36,535,497)	16,045,076
Customers' security deposits	(42,083,905)	(19,266,256)
	(78,619,402)	(3,221,180)
Income tax refunded	(3,139,175)	-
Net cash generated from operating activities	321,608,699	365,231,003



B.R.R. GUARDIAN MODARABA
(An Islamic Financial Institution)

	June 30, 2011	June 30, 2010
	----- (Rupees) -----	
CASH FLOW FROM INVESTING ACTIVITIES		
Investments (made)/disposed off	223,622,453	(168,353,447)
Income received on investments	74,537,316	86,880,076
Murabaha and musharaka finances	426,753,419	(546,003,651)
Addition to investment property	(60,219,943)	(60,800,001)
Addition to property and equipment - owned	(2,752,829)	(91,893,454)
Addition to property ,plant and equipment - leased	(41,315)	(17,896,385)
Addition to Capital work-in-progress	(173,162,669)	-
Long term deposits	(6,225,337)	-
Proceeds from disposal of property and equipment - owned	96,173,170	1,767,512
Proceeds from disposal of investment property	52,137,563	-
Proceeds from disposal of property, plant and equipment - leased	116,252,450	74,501,503
Net cash flow generated from / (used in) investing activities	<u>747,074,278</u>	<u>(721,797,847)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Finance under murabaha, musharaka and finance		
CASH FLOW FROM FINANCING ACTIVITIES		
Finance under murabaha, musharaka and finance under mark-up arrangements	(761,826,906)	631,273,483
Financial charges paid	(289,833,470)	(235,732,634)
Profit paid to certificate holders	(564,910)	(20,429)
Net cash flow (used in) / generated from financing activities	<u>(1,052,225,286)</u>	<u>395,520,420</u>
Net increase in cash and cash equivalents	16,457,690	38,953,576
Cash and cash equivalents at beginning of the year	105,241,517	66,287,941
Cash and cash equivalents at end of the year	<u>121,699,207</u>	<u>105,241,517</u>

The annexed notes from 1 to 45 form an integral part of these financial statements.

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

Chief Executive

Director

Director



B.R.R. GUARDIAN MODARABA
(An Islamic Financial Institution)

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2011**

	Certificate capital	Capital reserves		General reserve	Surplus / (Deficit) on revaluation of investments	Accumulated loss	Total
		Profit prior to flotation	*Statutory reserve				
----- (Rupees) -----							
Balance as at July 01, 2009	780,462,550	10,532,683	477,989,506	56,000,000	(82,842,413)	(501,722,395)	740,419,931
Loss for the year ended June 30, 2010	-	-	-	-	-	(161,233,731)	(161,233,731)
Other comprehensive income	-	-	-	-	53,707,604	-	53,707,604
Total comprehensive income	-	-	-	-	53,707,604	(161,233,731)	(107,526,127)
Balance as at June 30, 2010	780,462,550	10,532,683	477,989,506	56,000,000	(29,134,809)	(662,956,126)	632,893,804
Profit for the year ended June 30, 2011	-	-	-	-	-	41,702,786	41,702,786
Other comprehensive income	-	-	-	-	58,087,226	-	58,087,226
Total comprehensive income	-	-	-	-	58,087,226	41,702,786	99,790,012
Transfer to statutory reserve	-	-	20,851,393	-	-	(20,851,393)	-
Balance at June 30, 2011	780,462,550	10,532,683	498,840,899	56,000,000	28,952,417	(642,104,733)	732,683,816

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

The annexed notes from 1 to 45 form an integral part of these financial statements.

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

Chief Executive

Director

Director



B.R.R. GUARDIAN MODARABA
(An Islamic Financial Institution)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

1. STATUS AND NATURE OF THE BUSINESS

B.R.R. Guardian Modaraba (BRRGM) is a multipurpose, perpetual Modaraba floated under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Rules framed thereunder and is managed by B.R.R. Investments (Private) Limited, having its registered office at 19th Floor, Saima Trade Tower, I.I. Chundrigar Road, Karachi. The Modaraba is listed on the Karachi Stock Exchange (Guarantee) Limited. The Modaraba's principal activity is leasing (Ijarah) of assets, deployment of funds in musharakas, murabahas and investment in properties, equity and debt securities. The Modaraba also provides custodial and management services in the name of B.R.R. Security Vault.

2. STATEMENT OF COMPLIANCE

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

3. BASIS OF MEASUREMENT

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

4. SIGNIFICANT ACCOUNTING POLICIES

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

4.1 New and amended standards and interpretations

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

IFRS 2 – Group Cash-settled Share-based Payment Arrangements

IAS 32 – Financial Instruments: Presentation – Classification of Rights Issues (Amendment)

IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments

Improvements to various standards issued by IASB

Issued in 2009

IFRS 5 – Non-Current Assets Held for Sale and Discontinued Operations



B.R.R. GUARDIAN MODARABA
(An Islamic Financial Institution)

IFRS 8 – Operating Segments

IAS 1 – Presentation of Financial Statements

IAS 7 – Statement of Cash flows

IAS 17 – Leases

IAS 36 – Impairment of Assets

IAS 39 – Financial Instruments : Recognition and Measurement

Issued in April 2010

IFRS 3 – Business Combinations

IAS 27 – Consolidated and Separate Financial Statements

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

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

4.2 Property, plant and equipment under Ijarah arrangements

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

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

4.3 Property, plant and equipment

(i) Leased out and amortisation

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

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



(ii) In own use and depreciation

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

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

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

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

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

Maintenance and normal repairs are charged to profit and loss account as and when incurred; also assets costing upto Rs.25,000 are charged to profit and loss account. Major renewals and improvements are capitalised and assets so replaced, if any, are retired.

4.4 Investment properties

Property not held for own use or for sale in the ordinary course of business is classified as investment property. The investment property of the modaraba comprises of buildings and is valued using the cost method i.e. at cost less any accumulated depreciation and any identified impairment loss.

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

4.5 Capital work-in-progress

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

4.6 Investments

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



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

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

ii) Available-for-sale

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

iii) Held to maturity

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

iv) Derecognition

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

4.7 Investment in associates

The investment in associates with significant influence are accounted for using equity method of accounting and initially recorded at cost.

Receivables considered doubtful are provided for in accordance with the requirement of the Prudential Regulations for Modarabas. Specific provision is also made for receivables considered doubtful.

4.8 Provisions

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



4.9 Impairment

Financial assets

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

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Available-for-sale investments

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

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

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

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

Non-financial assets

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

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



4.10 Revenue recognition

4.10.1 Ijarah income / operating lease income

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

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

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

4.10.2 Hire purchase transactions

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

4.10.3 Murabaha and musharaka transactions

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

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

4.10.4 Rental income

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

4.10.5 Dividend income

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

4.10.6 Gains / losses on sale of investment

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

4.10.7 Income of debt securities

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



4.10.8 Income on balance with bank

Profit on bank deposit is recognised on accrual basis

4.10.9 Unrealised income on non-performing assets

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

4.11 Taxation

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

4.12 Staff Provident Fund

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

4.13 Foreign currencies translation

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

4.14 Financial assets

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

4.15 Financial liabilities

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

4.16 Cash and cash equivalents

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



4.17 Profit distribution to the certificate holders

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

4.18 Offsetting of financial assets and financial liabilities

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

5. ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

- i) classification of investments (note 9)
- ii) provision for doubtful receivables (note 8 ,10,11,12,13 and 14)
- iii) depreciation on property and equipment (note 15.1)
- iv) amortisation of property, plant and equipment - leased (note 15.2)
- v) impairment of investments, debt securities, and leased assets (note 9 and 15.2)



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

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

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

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

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

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



B.R.R. GUARDIAN MODARABA
(An Islamic Financial Institution)

	Note	June 30, 2011	June 30, 2010
----- (Rupees) -----			
7. CASH AND BANK BALANCES			
Cash in hand		73,091	99,452
Cash with State Bank of Pakistan - current account		14,662	21,753
Cash with banks on:			
- PLS savings accounts	7.1	119,875,703	104,725,489
- Current accounts		1,735,751	394,823
		<u>121,699,207</u>	<u>105,241,517</u>

7.1 These carry mark-up at the rate ranging from 5% to 13% (2010: 3% to 11%) per annum.

8. MUSHARAKA AND MURABAHA FINANCES

Musharaka finances	8.1	1,231,657,771	1,656,352,906
Murabaha finances	8.2	325,000	2,383,284
		<u>1,231,982,771</u>	<u>1,658,736,190</u>
Less: Provision for doubtful receivables	8.3	<u>(338,304,051)</u>	<u>(312,299,608)</u>
		893,678,720	1,346,436,582
Less: Current portion of musharaka and murabaha finances		<u>363,948,003</u>	<u>752,659,747</u>
		<u>529,730,717</u>	<u>593,776,835</u>

8.1 The expected profit receivable on these arrangements ranges from 13.00 % to 19.24% (2010: 11.79% to 16%) 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 June 01, 2022.

