



Un-Audited

Condensed Interim Financial Information
For The Half Year Ended
December 31, 2015

B.R.R. TOWER



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

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

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2015



B.R.R. Guardian Modaraba

(An Islamic Financial Institution)

Managed by:

B.R.R. Investments (Private) Limited

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

CORPORATE INFORMATION

Modaraba Company	B.R.R. Investments (Private) Limited
Chairman	Mr. Rafique Dawood
Chief Executive	Mr. Ayaz Dawood
Directors	Mr. Waqas Anwar Qureshi - Director Syed Ali Raza - Director
Audit Committee	Mr. Waqas Anwar Qureshi - Chairman Mr. Rafique Dawood - Member Syed Ali Raza - Member
HR and Remuneration Committee	Syed Ali Raza - Chairman Mr. Rafique Dawood - Member Mr. Waqas Anwar Qureshi - Member
Shariah Advisor	Mufti Syed Sabir Hussain
Chief Financial Officer	Syed Tariq Masood
Company Secretary	Mr. Tahir Mehmood
Head of Internal Audit, Risk and Compliance	Syed Moin Ahmed Zaidi
Auditors	BDO Ebrahim & Co. Chartered Accountants
Legal Advisor	S. & B Durani Law Associate Rauf and Ghaffar Law Associates Malik & Malik Law Associates
Bankers	Al -Baraka Bank(Pakistan) Limited Burj Bank Limited Habib Metropolitan Bank Limited National Bank of Pakistan
Web-site	www.firstdawood.com/brr
Registered Office & Head Office	18th Floor, B.R.R Tower Hassan Ali Street off. I.I. Chundrigar Road, Karachi-74000 PABX 92-21-32602401-06 Fax : 92-21-3227-1912
Registrars	F.D Registrar Services (SMC-Pvt.) Ltd 1705, 17th Floor, Saima Trade Tower "A" I.I. Chundrigar Road, Karachi-74000 Phone # 92-21- 35478192-3 # 92-21-32271905-6 Fax # 92-21-32213243
Branch Offices	Suit No. 210, 5th Floor, Siddiq Trade Centre, Main Boulevard, Gulberg - III, Lahore Office No. 405 4th Floor, ISE Tower Jinnah Avenue, Islamabad
Security Vault	G-187, Block-2, Shahr-e-Quaideen, PECHS Karachi-754000



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

DIRECTORS' REPORT

Dear Certificate holders,

The Board of Directors of B.R.R. Investments (Private) Limited, Manager of B.R.R. Guardian Modaraba (BRRGM), take pleasure in presenting the 2nd Quarter Financial statement of the Modaraba for the six months ended December 31, 2015.

Operations and performance

	December 31, 2015	December 31, 2014
 Rupees.....	
Total Income	147,119,041	113,140,159
Total Expenses	110,377,774	128,763,578
Profit / (Loss) After Management Fee & WWF	32,237,469	(20,835,825)
Earning per certificate	0.41	(0.27)
Certificate Holder's Equity	1,035,736,931	830,818,706
Breakup value - per certificate	13.27	10.64

During the six months period under review the Modaraba has earned an operating profit 32.237 million, as compared with Rs 20.835 million loss in the same period last year.

The Certificate Holders' Equity of Modaraba has crossed the Rs. Billion mark and stands at Rs 1.036 billion as compared with Rs 830.81 million in the same period last year which shows an increase of 24.66%. The breakup value per certificate comes to Rs 13.27 as compared to Rs 10.64 same period last year.

Proposed restructuring of Diminishing Musharaka based TFCs;

Due to heavy repayments of principal and profits of BRRGM Sukuks; the Modaraba has requested the Trustee to the issue to restructure the same. It is expected that proposed restructuring will be finalized soon.

Permission of the Commission for establishment of wholly owned subsidiary;

On October 21, 2015, the Commission has given its consent and allowed your Modaraba to form a wholly owned subsidiary for transfer of TREC and brokerage related assets of the Islamabad Stock Exchange (now Pakistan Stock Exchange).

Settlement with Equity International (Pvt) Limited (EIL);

Approval of S.E.C.P for the settlement was received on October 12, 2015, in pursuance of which, the settlement agreement was signed and executed between BRRGM and EIL on November 25, 2015. The settlement will be completed before June 30, 2016.

Auditors' Observations

The audit observations are same mentioned in financial statement as of June 30, 2015.

CONCLUSION & APPRECIATION:

We are currently watching recent business scenario within the country and also strengthening our risk management strategies. Now we are pursuing a more cautious approach, in order to ensure quality of assets visa-a-viz future growth. Our target will continue to become profitable growth in the current line of business with the aim of creation of value for certificate holders.

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

Karachi: February 26, 2016

Rafique Dawood
Chairman



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

INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION TO THE CERTIFICATE HOLDERS

Introduction

We have reviewed the accompanying condensed interim balance sheet of **B.R.R. Guardian Modaraba** ("the Modaraba") as at December 31, 2015 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the six-month period then ended (here-in-after referred as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as at and for the half year ended December 31, 2015 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Emphasis of matter

Without modifying our conclusion, we draw attention to:

- (i) note 1.3 to the condensed interim financial information which states that accumulated losses of the Modaraba, amounting to Rs. 564.418 million, exceed 50 percent of the total amount subscribed by the holders of the Modaraba Certificates by Rs. 174.188 million. The management believes that the Modaraba has sufficient statutory reserve available which could be applied against the accumulated losses with the approval of the concerned authorities.

BDO Ebrahim & Co. Chartered Accountants

BDO Ebrahim & Co., a Pakistan registered partnership firm, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.