8.2 The return on this finance was 18% (2010: 17.25% to 18%) per annum which matured on March 15, 2010 and was settled subsequent to the year end.

Details of murabaha transactions are as under:

Murabaha sale price	-	11,808,354
Purchase price	-	(10,650,000)
	-	<u>1,158,354</u>

Deferred murabaha income

Opening balance	-	279,987
Deferred during the year	-	-
Recognised during the year	-	279,987
	-	<u>-</u>



B.R.R. GUARDIAN MODARABA
(An Islamic Financial Institution)

	Note	June 30, 2011 ----- (Rupees) -----	June 30, 2010 -----
Murabaha receivable			
Opening balance		2,383,284	4,649,335
Sales during the year		-	-
Received during the year		(2,058,284)	(2,266,051)
		<u>325,000</u>	<u>2,383,284</u>
8.3 Movement of provision			
Opening balance		312,299,608	308,070,415
Charge for the year		47,474,168	92,498,485
Reversals during the year		(21,469,725)	(88,269,292)
Closing balance		<u>338,304,051</u>	<u>312,299,608</u>
9. SHORT TERM INVESTMENTS			
Held-for-trading			
- Listed Ordinary shares	9.1	37,063,403	-
- Open end Mutual Fund Units	9.2	934,320	-
		<u>37,997,723</u>	-
Available-for-sale			
- Listed Ordinary shares	9.3	92,945,221	173,177,049
- Listed Preference shares	9.4	-	4,877,986
- Open end Mutual Fund Units	9.5	4,538,521	27,849,709
- Unlisted Ordinary shares	9.6	224,322,600	225,029,476
- Unlisted Debt securities	9.7	133,023,750	264,354,712
		<u>454,830,092</u>	<u>695,288,932</u>
		<u>492,827,815</u>	<u>695,288,932</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		Name of investee		
2011	2010			
		Pharma and bio tech		
1,575	-	Abbott Laboratories (Pakistan) Limited	147,247	-
		Personal goods		
10,000	-	Artistic Denim Mills Limited	250,000	-
7,800	-	BATA Pakistan Limited	4,789,356	-
99,998	-	Zephyr Textiles Limited	347,993	-
28,000	-	Nishat Mills Limited	1,409,520	-



B.R.R. GUARDIAN MODARABA
(An Islamic Financial Institution)

<u>Number of shares</u>			June 30, 2011	June 30, 2010
2011	2010		----- (Rupees) -----	
Construction and materials				
48,000	-	D.G. Khan Cement Company Limited	1,103,520	-
30,000	-	Lucky Cement Limited	2,125,200	-
Electricity				
5,000	-	Japan Power Generation Limited	6,350	-
25,000	-	Nishat Power limited	386,000	-
Oil and gas				
34,000	-	Attock Refinery Limited	4,172,820	-
20,000	-	Pakistan Petroleum Limited	4,141,400	-
Gas water and multiutilities				
175,000	-	Sui Southern Gas Company Limited	3,792,250	-
36,293	-	Sui Northern Gas Pipelines Limited	722,957	-
Name of investee				
Automobile and parts				
20,000	-	Indus Motor Company Limited	4,400,000	-
Chemicals				
2,000	-	Dawood Hercules Chemicals Limited	130,040	-
75,000	-	Fauji Fertilizer Bin Qasim Limited	3,161,250	-
400,000	-	Lotte Pakistan PTA Limited	5,532,000	-
Forestry and paper				
11,000	-	Security Papers Limited	445,500	-
			<u>37,063,403</u>	<u>-</u>

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

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

<u>Number of units</u>				
2011	2010	Name of investee		
408,000	-	First Dawood Mutual Fund - a related party	<u>934,320</u>	<u>-</u>

9.3 Available-for-sale: Listed Ordinary shares:

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



B.R.R. GUARDIAN MODARABA
(An Islamic Financial Institution)

Number of shares			June 30,	June 30,
2011	2010		2011	2010
			----- (Rupees) -----	
		Name of investee		
		Oil and gas		
-	72,646	Attock Refinery Limited	-	5,852,362
24,000	24,000	Shell Gas LPG (Pakistan) Limited	594,720	891,360
15,000	15,000	Mari Gas Company Limited	1,610,550	1,940,700
-	29,040	National Refinery Limited	-	5,309,964
-	5,008	Pakistan Oilfields Limited	-	1,081,227
-	8,500	Pakistan Petroleum Limited	-	1,565,020
41,500	41,500	Pakistan Refinery Limited	3,338,675	3,260,655
17,556	30,056	Pakistan State Oil Company Limited	4,644,966	7,820,571
15,000	15,000	Shell Pakistan Limited	3,375,150	3,444,150
		Chemicals		
50,052	50,290	BOC Pakistan Limited	4,799,420	3,926,140
-	20,000	Clariant Pakistan Limited	-	2,987,200
277	25,277	Dawood Hercules Limited	18,011	4,434,850
24,480	77,900	Engro Chemical Pakistan Limited	3,996,360	13,521,882
-	12,750	Engro Polymer & Chemicals Limited	-	128,010
50,513	173,331	Fauji Fertilizer Company Limited	7,580,130	17,865,226
-	9,350	Gatron Industries Limited	-	392,700
-	98,275	ICI Pakistan Limited	-	11,651,484
-	75,000	Lotte Pakistan PTA Limited	-	604,500
14,999	-	Sitara Chemical Industries Limited	1,497,050	-
-	25,000	Sitara Peroxide Limited	-	222,000
		Industrial metals and mining		
57,655	48,046	International Industries Limited	2,853,923	2,690,096
		Construction and materials		
-	164,000	D.G. Khan Cement Company Limited	-	3,873,680
-	20,000	Lucky Cement Limited	-	1,242,800
90	42,090	Maple Leaf Cement Factory Limited	185	130,900
-	80,000	Pioneer Cement Limited	-	509,600
		General industrials		
-	35,000	Cherat Papersack Limited	-	1,074,500
-	40,000	Tri-Pack Films Limited	-	3,901,200
		Industrial engineering		
22,500	32,500	Al Ghazi Tractors Limited	5,175,900	6,574,425
56,000	-	KSB Pumps Company Limited	1,839,040	-
-	10,500	Millat Tractors Limited	-	5,043,255



B.R.R. GUARDIAN MODARABA
(An Islamic Financial Institution)

<u>Number of shares</u>			June 30,	June 30,
2011	2010		2011	2010
			-----	-----
			(Rupees)	
		Industrial transportation		
		Pakistan International Container Terminal Limited	406,250	375,000
5,000	5,000			
5,000	5,000	Pakistan National Shipping Corporation	120,000	199,450
		Automobile and parts		
7,698	19,700	Exide Pakistan Limited	1,686,709	3,317,283
-	65,000	Honda Atlas Cars (Pakistan) Limited	-	846,950
-	16,500	Pak Suzuki Motor Company Limited	-	1,307,955
		Food producers		
		Unilever Pakistan Limited (Par value Rs.50)	28,165,391	20,979,000
5,390	5,400			
		Household goods		
-	6,050	Pak Elektron Limited	-	70,483
		Personal goods		
35,000	35,000	Artistic Denim Mills Limited	875,000	714,700
-	126,500	(Colony) Thal Textile Mills Limited	-	188,485
-	20,000	Dawood Lawrencepur Limited	-	918,000
-	25,000	Ghani Value Glasses Limited	-	242,000
300	300	Ghazi Fabrics International Limited	1,320	600
-	20,000	Nishat (Chunian) Limited	-	315,600
23,000	38,000	Nishat Mills Limited	1,157,820	1,638,560
3,234	8,859	Sapphire Fibres Limited	381,612	907,250
8,890	8,890	Sapphire Textile Mills Limited	1,057,910	968,121
10,000	10,000	Gul Ahmed Textile Mills Limited	517,300	185,300
-	10,000	Treet Corporation Limited	-	414,600
-	286,500	Zephyr Textile Limited	-	721,980
		Pharma and bio tech		
50,500	63,000	Abbott Laboratories (Pakistan) Limited	4,721,245	5,836,950
28,750	25,000	GlaxoSmithKline Pakistan Limited	2,208,000	2,028,500
564	564	Highnoon Laboratories Limited	18,127	13,457
-	12,250	Searle Pakistan Limited	-	722,750
		Fixed line telecommunication		
-	204	Callmate Telips Telecom Limited	-	-
-	50,000	Pakistan Telecommunication Company Ltd.	-	890,000
-	100,000	Telecard Limited	-	266,000
		Electricity		
80,100	95,100	The Hub Power Company Limited	3,003,750	3,039,396