- (ii) note 1.4 to the condensed interim financial information which states that the Modaraba has received directions under section 18A of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) from the Registrar Modaraba (the Registrar), under which prior approval of the Registrar is required by the Modaraba before entering into certain transactions.
- (iii) note 5.2 to the condensed interim financial information which states that the Modaraba had swapped certain assets with an office premises valuing Rs. 70 million from an associated undertaking, the title of which has not been transferred in the name of Modaraba as a commercial bank has obtained a stay order against the same. However, the original title documents and possession of the property rest with Modaraba.
- (iv) note 14.2 and 9.3.2 to the condensed interim financial information which describes certain non compliances with the requirement of the Modaraba Companies and Modaraba Rules, 1981 and the Prudential Regulations for Modarabas.
- (v) note to the condensed interim financial information which provides details regarding the settlement transaction with Equity International (Private) Limited an associate undertaking.
- (vi) note 15.1 to the condensed interim financial information which states that the Modaraba has defaulted on its obligation towards the commercial bank on its respective repayment dates. The Modaraba has applied for restructuring which has not been finalized to date by the bank and the Modaraba continues to accrue markup at rates mentioned in the last agreement between Modaraba and bank. We have received independent confirmation of this balance from the commercial bank confirming the principal amount, however has not confirmed the amount of accrued markup as at June 30, 2015. The management considers it prudent to maintain a provision in respect of accrued markup.


Other matter

The figures for the quarter ended December 31, 2015 and December 31, 2014 in the condensed interim profit and loss account and condensed interim information of comprehensive income have not been reviewed and we do not express a conclusion on them.

KARACHI

DATED: February 26, 2016

CHARTERED ACCOUNTANTS

 Engagement Partner: Zulfikar Ali Causer

BDO Ebrahim & Co. Chartered Accountants

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

Condensed Interim Balance Sheet
As at December 31, 2015

		(Un-audited) December 31, 2015 Rupees	(Audited) June 30, 2015 Rupees
ASSETS	Note		
NON-CURRENT ASSETS			
Property, plant and equipment	5	214,769,228	217,135,817
Investment properties	6	1,139,767,352	1,156,009,190
Long-term portion of musharaka finances	8	3,737,773	9,368,211
Long term advance		1,677,000	-
Long-term loans and deposits		9,128,276	9,123,276
		1,369,079,629	1,391,636,494
CURRENT ASSETS			
Short-term investments	9	552,109,402	546,307,215
Current portion of musharaka finances	8	87,165,813	101,337,012
Ijarah / lease rental receivable		259,733	1,219,983
Loans, deposits, advances and prepayments		7,778,606	28,153,125
Accrued profit	10	10,506,123	16,684,352
Other receivables	11	14,444,948	27,259,599
Taxation		4,058,753	2,757,407
Cash and bank balances	12	20,956,023	35,267,673
		697,279,401	758,986,366
Non current assets held for sale	13	55,800,000	55,800,000
		753,079,401	814,786,366
TOTAL CURRENT ASSETS		2,122,159,030	2,206,422,860
TOTAL ASSETS			
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized capital			
87,000,000 (June 30, 2015: 87,000,000) Modaraba certificates of Rs. 10/- each		870,000,000	870,000,000
Issued, subscribed and paid up certificate capital		780,462,550	780,462,550
Statutory reserve		606,102,040	606,102,040
Accumulated loss		(564,418,843)	(565,047,579)
Surplus on revaluation of investment		213,591,184	169,616,336
		1,035,736,931	991,133,347
LIABILITIES			
NON-CURRENT LIABILITIES			
Diminishing musharaka based Term Finance Certificates	14	-	116,852,448
Long-term portion of customers' security deposits		100,785,319	95,912,955
TOTAL NON-CURRENT LIABILITIES		100,785,319	212,765,403
CURRENT LIABILITIES			
Current portion of murabaha, musharaka and finance under mark-up arrangements	15	312,149,098	312,149,098
Current portion of diminishing musharaka based Term Finance Certificates	14	312,422,226	270,708,172
Current portion of security deposits		2,273,088	2,651,855
Creditors, accrued and other liabilities	16	81,124,671	128,894,058
Accrued profit on borrowings		248,841,870	265,450,094
Profit distribution payable		28,825,827	22,670,833
TOTAL CURRENT LIABILITIES		985,636,780	1,002,524,110
TOTAL EQUITY AND LIABILITIES		2,122,159,030	2,206,422,860
CONTINGENCIES AND COMMITMENTS	17		

The annexed notes from 1 to 25 form an integral part of this condensed interim financial information.

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

Rafique Dawood
Chairman

Ayaz Dawood
Chief Executive Officer

Syed Ali Raza
Director



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

**Condensed Interim Profit And Loss Account
For The Half Year And Quarter Ended December 31, 2015
(Un-Audited)**

	Note	Half year ended		Quarter ended	
		December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
		(Rupees)			
INCOME					
Ijarah / lease rentals		18,628,456	19,053,130	8,771,944	9,742,725
Income on musharaka finances		1,953,394	12,435,737	986,159	3,573,903
Profit on bank balances		1,175,643	2,278,257	81,274	861,053
Return on investments - net	18	24,854,546	29,309,043	20,525,432	19,327,246
Rental income		62,814,307	48,099,729	37,720,396	25,355,332
Other income	19	37,692,695	1,964,263	28,269,097	882,478
		147,119,041	113,140,159	96,354,302	59,742,737
EXPENSES					
Amortization on ijarah assets		15,353,084	17,312,548	7,991,105	8,627,214
Impairment loss on available-for-sale investment		4,722,634	-	4,722,634	-
Administrative expenses		71,384,463	64,159,859	38,940,012	35,833,913
Financial charges		18,917,593	47,291,171	8,846,076	22,770,350
		110,377,774	128,763,578	60,499,827	67,231,477
		36,741,267	(15,623,419)	35,854,475	(7,488,740)
Reversal / (provision) for doubtful receivables - net	20	386,698	(5,212,406)	111,698	(5,804,073)
		37,127,965	(20,835,825)	35,966,173	(13,292,813)
Modaraba management company's fee		3,712,796	-	3,596,617	-
Sales tax on modaraba management Company's fee		519,792	-	503,527	-
Provision for Workers' Welfare Fund		657,908	-	637,321	-
Profit / (loss) before taxation		32,237,469	(20,835,825)	31,228,708	(13,292,813)
Provision for taxation	22	-	-	-	-
Net profit / (loss) for the period		32,237,469	(20,835,825)	31,228,708	(13,292,813)
Earnings / (loss) per certificate - basic and diluted		0.41	(0.27)	0.40	(0.17)

The annexed notes from 1 to 25 form an integral part of this condensed interim financial information.

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

Rafique Dawood
Chairman

Ayaz Dawood
Chief Executive Officer

Syed Ali Raza
Director



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

**Condensed Interim Statement of Comprehensive Income
For The Half Year And Quarter Ended December 31, 2015
(Un-Audited)**

	Half year ended		Quarter ended	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
	(Rupees)			
Profit / (loss) for the period	32,237,469	(20,835,825)	31,228,708	(13,292,813)
Other comprehensive income				
Items that will be subsequently reclassified to profit or loss:				
Unrealized gain on revaluation of available-for-sale investments - net	43,974,848	16,088,212	487,371	8,931,427
Total comprehensive income / (loss) for the period	76,212,317	(4,747,613)	31,716,079	(4,361,386)

The annexed notes from 1 to 25 form an integral part of this condensed interim financial information.

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

Rafique Dawood
Chairman

Ayaz Dawood
Chief Executive Officer

Syed Ali Raza
Director



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

**Condensed Interim Cash Flows Statement
For The Half Year Ended December 31, 2015
(Un-Audited)**

	Half year ended	
	December 31, 2015	December 31, 2014
	----- (Rupees) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) for the period	32,237,469	(20,835,825)
Adjustments for:		
Adjustment of non-cash and other items		
Depreciation	21,447,021	22,099,557
Amortization	15,353,084	17,312,548
Provision for doubtful receivables - net	(275,000)	5,212,406
Gain / (loss) on disposal of property, plant and equipment - leased	275,159	(320,543)
Profit on disposal of property and equipment - owned	(1,324,725)	(282,454)
Profit on musharaka, murabaha and finance under mark-up arrangements	18,908,855	47,267,637
Return on investments - net	(27,009,315)	(18,573,778)
	27,375,079	72,715,373
	59,612,548	51,879,549
Decrease / (increase) in current assets		
Ijarah/lease rentals receivable	960,250	1,950,192
Loans, advances and prepayments	20,374,519	2,879,127
Accrued profit	5,890,194	(1,682,831)
Other receivables	12,814,651	12,337,341
	40,039,614	15,483,829
(Decrease) / increase in current liabilities		
Creditors, accrued and other liabilities	(51,443,902)	(3,521,204)
Rent received in advance	3,674,515	5,193,635
Customers' security deposit	4,493,597	887,289
	(43,275,790)	2,559,720
Income tax paid	(1,301,346)	(27,710)
Net cash generated from operating activities	55,075,026	69,895,387
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments made	38,172,661	(37,881,321)
Income received on investments	27,297,350	18,015,884
Musharaka and murabaha finances	20,076,671	56,425,513
Addition to property and equipment - owned	(6,721,401)	(3,998,008)
Addition to property, plant and equipment - leased / ijarah	(13,000,000)	-
Addition to investment property	(1,238,840)	(2,734,380)
Deletion / addition in long term deposit	(5,000)	3,443,019
Advance against Ijarah	(1,677,000)	-
Proceeds from disposal of property and equipment - owned	1,771,280	582,864
Proceeds from disposal of property, plant and equipment - leased	2,046,853	2,594,443
Net cash generated from investing activities	66,722,574	36,448,014
CASH FLOWS FROM FINANCING ACTIVITIES		
Profit paid to certificate holders	(25,453,777)	(18,013,223)
Murabaha and finance under mark-up arrangements	(75,138,394)	(61,984,375)
Financial charges paid	(35,517,079)	(36,266,531)
Net cash used in financing activities	(136,109,250)	(116,264,129)
Net decrease in cash and cash equivalents	(14,311,650)	(9,920,728)
Cash and cash equivalents at the beginning of the period	35,267,673	69,501,445
Cash and cash equivalents at the end of the period	20,956,023	59,580,717

The annexed notes from 1 to 25 form an integral part of this condensed interim financial information.