B.R.R. GUARDIAN MODARABA
(An Islamic Financial Institution)

<u>Number of shares</u>			<u>June 30,</u>	<u>June 30,</u>
<u>2011</u>	<u>2010</u>		<u>2011</u>	<u>2010</u>
			----- (Rupees) -----	
		Gas water and multiutilities		
30,000	17,489	Sui Northern Gas Pipelines Limited	597,600	833,700
21,861	17,489	Sui Southern Gas Company Limited	473,728	278,250
		Financial services		
-	25,000	Arif Habib Limited	-	1,100,000
		Dawood Capital Management Limited		
1,935,506	1,935,506	- a related party	2,980,679	3,851,657
2,499,000	2,499,000	Dawood Equities Limited	3,248,700	4,748,100
		First Dawood Investment Bank Limited		
3,339,922	3,339,922	- a related party	-	-
-	50,068	Jahangir Siddiqui Company Limited	-	632,860
-	50,000	Javed Omer Vohra and Company Limited	-	267,000
-	354	Trust Investment Bank Limited	-	955
		Equity investment instruments		
-	389,000	First Equity Modaraba Managed by Premier Services (Private) Limited	-	486,250
-	120,000	First Habib Modaraba Managed by Habib Modaraba Management (Private) Limited (Par value Rs.5)	-	804,000
		Software and computer services		
-	45,000	Netsol Technologies Limited	-	1,125,450
			<u>92,945,221</u>	<u>173,177,049</u>

9.4 Available-for-sale: Listed Preference shares:

		Food producers		
-	1,600,000	Shakarganj Mills Limited	-	4,816,000
		Personal goods		
-	5,000	Azgard Nine Limited - non-convertible preference shares	-	55,800
-	1,031	Azgard Nine Limited - convertible preference shares	-	6,186
			<u>-</u>	<u>4,877,986</u>



B.R.R. GUARDIAN MODARABA
(An Islamic Financial Institution)

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

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

<u>Number of units</u>		Name of investee	June 30,	June 30,
2011	2010		2011	2010
			----- (Rupees) -----	
Open-end mutual fund				
55,415	55,415	NIT units	1,781,038	1,553,282
-	77,187	Pakistan Stock Market Fund (Par value of Rs.50 each)	-	4,580,277
-	37,500	Pakistan Strategic Allocation Fund	-	256,875
Equity Investment Instruments				
		First Dawood Mutual Fund - a related party	2,395,983	1,694,975
1,046,281	1,046,281			
75,000	5,400,000	Namco Balance Fund	361,500	18,792,000
-	105,000	PICIC Growth Fund	-	972,300
			<u>4,538,521</u>	<u>27,849,709</u>

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

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

<u>Number of shares</u>				
2011	2010			
956,172	637,449	Systems Limited	19,998,654	10,603,176
16,320,000	16,320,000	Burj Bank Limited (Formerly Dawood Islamic Bank Limited)	140,905,361	148,906,967
7,400,000	7,400,000	Dawood Family Takaful Limited	63,418,585	65,519,333
			<u>224,322,600</u>	<u>225,029,476</u>

June 30, 2011	Burj Bank Limited (Formerly Dawood Islamic Bank Limited)		
	Systems Limited	Dawood Islamic Bank Limited)	Dawood Family Takaful Limited
Break-up value as per audited financial statements for the year ended December 31, 2010 (Rupees)	19,998,654	140,905,361	63,418,585
% of holding of the investee's paid-up capital	3.69%	3.26%	9.87%
Auditors	Ernst & Young Ford Rhodes Sidat Hyder	A.F. Fergusons & Co.	KPMG Taseer Hadi & Co.



B.R.R. GUARDIAN MODARABA
(An Islamic Financial Institution)

June 30, 2010	Burj Bank Limited (Formerly Dawood Islamic Bank Limited)		
	Systems Limited	Dawood Islamic Bank Limited)	Dawood Family Takaful Limited
Break-up value as per audited financial statement for the year ended December 31, 2009 (Rupees)	10,603,176	148,906,967	65,519,333
% of holding of the investee's paid-up capital	2.46%	3.26%	9.25%
Auditors	Ernst & Young Ford Rhodes Sidat Hyder	M. Yousuf Adil Saleem & Co.	KPMG Taseer Hadi & Co.

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

Number of certificates		Name of investee	June 30,	June 30,
2011	2010		2011	2010
			----- (Rupees) -----	
Term Finance Certificates (TFCs)				
-	4,560	Avari Hotel Limited	-	24,830,870
-	12,000	Eden Housing Limited	-	45,000,000
-	500	Escort Investment Bank Limited	-	1,651,245
-	6,000	Gharibwal Cement Limited	-	29,983,000
-	3,600	Grays Leasing Limited	-	6,500,000
8,673	7,333	Vision Developers (Private) Limited	43,365,000	27,498,750
-	800	Optimus Limited	-	3,677,735
100	10,000	Flying Paper Industries Limited	500,000	50,000,000
			43,865,000	189,141,600
Sukuk				
2,000	2,000	Al Razi Health Care (Private) Limited	100,000,000	100,000,000
			143,865,000	289,141,600
		Less: Provision for impairment	(10,841,250)	(24,786,888)
			133,023,750	264,354,712

9.7.1 Details of particulars of unlisted Term Finance Certificates / Sukuk

Name of the investee	Profit		Maturity date	Secured / unsecured
	Repayment frequency	Rate per annum		
Vision Developers (Private) Limited	Semi-Annually	Six Months KIBOR + 2.5%	November 30, 2013	Secured
Al-Razi Health Care (Private) Limited	Semi-Annually	Six Months KIBOR + 2.5%	November 04, 2012	Secured
Flying Paper Industries Limited	Semi-Annually	Six Months KIBOR + 1.5%	July 20, 2014	Secured



B.R.R. GUARDIAN MODARABA
(An Islamic Financial Institution)

	Note	June 30, 2011	June 30, 2010
		----- (Rupees) -----	
10. LEASE RENTALS RECEIVABLE			
Considered good		15,891,797	10,451,951
Considered doubtful		<u>126,707,248</u>	<u>163,101,537</u>
		<u>142,599,045</u>	<u>173,553,488</u>
Less: Provision for doubtful receivables	10.1	<u>(126,707,248)</u>	<u>(163,101,537)</u>
		<u>15,891,797</u>	<u>10,451,951</u>
10.1 Particulars of provision for doubtful receivables			
Opening balance		163,101,537	175,046,753
Charge for the year		610,284	5,523,767
Reversals during the year		(19,837,031)	(4,706,371)
Written off during the year		<u>(17,167,542)</u>	<u>(12,762,612)</u>
Closing balance		<u>126,707,248</u>	<u>163,101,537</u>
11. LOANS, ADVANCES AND PREPAYMENTS			
Loans - Secured, Considered good			
To employees	11.1	<u>2,849,473</u>	5,324,725
Less: Long-term portion of loans to employees		<u>(2,453,473)</u>	<u>(5,010,931)</u>
		396,000	313,794
To executives	11.1 &	<u>1,767,422</u>	1,873,628
Less: Long-term portion of loans to executives	11.2	<u>(1,647,422)</u>	<u>(1,767,422)</u>
		120,000	106,206
Advances			
- Against purchase of shares - considered doubtful		5,285,255	5,285,255
Less: Provision for doubtful receivable	11.3	<u>(5,285,255)</u>	<u>(4,165,255)</u>
		-	1,120,000
- Against expenses-unsecured, considered good		471,690	53,665
- Against salary-unsecured considered good		<u>3,236,250</u>	3,928,361
Less: Long-term portion of advance against salary		<u>(1,693,311)</u>	<u>(3,238,665)</u>
		1,542,939	689,696
- Others		-	156,560
Prepayments			
- Insurance		<u>914,966</u>	943,254
		<u>3,445,595</u>	<u>3,383,175</u>

11.1 These represent house loans disbursed to employees and executives under the terms of employment. These loans carry mark-up at the rate of 5% (2010: 5%) per annum and are secured against the mortgage of properties.



B.R.R. GUARDIAN MODARABA
(An Islamic Financial Institution)

11.2 The maximum amount of loans and advances due from executives at the end of any month during the year was Rs.2,175,812 (2010: Rs.2,159,524).