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

Rafique Dawood
Chairman

Ayaz Dawood
Chief Executive Officer

Syed Ali Raza
Director



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

**Condensed Interim Statement of Changes In Equity
For The Half Year Ended December 31, 2015
(Un-Audited)**

	Certificate capital	Capital reserves Profit prior to floatation	Statutory reserve	Surplus on revaluation of investment	Accumulated loss	Total
				(Rupees)		
Balance as at July 01, 2014	780,462,550	10,532,683	560,453,817	84,280,388	(581,431,838)	854,297,600
Profit for the half year ended December 31, 2014	-	-	-	-	(20,835,825)	(20,835,825)
Other comprehensive income	-	-	-	16,088,212	-	16,088,212
Total comprehensive income	-	-	-	16,088,212	(20,835,825)	(4,747,613)
Profit distribution for the year ended June 30, 2014 @ Re.0.24 per certificate	-	-	-	-	(18,731,281)	(18,731,281)
Balance as at December 31, 2014	780,462,550	10,532,683	560,453,817	100,368,600	(620,998,944)	830,818,706
Profit for the half year ended June 30, 2015	-	-	-	-	91,066,905	91,066,905
Other comprehensive income	-	-	-	69,247,736	-	69,247,736
Total comprehensive income	-	-	-	69,247,736	91,066,905	160,314,641
Transfer to statutory reserve	-	-	35,115,540	-	(35,115,540)	-
Balance as at July 01, 2015	780,462,550	10,532,683	595,569,357	169,616,336	(565,047,579)	991,133,347
Profit for the half year ended December 31, 2015	-	-	-	-	32,237,469	32,237,469
Other comprehensive income	-	-	-	43,974,848	-	43,974,848
Total comprehensive income	-	-	-	43,974,848	32,237,469	76,212,317
Profit distribution for the year ended June 30, 2015 @ Re.0.405 per certificate	-	-	-	-	(31,608,733)	(31,608,733)
Balance as at December 31, 2015	780,462,550	10,532,683	595,569,357	213,591,184	(564,418,843)	1,035,736,931

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

The annexed notes from 1 to 25 form an integral part of this condensed interim financial information.

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

Rafique Dawood
Chairman

Ayaz Dawood
Chief Executive Officer

Syed Ali Raza
Director



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

Notes To The Condensed Interim Financial Information For The Half Year Ended December 31, 2015

1. LEGAL STATUS AND NATURE OF THE BUSINESS

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

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

1.2 During the period, pursuant to approval from Securities and Exchange Commission of Pakistan the Modaraba has incorporated a wholly owned subsidiary namely BRR Financial Services (Private) Limited (the Company) which was incorporated on November 30, 2015. As per the Memorandum of Association (MoA) of the Company, the Modaraba has undertaken to subscribe to 100,000 ordinary shares of Rs. 10 each of the Company. However, as at December 31, 2015, the shares have not been subscribed to by the Modaraba. The subsidiary has not yet commenced operations.

1.3 As per section 23 of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, a Modaraba shall be wound up by the Tribunal on an application made by the Registrar if the accumulated losses of the Modaraba exceeds 50 percent of the total amount subscribed by the holders of the Modaraba Certificates. As at December 31, 2015, the accumulated losses of the Modaraba amounted to Rs. 564.418 million which exceed 50 percent of the total amount subscribed by the holders of the Modaraba Certificates by Rs. 174.188 million. The management believes that the Modaraba has sufficient statutory reserve available which could be applied against the accumulated losses with the approval of the concerned authorities. Taking into consideration the statutory reserve amounting to Rs. 606.102 million (June 30, 2015: Rs. 606.102 million), accumulated losses net of reserve are less than 50 percent of the paid up capital.

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

This condensed interim financial information of the Modaraba for the six months period ended December 31, 2015 has been prepared in accordance with the requirements of the International Accounting Standard 34 - "Interim Financial Reporting" and provisions of and directives issued under the Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980, the Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulations for Modarabas.

In case where requirements differ, the provisions of or directives issued under the Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980, the Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulations for Modarabas have been followed.

The disclosures made in this condensed interim financial information have been limited, based on the requirements of International Accounting Standard 34 - "Interim Financial Reporting". These condensed interim financial information do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the financial statements of the Modaraba for the year ended June 30, 2015.

This condensed interim financial information is un-audited. However, limited scope review has been performed by the statutory auditors, except for the figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended December 31, 2015 and December 31, 2014, in accordance with the requirement of clause (xxi) of the Code of Corporate Governance and are being submitted to the Certificate holders as required by Rule 10 of Modaraba Companies and Modaraba Rules, 1981.



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

Notes To The Condensed Interim Financial Information For The Half Year Ended December 31, 2015

2.2 Basis of measurement

This condensed interim financial information has been prepared under the "historical cost convention" except for the revaluation of certain financial assets which are stated at fair value.

This condensed interim financial information has been prepared following accrual basis of accounting except for cash flow information.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted and methods of computation followed in the preparation of this condensed interim financial information are same as those applied in the preparation of annual financial statements for the year ended June 30, 2015.

There were certain new standards, amendments to the approved accounting standards and new interpretation issued by the International Financial Reporting Interpretations Committee (IFRIC) which became effective during the period but are considered not to be relevant or have any significant effect on the Modaraba's operations and are, therefore, not disclosed in these condensed interim financial information except for certain disclosure requirements in accordance with IFRS 13: Fair Value Measurement.

4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the Modaraba's accounting policies and key sources of estimation of uncertainty are the same as those that were applied to the financial statements for the year ended June 30, 2015.

		(Un-audited) December 31, 2015	(Audited) June 30, 2015
	Note	----- (Rupees) -----	
5 PROPERTY, PLANT AND EQUIPMENT			
Property and equipment - owned	5.1 & 5.2	97,944,072	95,635,567
Property, plant and equipment - leased / ijarah	5.3	<u>116,825,156</u>	<u>121,500,250</u>
		<u>214,769,228</u>	<u>217,135,817</u>

5.1 Property and equipment - owned

Following additions and disposals in assets in own use, at cost, were made during the period:

	Additions		Disposals / Transfer	
	(Un-audited) December 31, 2015	(Audited) June 30, 2015	(Un-audited) December 31, 2015	(Audited) June 30, 2015
	----- (Rupees) -----		----- (Rupees) -----	
Lockers	-	180,000	-	-
Vehicles	6,680,900	4,473,482	1,949,006	6,129,955
Office equipment and	<u>40,501</u>	<u>1,854,818</u>	<u>108,933</u>	<u>511,486</u>
	<u>6,721,401</u>	<u>6,508,300</u>	<u>2,057,939</u>	<u>6,641,441</u>

5.2 This includes an office premises costing Rs. 70 million, which was swapped by the Modaraba in March 2012 from First Dawood Investment Bank Limited (FDIBL), an associated undertaking with 6.1 million unlisted shares of Burj Bank Limited (at par value), along with a receivable from Equity International (Private) Limited (EIL), an associated undertaking. FDIBL earlier acquired the said property from a borrower as a settlement of its liabilities who has also defaulted in its obligation to commercial bank. The said commercial bank has obtained an stay order against the property due to which execution of the sale deed for the said property and transfer of title in the name of the Modaraba are in abeyance.