	June 30, 2011	June 30, 2010
Note	----- (Rupees) -----	
11.3 Particulars of provision for doubtful receivable		
Opening balance	4,165,255	-
Charge for the year	1,120,000	4,165,255
Written off during the year	-	-
Closing balance	<u>5,285,255</u>	<u>4,165,255</u>
12. ACCRUED PROFIT		
Accrued profit on:		
- PLS savings accounts	2,482,082	-
- Debt securities	14,027,625	20,448,934
- Musharaka and murabaha finances	82,523,655	126,225,997
	<u>99,033,362</u>	<u>146,674,931</u>
13. OTHER RECEIVABLES		
Dividend receivable-unsecured, considered doubtful	245,870	245,870
Less: Provision for doubtful receivable	(245,870)	-
	-	245,870
Due from associated undertakings-unsecured, considered good		
- Crescent Standard Modaraba	1,441	90,707
- Dawood Capital Management Limited	8,707,890	5,931,210
- B.R.R. Investments (Private) Limited	7,451,700	5,538,984
- First Dawood Investment Bank Limited	-	2,286,690
	16,161,031	13,847,591
Receivable against sale of securities-unsecured, considered good	21,894,336	3,544,615
Rent receivable-unsecured, considered good	7,277,359	2,909,481
Termination dues receivable-secured, considered good	13.1 32,628,539	-
Other receivables- secured, considered doubtful	1,296,018	13,677,350
Less: Provision for doubtful receivable	(1,296,018)	-
	-	13,677,350
Receivable from ex-employees-unsecured, considered doubtful	13.3 51,274,920	51,274,920
Less: Provision for doubtful receivable	(51,274,920)	(51,274,920)
	-	-
	<u>77,961,265</u>	<u>34,224,907</u>



B.R.R. GUARDIAN MODARABA
(An Islamic Financial Institution)

13.1 This includes amount receivable from a lessee in respect of lease termination dues. The management is in negotiation with the lessee for the recovery of the outstanding amount and is confident that amount will be recovered in full in the near future.

13.2 The Modaraba has made provision against the said balance which mainly comprises of balance receivable in respect of outstanding rent and miscellaneous receivables.

13.3 This represents balance receivable from certain ex-employees and other parties in respect of embezzlement of funds. The matter is pending before the Honourable Lahore High Court and National Accountability Bureau - Government of Pakistan.

	Note	June 30, 2011 ----- (Rupees) -----	June 30, 2010
14. TAXATION REFUNDABLE			
Taxation refundable		28,525,248	25,386,073
Less: Provision for doubtful receivables	14.1	(22,872,158)	(22,872,158)
		<u>5,653,090</u>	<u>2,513,915</u>

14.1 Particulars of provision for doubtful receivables

Opening balance	22,872,158	14,238,308
Charge for the year	-	9,159,996
Reversals during the year	-	(526,146)
Closing balance	<u>22,872,158</u>	<u>22,872,158</u>

15. FIXED ASSETS

Property and equipment - owned	15.1	25,957,426	66,119,160
Property, plant and equipment - leased / Ijarah	15.2	128,984,604	289,634,681
Capital work-in-progress	15.3	424,033,857	250,871,188
		<u>578,975,887</u>	<u>606,625,029</u>

15.1 PROPERTY AND EQUIPMENT - OWNED

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



B.R.R. GUARDIAN MODARABA
(An Islamic Financial Institution)

June 30, 2010	Cost			Accumulated depreciation			Book value as at June 30, 2010	Rate of depreciation %
	As at July 01, 2009	Additions / (disposals)	As at June 30, 2010	As at July 01, 2009	For the year / (on disposals)	As at June 30, 2010		
Leasehold land	2,527,890	-	2,527,890	884,763	50,558	935,321	1,592,569	2
Building on leasehold land	66,738,707	-	66,738,707	24,505,074	3,004,117	27,509,191	39,229,516	5
Leasehold improvements	9,996,000	-	9,996,000	6,274,091	499,800	6,773,891	3,222,109	5
Lockers	19,565,218	-	19,565,218	13,294,657	978,262	14,272,919	5,292,299	5
Furniture and fixtures	8,821,408	396,000	9,217,408	4,304,613	821,211	5,125,824	4,091,584	10
Vehicles	21,179,757	5,780,503 (5,099,600)	21,860,660	13,088,485	3,363,909 (4,165,963)	12,286,431	9,574,229	20
Office equipment and appliances	21,496,232	602,262 (35,000)	22,063,494	16,362,029	2,619,610 (34,999)	18,946,640	3,116,854	33.33
	150,325,212	6,778,765 (5,134,600)	151,969,377	78,713,712	11,337,467 (4,200,962)	85,850,217	66,119,160	

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

Property and equipment	Cost	Accumulated depreciation	Written down value	Disposal proceed / insurance claim	Gain	Mode of disposal	Particulars of purchaser
Vehicle	560,000	559,999	1	56,000	55,999	Company policy	Mr. Farooq Patel Employee
Vehicle	1,085,362	1,085,356	6	108,596	108,590	Company policy	Mr. Asad Ali Sheikh Executive
Vehicle	315,000	314,999	1	31,500	31,499	Company policy	Mr. Chen Zaib Employee
Vehicle	560,000	532,000	28,000	93,335	65,335	Company policy	Mr. Iqbal Hassan Employee
Vehicle	560,000	532,000	28,000	84,000	56,000	Company policy	Mr. Iqbal Ahmed Employee
Vehicle	879,000	717,850	161,150	263,700	102,550	Company policy	Mr. Muhammad Ahmed Ex-employee



B.R.R. GUARDIAN MODARABA
(An Islamic Financial Institution)

Property and equipment	Cost	Accumulated depreciation	Written down value (Rupees)	Disposal proceed / insurance claim	Gain	Mode of disposal	Particulars of purchaser
Vehicle	1,041,500	1,041,500	-	208,300	208,300	Company policy	Mr. Naseem Ahmed Executive
Vehicle	879,000	747,150	131,850	219,750	87,900	Company policy	Mr Muhammad Ali Sakhi Employee
Building	48,180,441	14,773,888	33,406,553	95,000,000	61,593,447	Negotiation	First Dawood Investment Bank Limited - a related party
Office equipment	3,351,449	3,351,392	57	107,989	107,932	Scrap	Various
2011	57,411,752	23,656,134	33,755,618	96,173,170	62,417,552		
2010	5,134,600	4,200,962	933,638	1,767,512	833,874		

15.2 PROPERTY, PLANT AND EQUIPMENT - LEASED / IJARAH

	Note	June 30, 2011 (Rupees)	June 30, 2010 (Rupees)
Property, plant and equipment - leased	15.2.1	88,503,614	233,949,608
Property, plant and equipment - Ijarah	15.2.3	40,480,990	55,685,073
		128,984,604	289,634,681

15.2.1 Property, plant and equipment - leased

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

June 30, 2010	Cost			Accumulated amortisation			Accumulated impairment	Carrying value as at June 30, 2010
	As at July 01, 2009	Additions / (disposals)	As at June 30, 2010	As at July 01, 2009	For the year / (on disposals)	As at June 30, 2010		
Land and building (leasehold)	162,775,501	- (92,085,501)	70,690,000	88,983,931	19,088,771 (61,179,710)	46,892,992	-	23,797,008
Plant and machinery	990,459,589	- (189,893,840)	800,565,749	677,028,839	100,871,789 (172,591,330)	605,309,298	21,721,994	173,534,457
Vehicles	291,364,513	- (62,952,179)	228,412,334	153,991,440	32,998,280 (49,984,359)	137,005,361	59,128,968	32,278,005
Office equipment and appliances	28,621,169	- (15,365,014)	13,256,155	18,225,732	4,724,729 (13,764,712)	9,185,749	-	4,070,406
Motor boat	2,694,300	-	2,694,300	2,264,468	160,100	2,424,568	-	269,732
	1,475,915,072	- (360,296,534)	1,115,618,538	940,494,410	157,843,669 (297,520,111)	800,817,968	80,850,962	233,949,608

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



B.R.R. GUARDIAN MODARABA
(An Islamic Financial Institution)

	June 30, 2011	June 30, 2010
	———— (Rupees) ————	
15.2.2 Particulars of impairment loss		
Opening balance	80,850,962	80,419,406
(Reversal) /charge for the year	<u>(8,380,704)</u>	431,556
Closing balance	<u>72,470,258</u>	<u>80,850,962</u>

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

15.2.3 Property, plant and equipment - Ijarah

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

	Cost			Accumulated amortisation			Carrying value as at June 30, 2010
	As at July 01, 2009	Additions / (disposals)	As at June 30, 2010	As at July 01, 2009	For the year / (on disposals)	As at June 30, 2010	
June 30, 2010	———— (Rupees) ————						
Land and building (leasehold)	46,000,000	-	46,000,000	6,440,004	6,440,004	12,880,008	33,119,992
Plant and machinery	6,680,000	3,515,200 (290,000)	9,905,200	1,778,253	2,410,460 (128,250)	4,060,463	5,844,737
Vehicles	8,528,890	14,381,185	22,910,075	2,054,308	4,167,748	6,222,056	16,688,019
Office equipment and appliances	65,000	-	65,000	13,175	19,500	32,675	32,325
	<u>61,273,890</u>	<u>17,896,385 (290,000)</u>	<u>78,880,275</u>	<u>10,285,740</u>	<u>13,037,712 (128,250)</u>	<u>23,195,202</u>	<u>55,685,073</u>



B.R.R. GUARDIAN MODARABA
(An Islamic Financial Institution)

15.3 CAPITAL WORK-IN-PROGRESS

	June 30, 2011	June 30, 2010
Note	----- (Rupees) -----	
Dawood Islamic tower - civil work	366,702,857	193,540,188
Advance against purchase of property- Jofa tower Karachi	57,331,000	57,331,000
	<u>424,033,857</u>	<u>250,871,188</u>

	Dawood Islamic tower - civil work	Advance against purchase of property - Jofa tower Karachi	Total
	----- (Rupees) -----		
15.3.1 Movement in capital work-in-progress			
Opening balance	193,540,188	57,331,000	250,871,188
Addition	173,162,669	-	173,162,669
Closing balance	<u>366,702,857</u>	<u>57,331,000</u>	<u>424,033,857</u>

INVESTMENT PROPERTIES

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

	Cost			Accumulated depreciation			Written down value as at June 30, 2010	Rate of Depreciation %
	As at July 01, 2009	Additions / (disposals)	As at June 30, 2010	As at July 01, 2009	For the year / (on disposal)	As at June 30, 2010		
June 30, 2010	----- (Rupees) -----							
Leasehold land	197,802,400	-	197,802,400	8,387,306	3,956,048	12,343,354	185,459,046	2
Buildings on leasehold land	122,190,000	60,800,001	182,990,001	15,370,886	5,584,500	20,955,386	162,034,615	5
Office premises	423,857,454	-	423,857,454	68,252,777	23,818,898	92,071,675	331,785,779	5
	<u>743,849,854</u>	<u>60,800,001</u>	<u>804,649,855</u>	<u>92,010,969</u>	<u>33,359,446</u>	<u>125,370,415</u>	<u>679,279,440</u>	

16.1 The fair value of investment property as at June 30, 2011 as per valuation report of independent valuer is Rs.2,041.24 million (2010: Rs.1,681 million).



B.R.R. GUARDIAN MODARABA
(An Islamic Financial Institution)

	Note	June 30, 2011	June 30, 2010
----- (Rupees) -----			
17. MURABAHA, MUSHARAKA AND FINANCE UNDER MARK-UP ARRANGEMENTS			
Finance under murabaha arrangements	17.1	152,500,000	152,500,000
Finance under musharaka arrangements	17.2	766,015,489	1,543,898,887
Finance under mark-up arrangements:			
Term finance	17.3	16,672,006	-
Running finance	17.4	49,649,098	50,264,612
		984,836,593	1,746,663,499
Less: Long-term portion:			
Finance under musharaka arrangements		271,455,340	-
Finance under mark-up arrangements		10,425,667	158,866,672
		281,881,007	158,866,672
		702,955,586	1,587,796,827

17.1 The Modaraba has entered into Murabaha (purchase and sale) agreements with a commercial bank. As per the original contract, the Murabaha sale price was payable on deferred payment basis in quarterly/monthly installments by June 27, 2011. However on the request of the Modaraba, the bank has granted its consent to settle the finance against the properties offered by the Modaraba. The finance is subject to expected mark-up ranging from 14.3% to 15.78% (2010: 14.3% to 16%) per annum. The arrangements are secured by way of hypothecation of the leased assets and future rentals receivable.

17.2 The Modaraba has entered into Musharaka agreements with the commercial banks / financial institutions and other companies. These Musharaka arrangements are on profit sharing basis and payable upto October 20, 2014. Estimated rate of profit on Musharaka arrangement ranges from 7% to 16% (2010: 10.5% to 16%) per annum.

17.3 The aggregate facilities for term finance from a commercial bank amounted to Rs.25 million (2010: Rs.25 million). These facilities are subject to expected mark-up rate of 14.5% to 15% (2010: 14.3% to 15%) per annum and are secured by way of hypothecation of the leased assets and future rentals receivable.

17.4 The aggregate facility for running finance from a commercial bank amounted to Rs.50 million (2010: Rs.50 million). These facilities are subject to expected mark-up rate of 14.5% to 15% (2010: 14.3% to 15%) per annum and are secured by way of hypothecation of the leased assets and future rentals receivable.

18. CREDITORS, ACCRUED AND OTHER LIABILITIES

Management fee payable	32	4,728,207	-
Provision for Workers' Welfare Fund	33	851,077	-
Accrued liabilities		8,944,780	10,791,417
Due to associated undertakings			-
- First Dawood Investment Bank Limited		196,252	-
Rentals received in advance			
- Lockers		13,911,967	11,995,408
- Properties		7,067,579	38,060,161
Others		8,521,037	19,909,410
		44,220,899	80,756,396
Less: Long-term portion of rentals received in advance		-	8,221,582
		44,220,899	72,534,814



B.R.R. GUARDIAN MODARABA
(An Islamic Financial Institution)

	June 30, 2011	June 30, 2010
Note	----- (Rupees) -----	
19. ACCRUED PROFIT ON BORROWINGS		
Finance under murabaha arrangements	17,683,998	241,901
Finance under musharaka arrangements	138,914,875	144,163,323
Finance under mark-up arrangements	7,263,587	2,468,450
Diminishing musharaka based TFCs	<u>100,275,216</u>	<u>52,317,738</u>
	<u>264,137,676</u>	<u>199,191,412</u>
20. PROFIT DISTRIBUTION PAYABLE		
Unclaimed profit payable to certificate holders	<u>20,889,995</u>	<u>21,454,898</u>
21. DIMINISHING MUSHARAKA BASED TERM FINANCE CERTIFICATES		
Diminishing musharaka based Term Finance Certificates (TFCs)	800,000,000	800,000,000
Less: Current maturity	<u>27,500,000</u>	<u>80,000,000</u>
	<u>772,500,000</u>	<u>720,000,000</u>

The above TFCs' represent privately placed instruments in the form of Diminishing Musharaka and are secured against investment properties of the Modaraba. During the year, the TFCs were restructured, 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 the each semi-annual period.

22. CERTIFICATE CAPITAL

Authorised		
87,000,000 Certificates of Rs.10 each	<u>870,000,000</u>	<u>870,000,000</u>

Issued, subscribed and paid-up
Modaraba certificates of Rs.10 each

<u>Number of certificates</u>				
2011	2010			
		Certificates issued as fully		
39,359,741	39,359,741	paid in cash	393,597,410	393,597,410
		Certificates issued as fully		
8,833,724	8,833,724	paid bonus certificates	88,337,240	88,337,240
		Certificates issued to certificate		
		holders of Guardian Modaraba under		
<u>29,852,790</u>	<u>29,852,790</u>	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 12,981,496 (16.63%) certificates of Rs.10 each as at June 30, 2011 [2010: 12,981,496 (16.63%) certificates].



B.R.R. GUARDIAN MODARABA
(An Islamic Financial Institution)

Equity International (Private) Limited, an associated company, held 3,393,474 (4.35%) certificates of Rs.10 each as at June 30, 2011 [2010: 3,393,474 (4.35%) certificates].

23. STATUTORY RESERVE

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

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

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

24. CONTINGENCIES AND COMMITMENTS

24.1 There were no contingencies as at June 30, 2011.

24.2 Commitments in respect of capital expenditure on Dawood Islamic Tower amounting to Rs.55,345,063 (2010: Rs.30,168,820).