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FDIBL has filed an application of intervention with the Honourable High Court of Sind for removal of stay of the commercial bank and to effect the transfer of title in its favour, which is pending adjudication.

As soon as the case in question is decided, FDIBL will be able to execute the sale deed in favour of the Modaraba. Nevertheless, the original title documents and possession of the property rest with the Modaraba. Further, Modaraba has rented out a portion of the above property to its associated undertakings and earned rental income. Consequently, the cost of the property has been bifurcated between fixed assets and investment property on the basis of floor space occupied.

5.3 Property, plant and equipment - Ijarah / leased

Following additions and disposals in assets leased out, at cost, were made during the period:

	Additions		Disposals / Transfer	
	(Un-audited) December 31, 2015	(Audited) June 30, 2015	(Un-audited) December 31, 2015	(Audited) June 30, 2015
	----- (Rupees) -----		----- (Rupees) -----	
Plant and machinery	-	-	-	-
Vehicles	13,000,000	5,230,200	5,942,237	27,377,000
Office equipment and	-	-	-	529,500
	<u>13,000,000</u>	<u>5,230,200</u>	<u>5,942,237</u>	<u>27,906,500</u>

6 INVESTMENT PROPERTIES	Note	(Un-audited) December 31, 2015	(Audited) June 30, 2015
		----- (Rupees) -----	
Investment properties	6.1	1,073,347,352	1,089,589,190
Capital work-in-progress	6.2.1	66,420,000	66,420,000
		<u>1,139,767,352</u>	<u>1,156,009,190</u>

6.1 Investment properties

Following additions and disposals in investment properties, at cost, were made during the period:

	Note	Additions / Transfer	
		(Un-audited) December 31, 2015	(Audited) June 30, 2015
		----- (Rupees) -----	
Leasehold land		-	(8,291,245)
Building on leased hold land (BRR Tower)		1,238,840	4,517,380
Office premises		-	(48,444,927)
		<u>1,238,840</u>	<u>(52,218,792)</u>

6.2.1 Capital work-in-progress

		(Un-audited) December 31, 2015	(Audited) June 30, 2015
Advance for office premises - Jofa Tower, Karachi	6.2.1	<u>66,420,000</u>	<u>66,420,000</u>



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

		Additions / Transfer	
		(Un-audited)	(Audited)
		December 31,	June 30,
		2015	2015
8	MUSHARAKA FINANCES	----- (Rupees) -----	
	Musharaka finances	324,949,904	345,026,575
	Less: Provision for doubtful receivables	(234,046,318)	(234,321,352)
		90,903,586	110,705,223
	Less: Current portion of musharaka finances	(87,165,813)	(101,337,012)
	8.1 & 14.2	3,737,773	9,368,211

8.1 The expected profit receivable on these arrangements ranges from 9.31% to 13.99% (June 30, 2015: 10.48% to 14.14%) 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 September 1, 2020.

		(Un-audited)	(Audited)
		December 31,	June 30,
		2015	2015
9	SHORT-TERM INVESTMENTS	----- (Rupees) -----	
	Held-for-trading		
	Listed ordinary shares	9.1 165,221,340	143,324,408
	Available-for-sale		
	Listed ordinary shares	9.2 226,677,312	182,182,209
	Unlisted ordinary shares	9.3 119,743,707	120,743,707
	Unlisted debt securities	9.4 66,444,183	121,374,099
		412,865,202	424,300,015
	Less: Provision for diminution in value of investments	(25,977,140)	(21,317,208)
		552,109,402	546,307,215

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	(Un-audited)	(Audited)
December 31,	June 30,		December 31,	June 30,
2015	2015		2015	2015
			----- (Rupees) -----	
		Personal goods		
500	2,000	Packages Limited	291,056	1,188,161
-	3,000	Pakgen Power Limited	-	90,031
15,200	11,500	Nishat Mills Limited	1,442,275	1,313,898
32,500	32,500	Gul Ahmed Textile Mills Limited	1,177,799	1,594,124
		Construction and materials		
14,100	14,500	D.G. Khan Cement Company Limited	2,089,769	2,070,061
4,200	8,200	Lucky Cement Limited	2,079,167	4,260,883
70,000	-	Fauji Cement Company	2,577,399	-