	Note	June 30, 2011	June 30, 2010
		----- (Rupees) -----	
25. RETURN ON INVESTMENTS			
Gain on sale of investments		25,944,126	41,645,003
Profit on debt securities		32,651,864	40,792,565
Dividend income		9,274,147	19,239,678
		<u>67,870,137</u>	<u>101,677,246</u>
26. RENTAL INCOME			
Investment properties	26.1	66,813,586	74,372,890
Lockers and custodial services		15,425,107	14,714,537
		<u>82,238,693</u>	<u>89,087,427</u>
26.1 This includes rental income amounting Rs.5,689,980 (2010: Rs.10,136,214) from Management Company and associated companies.			
27. OTHER INCOME			
Profit on disposal of property, plant and equipment - leased		5,315,379	11,563,331
Profit on disposal of investment property		8,262,563	833,873
Exchange gain		-	23,271
Liabilities no longer payable written back		8,172,750	4,679,173
Miscellaneous and early termination charges		13,503,091	3,211,475
		<u>35,253,783</u>	<u>20,311,123</u>



B.R.R. GUARDIAN MODARABA
(An Islamic Financial Institution)

	Note	June 30, 2011 ----- (Rupees) -----	June 30, 2010
28. IMPAIRMENT LOSS			
Reversal of impairment loss on property, plant and equipment - leased	15.2.2	(8,380,704)	431,556
Impairment loss on available-for-sale investments:			
Equity securities		15,926,674	124,701,421
Debt securities		25,832,750	24,786,888
		<u>33,378,720</u>	<u>149,919,865</u>
29. OPERATING EXPENSES			
Salaries, allowances and other benefits	36	30,253,142	22,936,267
Travelling and conveyance		306,184	166,209
Entertainment		652,825	86,115
Electricity, water and gas		1,423,862	3,563,312
Telephone and fax		517,234	638,339
Postage and courier		397,509	294,056
Stationery and printing		677,227	609,375
Computer expenses		236,337	241,429
Subscriptions		8,496,882	10,944,126
Advertisement		114,800	15,500
Insurance		3,848,207	4,079,638
Repairs and maintenance		8,166,881	7,103,128
Rent, rates and taxes		981,831	-
Security expenses		497,022	464,632
Property tax		2,912,407	1,128,305
Brokerage and commission		874,375	1,176,944
Legal and professional		4,459,760	1,687,438
Auditors' remuneration	29.1	1,159,560	1,254,000
Depreciation			
- Assets in own use		9,158,945	11,337,467
- Investment properties		32,948,200	33,359,446
Donation		70,000	-
Zakat		12,426	-
Others		1,137,738	1,194,783
		<u>109,303,354</u>	<u>102,280,509</u>
29.1 Auditors' remuneration			
Audit fee		650,000	650,000
Limited review, special reports, certification and sundry advisory services		350,000	385,000
Out of pocket expenses		159,560	219,000
		<u>1,159,560</u>	<u>1,254,000</u>

29.2 During the year, the modaraba contributed Rs.1,571,893 (2010: Rs.1,285,823) to the provident fund.



B.R.R. GUARDIAN MODARABA
(An Islamic Financial Institution)

	June 30, 2011	June 30, 2010
Note	----- (Rupees) -----	
30. FINANCIAL CHARGES		
Profit on		
Finance under murabaha arrangements	22,520,360	26,684,081
Finance under musharaka arrangements	36,525,971	193,621,105
Diminishing musharaka based TFCs	107,069,041	109,372,642
Finance under mark-up arrangement	188,664,362	21,503,856
Bank charges and commission	103,197	543,601
	<u>354,882,931</u>	<u>351,725,285</u>

31. PROVISION AGAINST DOUBTFUL RECEIVABLES - net

Charge for the year

Lease rentals receivable	10.1	610,284	5,523,767
Musharaka finances	8.3	47,474,168	92,498,485
Provision against other receivables	11 & 13	2,416,018	4,165,255
Provision against taxation refundable	14	-	8,633,850
		<u>50,500,470</u>	<u>110,821,357</u>

Less: Reversals during the year

Lease rentals receivable	10.1	19,837,031	4,706,371
Musharaka finances	8.3	21,469,725	88,269,292
		<u>(41,306,756)</u>	<u>(92,975,663)</u>
		<u>9,193,714</u>	<u>17,845,694</u>

32. 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.4,728,207 (2010: Rs.Nil).

33. WORKERS' WELFARE FUND

The Finance Act, 2008 made certain changes to the Workers' Welfare Fund Ordinance, 1971. As a result of these amendments, Workers' Welfare Fund (WWF) is payable at the rate of 2% of the profit before taxation as per the financial statements or taxable income as per the return of income, whichever is higher. During the current year, the management has made a provision of Rs.893,222 (2010: Rs.Nil) in respect of this liability.

34. TAXATION

The income of non-trading modarabas is exempt from tax, provided not less than 90% of their profits are distributed to the certificate holders. Return of income for the tax year 2010 has duly been filed and assessment upto the tax year 2010 is deemed to be finalised in terms of section 120 of the Income Tax Ordinance, 2001.



B.R.R. GUARDIAN MODARABA
(An Islamic Financial Institution)

Appeals filed by the Modaraba with the Income Tax Appellate Tribunal relating to the assessment years 1994-95 through to 1997-98 and with Commissioner of Income Tax (Appeals) for the assessment year 1998-99 have been decided by the respective Appellate Authorities in favour of the Modaraba, however, appeal effect orders for the said decisions are pending with the Tax Authorities.

	June 30, 2011	June 30, 2010
	----- (Rupees) -----	
35. EARNINGS / (LOSS) PER CERTIFICATE -BASIC AND DILUTED		
Profit / (loss) for the year	<u>41,702,786</u>	<u>(161,233,731)</u>
	--- (number of certificates) ---	
Weighted average number of certificates outstanding	<u>78,046,255</u>	<u>78,046,255</u>
	----- (Rupees) -----	
Earnings per certificate	<u>0.53</u>	<u>(2.07)</u>

35.1 There were no convertible dilutive potential Ordinary certificates outstanding as on June 30, 2011 and 2010.

36. REMUNERATION OF OFFICERS AND EXECUTIVES

Remuneration	16,832,400	17,273,500
Medical expenses	498,000	511,405
Retirement benefits	1,177,650	1,198,566
	<u>18,508,050</u>	<u>18,983,471</u>
Number of employees at the end of the year	<u>17</u>	<u>16</u>

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

37. FUTURE MINIMUM LEASE RENTALS RECEIVABLE

Future minimum lease rentals receivable on the basis of lease agreements executed up to June 30, 2011 are as follows:

Receivable - not later than one year	92,872,104	135,741,592
Receivable - later than one year and not later than five years	88,188,271	200,809,234
	<u>181,060,375</u>	<u>336,550,826</u>

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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



B.R.R. GUARDIAN MODARABA
(An Islamic Financial Institution)

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

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

38.1 Market risk

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

38.1.1 Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market profit rates. As of June 30, 2011, 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, 2011, approximately 50.00% (June 30, 2010: 55.66%) 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.2.83 (June 30, 2010: Rs.2.82) million and a decrease of 100 basis points would result in a decrease in the Modaraba's income by the same amount. However, in practice, the actual results may differ from the sensitivity analysis.

38.1.2 Foreign currency risk

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

38.1.3 Equity price risk

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

At the balance sheet date, the exposure to listed equity securities Rs.135.481 million from Rs.205.905 million in 2011. 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.6.774 (2010: Rs.10.295) million. However, in practice, the actual results may differ from the sensitivity analysis.