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Number of shares		Name of investee	(Un-audited)	(Audited)
December 31, 2015	June 30, 2015		December 31, 2015	June 30, 2015
----- (Rupees) -----				
Electricity				
351,746	311,746	K-Electric Limited	2,616,980	2,624,892
-	5000	The Hub Power Company Limited	-	467,850
5,000	-	Lalpir Power Limited	148,700	-
Oil and gas				
11,399	15,399	Attock Refinery Limited	2,415,219	3,517,901
4,930	9,830	Mari Petroleum Company Limited	3,436,902	4,606,341
47,250	30,750	National Refinery Limited	10,543,992	7,135,528
71,720	60,520	Pakistan Petroleum Limited	8,736,212	9,941,013
500	3,000	Pakistan State Oil Company Limited	162,885	1,157,370
182,500	-	Pakistan Refinery Limited	8,245,008	-
Multiutilities (Gas and Water)				
92,108	114,608	Sui Northern Gas Pipelines Limited	2,214,278	3,053,158
Automobile and parts				
4,880	5,600	Indus Motors Company Limited	4,937,001	6,994,403
17,400	19,000	Agriauto Industries Limited	3,601,800	3,533,050
33,000	33,000	Sazgar Engineering Works Limited	1,056,000	1,270,500
1,000	-	Ghandara Nissan Limited	184,460	-
Chemicals				
267,500	190,000	Fauji Fertilizer Bin Qasim Limited	14,091,088	10,510,799
45,900	57,000	Fauji Fertilizer Company Limited	5,415,282	8,516,940
14,447	14,547	ICI Pakistan Limited	6,993,001	6,239,136
10,000	10,000	Sitara Peroxide Limited	148,900	131,500
1,700	2,100	Sitara Chemical Industries Limited	612,000	630,420
Chemicals				
561,000	580,000	Lotte Pakistan PTA Limited	3,646,497	4,013,601
20,100	14,100	Linde Pakistan Limited	2,336,625	1,972,590
1,000	-	Archroma Pakistan Limited	460,810	-
Engineering				
3,520	4,020	Millat Tractors Limited	1,945,751	2,756,997
27,000	29,100	K.S.B Pumps Company Limited	6,897,691	4,044,900
28,875	-	Crescent Steel and Allied Products Limited	3,591,184	-



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Number of shares		Name of investee	(Un-audited)	(Audited)
December 31, 2015	June 30, 2015		December 31, 2015	June 30, 2015
			----- (Rupees) -----	
		Industrial Transportation		
3,700	3,700	Pakistan National Shipping Corporation Limited	329,300	393,125
100	100	Pakistan International Container Terminal Limited	27,998	26,702
		Fixed Line Tele Communications		
87,000	87,000	Pakistan Telecommunication Company Limited	1,434,630	1,783,500
		Food producers		
175	175	Mitchell's Fruit Farms Limited	70,000	76,393
		Cement		
12,833	12,833	Pakcem Limited	218,547	249,731
3,700	3,700	Cherat Cement Company Limited	333,666	322,011
		Pharma and Bio Tech		
700	1,100	Abbott Laboratories (Pakistan) Limited	444,501	734,042
6,515	7,215	Highnoon Laboratories Limited	3,761,761	1,848,266
3,918	6,400	Ferozsans Laboratories	1,550,470	4,093,055
		Pharma and Bio Tech		
5,200	37,460	The Searle Company Limited	5,755,879	12,013,048
28,500	-	GlaxoSmithKline Pakistan Limited	6,270,570	-
		General Industries		
1,420	1,420	Siemens Pakistan Company Engineering Limited	1,277,999	1,809,406
80,500	80,500	Treet Corporation Limited	5,068,277	1,385,405
		Financial services		
34,000	11,000	First UDL Modaraba	736,440	272,580
85,104	85,104	Dawood Islamic Fund 9.1.1	23,010,428	23,010,428
		Commercial Banks		
124,791	163,791	BankIslami Pakistan Limited	1,435,097	1,670,669
		Industrial Metal		
23,000	-	Amerali Steel Limited	1,381,613	-
Listed equity securities Rights - held at fair value through profit and loss.			157,202,907	143,324,408
40,235	-	The Searle Company Limited	8,018,433	-
Total value as at December 31, 2015			165,221,340	143,324,408

9.1.1 This has been valued on the basis of best available information about the net assets value obtained from the asset management company of the fund.



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Number of shares		Name of investee	(Un-audited)	(Audited)
December 31, 2015	June 30, 2015		December 31, 2015	June 30, 2015
9.2 Available-for-sale: Listed Ordinary shares				
Unless stated otherwise, the holdings are in fully paid ordinary shares of Rs.10 each.				
		Oil and gas		
11,150	11,150	Mari Petroleum Company Limited	7,773,114	5,224,893
185,500	185,500	Pakistan Refinery Limited	8,386,455	949,760
8,396	10,396	Pakistan State Oil Company Limited	2,735,165	4,010,672
10,362	11,362	Shell Pakistan Limited	2,365,023	2,874,132
		Chemicals		
49,852	49,852	Linde Pakistan Limited	5,795,295	6,974,294
65,769	65,769	Fauji Fertilizer Company Limited	7,759,427	9,827,204
14,199	14,199	Sitara Chemical Industries Limited	5,111,638	4,262,538
		Construction and materials		
90	90	Maple Leaf Cement Factory Limited	6,712	459
		Engineering		
56,000	56,000	KSB Pumps Company Limited	14,306,320	7,784,000
		Industrial transportation		
1,000	1,000	Pakistan International Container Terminal Limited	279,980	267,000
5,000	5,000	Pakistan National Shipping Corporation	445,000	531,250
		Pharma and bio tech		
42,576	42,576	Abbott Laboratories (Pakistan) Limited	27,035,760	28,411,391
		Pharma and bio tech		
32,165	32,165	GlaxoSmithKline Pakistan Limited	7,077,586	6,289,544
638	638	Highnoon Laboratories Limited	368,380	163,435
		Electricity		
1,600	5,100	The Hub Power Company Limited	164,160	477,207



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Number of shares		Name of investee	Note	(Un-audited)	(Audited)
December 31, 2015	June 30, 2015			December 31, 2015	June 30, 2015
				----- (Rupees) -----	
39,660	39,660	Gas water and Multiutilities Sui Northern Gas Pipelines Limited		953,430	1,056,545
1,921,905	1,912,344	Technology & Communication Systems Limited - a related party		121,137,672	88,101,690
1,935,506	1,935,506	Financial services Dawood Capital Management Limited-a related party (fully provided)	9.2.1	4,722,634	4,722,634
3,339,922	3,339,922	First Dawood Investment Bank Limited(fully provided)		10,253,561	10,253,561
				226,677,312	182,182,209

9.2.1 This represents sponsor shares of the related party and is a non shariah compliant investment. The management has recorded provision against this investment during the period.

<u>Number of shares</u>		Name of investee	(Un-audited)	(Audited)
<u>December 31,</u> <u>2015</u>	<u>June 30,</u> <u>2015</u>		<u>December 31,</u> <u>2015</u>	<u>June 30,</u> <u>2015</u>
----- (Rupees) -----				
9.3 Available-for-sale: Investment in unlisted Ordinary shares.				
The holdings are in the fully paid ordinary shares of Rs.10 each.				
1,760,000	1,760,000	Burj Bank Limited	16,397,677	16,397,677
7,300,000	7,400,000	Dawood Family Takaful Limited - 9.3.1 & 9.3.2	73,000,000	74,000,000
3,034,603	3,034,603	Islamabad Stock Exchange Limited - 9.3.3	30,346,030	30,346,030
			119,743,707	120,743,707

9.3.1 The above exposure exceeds the limit of 5% of the equity of the Modaraba amounting to Rs. 21.013 million, as prescribed by the prudential regulations for Modaraba, for investment in shares of unlisted companies.

9.3.2 The breakup value of investment in shares of Dawood Family Takaful (DFTL) is Rs. 44.133 million (as per latest audited accounts dated December 31, 2014) where as the cost of investment in shares of DFTL is Rs. 74 million. Since the embedded value of the shares of DFTL is Rs. 9.363 per share as per latest actuarial valuation which is lower than its par value, therefore impairment loss of Rs. 4.64 million has been recorded in prior year. During the period the Modaraba has divested 100,000 shares of DFTL out of total 7.4 million shares through an off market transaction for proceeds amounting to Rs. 0.528 million. This transaction has been executed through off market sale of physical share to third party which is not associated with the Modaraba.

9.3.3 In prior year, in accordance with the requirement of the Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012 (the Act), the Modaraba has received equity shares of Islamabad Stock Exchange Limited (ISE) and Trading Right Entitlement Certificates (TREC) against surrender of Stock Exchange Membership Card.



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The Modaraba's entitlement in respect of shares is determined on the basis of valuation of assets and liabilities of the respective exchange as approved by the SECP and the Modaraba has been allotted 3,034,603 shares of ISE of Rs.10 each out of which 60% of the shares are kept in blocked account and the divestment of the same will be in accordance with the requirements of the Act. The investment in shares of ISE has been recorded at the carrying value of Stock Exchange Membership Card in the Modaraba's books as available for sale investment.

The breakup value of each share of ISE as per their latest available audited financial statements for the year ended June 30, 2015 is Rs. 10.93 per share which is greater than the par value of Rs. 10 of ISE's shares. Accordingly, investment in shares of KSE has been revalued at par value of Rs. 10 each as at June 30, 2014 and the resulting surplus on revaluation amounting to Rs 22.596 million was recognized in other comprehensive income being the difference of carrying value of investment in shares of Islamabad Stock Exchange Limited and fair value of 3,034,603 allocated shares of Rs. 10 each.

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

In the connection with pending decision from the SECP for TREC, the Modaraba has received the letter from SECP dated October 21, 2015 as per which SECP has allowed to form a wholly owned subsidiary subject to the following conditions:

- a. The Modaraba shall ensure that the operations of the wholly owned subsidiary are conducted in accordance with Shariah Principles.
- b. The Modaraba shall comply with any other condition imposed by the Registrar Modaraba in the best interest of Modaraba certificate holders.

Further, the Registrar Modaraba (RM) vide their letter dated October 26, 2015 also waived the requirement of regulation 7(7) of the Prudential Regulations for the said purpose for the Modaraba i.e. total exposure in shares of unlisted companies do not exceed 5% of the equity of the Modaraba. The wholly owned subsidiary has been incorporated on November 30, 2015 as detailed in note 1.2.



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<u>Number of certificates</u>		<u>Name of investee</u>	<u>(Un-audited)</u>	<u>(Audited)</u>	
<u>December 31,</u>	<u>June 30,</u>		<u>December 31,</u>	<u>June 30,</u>	
<u>2015</u>	<u>2015</u>		<u>2015</u>	<u>2015</u>	
			<u>----- (Rupees) -----</u>		
9.4 Available-for-sale: Investment in sukuk					
3,925	3,925	Maple Leaf Cement Factory Limited	4,917,868	5,333,624	
4,328	20,000	Al Razi Health Care (Private) Limited	12,954,895	65,555,563	
4,000	4,000	K- Electric Sukuk-2	20,000,000	20,519,240	
4,000	4,000	K- Electric Sukuk-3	20,000,000	20,999,260	
10	10	Al Baraka Bank (Pakistan) Limited	8,571,420	8,966,412	
			66,444,183	121,374,099	
			<u>(Un-audited)</u>	<u>(Audited)</u>	
			<u>December 31,</u>	<u>June 30,</u>	
			<u>2015</u>	<u>2015</u>	
			<u>----- (Rupees) -----</u>		
10 ACCRUED PROFIT					
Accrued profit on:					
PLS savings accounts			319,744	319,744	
Debt securities			594,404	882,439	
Musharaka finances			9,591,975	15,482,169	
			10,506,123	16,684,352	
11 OTHER RECEIVABLES					
Due from associated undertakings-unsecured - considered good			11.1	13,580,000	25,180,000
Receivable from National Clearing Company of Pakistan Limited				422,408	518,134
Rent receivable - unsecured, considered good				340,146	1,515,805
Other receivable				102,394	45,660
				14,444,948	27,259,599
Receivable from ex-employees - unsecured, considered doubtful				51,274,920	51,274,920
Less: Provision for doubtful receivables				(51,274,920)	(51,274,920)
				14,444,948	27,259,599
11.1 This represents amounts receivable from First Dawood Investment Bank Limited in relation to the cash option received in settlement of Burj Bank shares. During the period, the Modaraba has received Rs. 10.100 million being the upfront payment and two installments of Rs. 750,000 from First Dawood Investment Bank Limited as per agreed repayment schedule.					