38.1.4 Segment by class of business for investments in equity securities

	2011		2010	
	Rupees	%	Rupees	%
Open-end mutual fund	1,781,038	1.31%	6,390,434	3.10%
Oil and gas	21,878,281	16.15%	31,166,009	15.14%
Chemicals	26,714,261	19.72%	55,733,992	27.07%
Forestry and papers	445,500	0.33%	-	0.00%
Industrial metals and mining	2,853,923	2.11%	2,690,096	1.31%
Construction and materials	3,228,905	2.38%	5,756,980	2.80%
General industrials	-	0.00%	4,975,700	2.42%
Industrial engineering	7,014,940	5.18%	11,617,680	5.64%



B.R.R. GUARDIAN MODARABA
(An Islamic Financial Institution)

	2011		2010	
	Rupees	%	Rupees	%
Industrial transportation	526,250	0.39%	574,450	0.28%
Automobile and parts	6,086,709	4.49%	5,472,188	2.66%
Food producers	28,165,391	20.79%	25,795,000	12.53%
Household goods	-	0.00%	70,483	0.03%
Personal goods	10,787,831	7.96%	7,277,182	3.53%
Pharma and bio tech	7,094,619	5.24%	8,601,657	4.18%
Fixed line telecommunication	-	0.00%	1,156,000	0.56%
Electricity	3,396,100	2.51%	3,039,396	1.48%
Gas water and multiutilities	5,586,535	4.12%	1,111,950	0.54%
Financial services	6,229,379	4.60%	10,600,572	5.15%
Equity investment instrument	3,691,803	2.72%	22,749,525	11.05%
Software and computer services	-	0.00%	1,125,450	0.55%
	135,481,465	100.00%	205,904,744	100.00%

38.2 Liquidity risk

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

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

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

June 30, 2010	Less than 6 months	6 month - 1 year	1 year - 5 year	More than 5 year	Total contractual cash flows
	(Rupees)				
Musharaka, murabaha and finance 9.5% - under mark-up arrangements 16.10%	181,813,435	1,277,525,622	287,324,442	-	1,746,663,499
Diminishing musharaka based TFCs' 13.59% - 16.98%	-	80,000,000	720,000,000	-	800,000,000
Creditor accrued and other liabilities	-	72,534,814	8,221,582	-	80,756,396
Accrued profit on borrowing	-	199,191,412	-	-	199,191,412
Profit distribution payable	-	-	21,454,898	-	21,454,898
	181,813,435	1,629,251,848	1,037,000,922	-	2,848,066,205

38.3 Credit risk

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



B.R.R. GUARDIAN MODARABA
(An Islamic Financial Institution)

	June 30, 2011	June 30, 2010
	----- (Rupees) -----	
Musharaka and murabaha finances	893,678,720	1,346,436,582
Short term investments	492,827,815	695,288,932
Lease rentals receivable	15,891,797	10,451,951
Loan, advances and other receivables	87,201,066	47,625,101
Accrued profit	99,033,362	146,674,931
Cash and bank balances	121,611,454	105,241,517
	<u>1,710,244,214</u>	<u>2,351,719,014</u>

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

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

	2011		2010	
	Rupees	%	Rupees	P %
Sugar and allied	6,968,038	5.40%	104,944,114	36.23%
Textile industry	23,578,516	18.28%	39,594,368	13.67%
Cement	-	0.00%	5,000,000	1.73%
Oil and gas	3,818,438	2.96%	4,157,018	1.44%
Transport	4,986,087	3.87%	5,247,719	1.81%
Technology and communication	940,865	0.73%	5,503,768	1.90%
Investment banks / companies / securities	-	0.00%	518,912	0.18%
Chemical and pharmaceutical	1,301,706	1.01%	3,885,349	1.34%
Food and confectioneries	4,046,515	3.14%	9,629,594	3.32%
Engineering and metals	7,514,642	5.83%	13,620,518	4.70%
Paper and board	-	0.00%	4,097,495	1.41%
Power generation	7,788,946	6.04%	7,788,946	2.69%
Glass and ceramics	-	0.00%	1,598,609	0.55%
Printing and packaging	-	0.00%	372,400	0.13%
Insurance	1,788,750	1.39%	3,128,753	1.08%
Education and health	-	0.00%	-	0.00%
Fibre, synthetic and rayon	-	0.00%	-	0.00%
Miscellaneous	66,252,101	51.36%	80,547,118	27.81%
	<u>128,984,604</u>	<u>100.00%</u>	<u>289,634,681</u>	<u>100.00%</u>

38.3.2 Segment by class of business for musharaka and murabaha finances

	2011		2010	
	Rupees	%	Rupees	%
Textile industry	57,538,420	4.67%	12,770,509	0.77%
Oil and lubricant	144,431,849	11.72%	155,638,830	9.38%
Sugar and allied	69,803,499	5.67%	81,085,999	4.89%
Leasing and modaraba	2,700,000	0.22%	5,000,000	0.30%
Chemical and pharmaceutical	84,515,360	6.86%	92,926,788	5.60%
Engineering	82,748,044	6.72%	371,286,212	22.38%
Auto and transportation	48,021,000	3.90%	56,256,236	3.39%
Miscellaneous	742,224,599	60.25%	883,771,616	53.28%
	<u>1,231,982,771</u>	<u>100%</u>	<u>1,658,736,190</u>	<u>100%</u>



B.R.R. GUARDIAN MODARABA
(An Islamic Financial Institution)

39. CAPITAL MANAGEMENT

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

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

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

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

	June 30, 2011	June 30, 2010
	----- (Rupees) -----	
Debts	1,784,836,593	2,546,663,499
Cash and cash equivalents	<u>(121,699,207)</u>	<u>(105,241,517)</u>
Net debt	<u>1,663,137,386</u>	<u>2,441,421,982</u>
Equity	<u>732,683,816</u>	<u>632,893,804</u>
Net debt to equity ratio	<u>69:31</u>	<u>79:21</u>

40. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

41. 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.



B.R.R. GUARDIAN MODARABA
(An Islamic Financial Institution)

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 Company	Nature of transactions	June 30,	June 30,
		2011	2010
		----- (Rupees) -----	
Management Company	Management fee	4,728,207	-
	Rent received	1,912,716	3,477,792
Associated undertakings	Repayment of short-term borrowing	-	35,000,000
	Profit paid on short-term borrowing	-	2,334,657
	Rent received	3,777,192	6,658,422
	Share of common expenses received	9,423,166	22,866,623
	Share of common expenses paid	2,091,700	-
	Investment made	25,632,400	-
	Settlement of investment property	-	20,177,350
	Investment redeemed	(25,000,000)	56,897,866
	Lease rentals received	1,577,301	16,845,580
	Musharaka facilities transfer	(10,000,000)	-
	Debts securities	(51,811,771)	-
	Musharaka facilities received	215,093,017	-
	Sale of investment property	(95,000,000)	-
Equity securities	(47,227,732)	-	
Cash received	37,111,655	-	
Provident fund	Transfer to provident fund	1,571,893	1,285,823

42. SEGMENT REPORTING

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

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

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

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



B.R.R. GUARDIAN MODARABA
(An Islamic Financial Institution)

43. NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors of the Management Company in their meeting held on September 30, 2011 have approved profit distribution at the rate of 2.5% i.e. Rs.19,511,564 (2010: Nil) for the year ended June 30, 2011. These financial statements do not reflect this distribution.

44. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on September 30, 2011 by the Board of Directors of the B.R.R. Investments (Private) Limited.

45. GENERAL

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

From	To	June 30, 2010 -- (Rupees) --
Balance sheet		
Property and equipment - owned	Fixed assets	25,957,426
Property, plant and equipment - leased / Ijarah	Fixed Assets	128,984,604
Capital work-in-progress	Fixed Assets	424,033,857

45.2 Figures have been rounded off to the nearest rupee.

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

Chief Executive

Director

Director



B.R.R. GUARDIAN MODARABA
(An Islamic Financial Institution)

Pattern of Certificate Holding As at June 30, 2011

Number of Certificate Holders	Certificate Holding		Certificate Held
	From	To	
1608	1	100	75,415
1368	101	500	375,409
2738	501	1,000	1,864,596
996	1,001	5,000	2,334,329
213	5,001	10,000	1,602,443
90	10,001	15,000	1,138,364
44	15,001	20,000	781,879
36	20,001	25,000	817,615
29	25,001	30,000	823,842
19	30,001	35,000	617,486
11	35,001	40,000	414,405
4	40,001	45,000	171,035
23	45,001	50,000	1,121,946
5	50,001	55,000	258,564
7	55,001	60,000	412,015
4	60,001	65,000	245,622
1	65,001	70,000	70,000
6	70,001	75,000	443,194
6	75,001	80,000	461,192
3	80,001	85,000	245,130
2	85,001	90,000	173,000
2	90,001	95,000	180,608
6	95,001	100,000	598,403
2	100,001	105,000	205,000
2	105,001	110,000	219,800
1	110,001	115,000	114,477
4	115,001	120,000	472,296
1	120,001	125,000	125,000
3	130,001	135,000	391,987
1	135,001	140,000	136,500
2	140,001	145,000	284,989
1	150,001	155,000	152,400
2	155,001	160,000	315,990
3	170,001	175,000	520,137
1	175,001	180,000	178,500
4	180,001	185,000	728,330
1	185,001	190,000	190,000
1	195,001	200,000	196,500
1	200,001	205,000	200,812
1	210,001	215,000	212,360
1	215,001	220,000	215,480
1	225,001	230,000	228,500
1	235,001	240,000	236,852
1	240,001	245,000	243,264
1	245,001	250,000	250,000



B.R.R. GUARDIAN MODARABA
(An Islamic Financial Institution)

Number of Certificate Holders	Certificate Holding		Certificate Held
	From	To	
1	250,001	-	253,000
1	280,001	-	282,328
1	285,001	-	288,370
1	300,001	-	305,000
1	310,001	-	314,500
1	335,001	-	340,000
1	365,001	-	370,000
2	390,001	-	784,585
1	400,001	-	403,000
1	455,001	-	456,000
1	470,001	-	470,558
1	495,001	-	499,280
1	525,001	-	530,000
1	750,001	-	750,571
1	955,001	-	955,026
1	1,015,001	-	1,020,000
1	1,040,001	-	1,041,500
1	1,105,001	-	1,105,985
1	1,140,001	-	1,141,500
1	1,160,001	-	1,161,968
1	1,190,001	-	1,192,537
1	1,380,001	-	1,382,432
1	1,995,001	-	2,000,000
1	2,985,001	-	2,985,279
1	4,435,001	-	4,437,961
1	4,860,001	-	4,864,351
1	7,310,001	-	7,310,943
1	9,040,001	-	9,041,190
1	11,310,001	-	11,312,725
7287			78,046,255

S. No.	Categories of Certificate Holders	Number of Certificate		Percentage
		Holder		
1	Individual Local	7,219	40,975,791	52.5
2	Insurance Company	13	7,715,639	9.89
3	Joint Stock Company	33	4,831,733	6.19
4	Financial Institutions	8	6,590,860	8.44
5	Mutual Funds	3	7167819	9.18
6	Modarba Management Companies	2	10082690	12.92
7	Investment Companies	1	393474	0.5
8	Cooperative Societies	1	100	0
9	Charitable Trust	1	33500	0.04
10	Others	6	254,649	0.33
		7,287	78,046,255	100



B.R.R. GUARDIAN MODARABA
(An Islamic Financial Institution)

Additional Information as on June 30, 2011

S. No.	Categories Certificate holders	Numbers	Certificates Held	% Age
1	Associated Companies			
	B.R.R. Investment (Pvt.) Ltd.	1	12,981,495	16.64
2	NIT / ICP	3	4,926,717	6.31
	National Bank of Pakistan - Trustee Wing		4,864,351	6.23
	National Investment Trust		30,968	0.04
	Investment Corporation of Pakistan		31,398	0.04
3	Directors, CEO and their Spouse and Minor Children	1	45,812	0.06
	Ayaz Dawood		45,812	0.06
4	Banks, DFIs, NBFIs, Insurance Companies, Modarabas, Mutual Funds and Other Companies	64	19,157,852	24.55
5	Certificate holders holding ten percent or more Certificates	2	25,567,757	32.76
	B.R.R. Investment (Pvt.) Ltd.		12,981,495	16.63
	S.M. Atiq ur Rehman		12,586,262	16.13



B.R.R. GUARDIAN MODARABA
(An Islamic Financial Institution)

SIX YEARS' FINANCIAL SUMMARY

	2011	2010	2009	2008	2007	2006
Key Financial Figures						
Profit & Loss Account						
(Rs. In million)						
Operating income	579.73	611.11	557.01	921.62	885.53	883.49
Other income	35.25	20.31	22.73	8.76	13.14	3.64
Amortization	53.30	170.88	300.48	362.26	377.4	493.21
Financial charges	354.88	351.73	318.46	249.836	253.08	183.74
Operating expenses	109.30	102.28	99.11	98.87	90.59	66.1
Provision/(Reversal) for doubtful debts/receivables	9.19	17.85	270.66	21.82	17.73	(2.69)
Provision for diminution in the value of investments - charge/(written back)	7.65	-	-	27.57	-	0.09
Net Profit	41.70	(161.23)	(502.75)	151.671	147.1	140.46
Dividend	-	-	-	70.24	66.33	64.32
Balance Sheet						
Paid-up Capital	780.46	780.46	780.46	780.46	780.46	780.46
Reserves	(47.77)	(147.57)	40.04	1052.82	854.68	644.3
Certificate Holders Equity	732.68	632.89	740.42	1,833.28	1,635.14	1424.76
Borrowings	1,784.83	2,546.66	1,915.39	2325.11	2210.17	2122.92
Lease portfolio	128.98	289.63	505.99	907.87	1100.08	1301.05
Morabaha & Musharaka Portfolio	893.68	1,346.43	804.66	1179.33	1069.9	800.7
Performance Indicators						
(Loss)/Earnings per certificate (Rs.)	0.53	(2.07)	(6.44)	1.94	1.88	1.80
Profit paid per certificate (Rs.)	0.025	-	-	0.90	0.85	0.70
Profit paid per certificate (%)	0.25%	-	-	9.00	8.50	7.00
Profit payout (after statutory reserves) (%)	-	-	-	92.62	90.19	92.81
Break-up value per certificate (Rs.)	9.39	8.11	9.49	23.49	20.95	18.26
Market value per certificate (Rs.)	2.19	1.29	2.70	7.13	8.70	6.85
Price Earnings ratio	4.13	0.62	0.42	3.67	4.63	3.81
Income/Expense ratio	1.19	0.88	0.72	1.31	1.25	1.19
Financial Charges/Total Expenses (%)	68.58	49.13	39.36	35.14	35.10	24.73
Total Income						
Operating Income	579.73	611.11	557.01	921.62	885.53	883.49
Other Income	35.25	20.31	22.73	8.76	13.14	3.64
	614.98	631.42	579.74	930.38	898.67	887.13
Total Expenses						
Operating Expenses	109.30	102.28	99.11	98.87	90.59	66.10
Amortization	53.30	170.88	300.48	362.26	377.40	493.21
Financial Charges	354.88	351.73	318.46	249.84	253.08	183.74
Impairment	-	91.00	91.00	0.00	0.00	0.00
	-	-	-	-	-	-
Total Expenses	517.49	715.89	809.05	710.97	721.07	743.05
Income/Expense ratio						
Income/Expense ratio	1.19	0.88	0.72	1.31	1.25	1.19
Financial Charges/Total Expenses (%)	68.58	49.13	39.36	35.14	35.10	24.73

BOOK POST
Printed Matter

IN SERVICE SINCE 1989

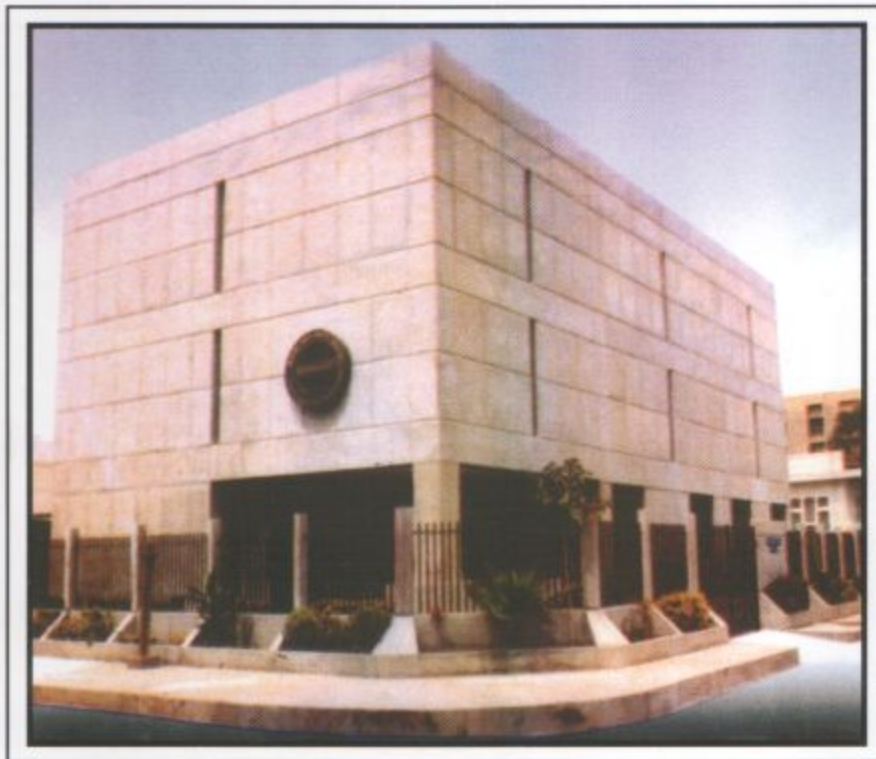
UNDER CERTIFICATE
OF POSTING



B.R.R. SECURITY VAULT

CUSTODIAL & REPOSITORY SERVICE

A DIVISION OF B.R.R. GUARDIAN MODARABA



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

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

Opens 365 days of the year

If undelivered, please return to:

B.R.R. Guardian Modaraba

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