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		(Un-audited) December 31, 2015	(Audited) June 30, 2015
	Note	----- (Rupees) -----	
12 CASH AND BANK BALANCES			
Cash in hand		179,291	227,609
Cash with State Bank of Pakistan - current account		40	40
Cash with banks in:			
PLS savings accounts	12.1	5,043,307	24,391,213
Current accounts		15,733,385	10,648,811
		20,956,023	35,267,673
12.1	These carry mark-up at the rate ranging from 2.2% to 3.5% (June 30, 2015: 5.5% to 8%) per annum.		
13 NON CURRENT ASSET HELD FOR SALE			
Non current asset held for sale	13.1	55,800,000	55,800,000

13.1 In April 2013, Registrar issued direction under section 18A of Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 not to sell or transfer any assets of Modaraba valuing Rs. 1 million or above without prior approval of Registrar Modaraba.

During prior year, the Modaraba agreed with First Dawood Investment Bank Limited (FDIBL) to swap its investment in equity securities of Burj Bank Limited (at par value) against consideration of agricultural land at Ghara valuing Rs. 55.880 million (the title and possession of which has been transferred in the name of the Modaraba), Pattoki land valuing Rs. 25.10 million and cash consideration amounting to Rs. 3.02 million.

During prior year, Central Depository Company of Pakistan Limited transferred the shares of Burj Bank Limited in compliance with the order of the Honorable High Court of Sindh in Execution No. 4 of 2014 dated November 18, 2014 and later modified on January 14, 2015. Since the shares of Burj Bank Limited were transferred as per the direction of the court order, the transaction has been recorded in the books of the Modaraba without the approval of SECP in order to comply with court order.

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

The Modaraba vide letter dated May 27, 2015 informed Securities and Exchange Commission of Pakistan that cash and land at Ghara have been transferred and received by the Modaraba, however, due to pending litigation on the title of the property, Patoki land is taking time to get transferred in the name of Modaraba.

The Modaraba apprised SECP that in view of the pending litigation on title of Patoki land, FDIBL offered cash amounting to Rs. 25.10 million in 30 equal installments vide letter dated April 29, 2015 to close the transaction. Request for approval of the same has been submitted to the Registrar Modaraba. The Modaraba also apprised SECP that Board of Directors of the Modaraba has approved the transaction subject to SECP approval.

SECP vide letter dated July 02, 2015 informed the Modaraba that the proposed swap of assets is not covered under the Prospectus of the Modaraba and directed the management of the Modaraba to sell / dispose of the land at Ghara valuing Rs. 55.80 million at the value of its acquisition and inject cash in the Modaraba within three months in order to secure the interests of the certificate holders of the Modaraba. Moreover, SECP directed the Modaraba to accept cash against the land at Patoki land of Rs. 25.10 million from FDIBL over time i.e. Rs. 10.10 million upfront and remaining balance of Rs. 15.00 million in 12 equal monthly installments with the condition that 2.51 million shares of Dawood Family Takaful Limited (DFTL) shall be placed with the Modaraba in blocked status / lien marked as security till the time the entire balance of Rs. 25.10 million is received from FDIBL.



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The Modaraba vide letter dated July 6, 2015 informed FDIBL about the direction of SECP and requested FDIBL to confirm the acceptance of the SECP direction. FDIBL responded vide letter dated July 7, 2015 that due to scarce cash resources, 12 equal monthly installment would drain out cash resources and offered to make upfront payment of Rs. 10.10 million along with transfer of 1.50 million shares of DFTL as security against future settlement of Rs. 15.0 million.

In response to FDIBL letter, the Modaraba informed SECP vide letter dated September 7, 2015 that the Modaraba is in negotiation with FDIBL and believe that it will take more than three months to close the transaction. Modaraba further requested SECP to approve receipt of Rs. 10.10 million as upfront payment and balance amount in 20 equal monthly installments of Rs. 750,000 each and a placement of 1.51 million shares of DFTL with the Modaraba as security. In response to Modaraba's request, SECP vide letter dated September 14, 2015 relaxed the transaction and directed as follows:

- Receive payment of Rs. 10.10 million from FDIBL as upfront payment
- Receive Rs. 15 million in 20 equal instalment of Rs. 750,000 each
- Receive 1.51 million shares of DFTL as security against outstanding amount of Rs. 15 million. The shares shall be deposited and placed in CDC account of the Modaraba. The security shall not be released till final settlement of Rs. 15 million from FDIBL.

The SECP also directed to provide copies of cheque/DD/PO of the amount received by Modaraba from FDIBL as upfront payment and monthly installments within seven days from the date of receipt.

As regard, Ghara land valuing Rs. 55.80 million received by the Modaraba from FDIBL against Burj Bank's shares, SECP directed Modaraba to get the property re-valued from a valuer of repute, duly registered with Pakistan Banking Council, preferably by Iqbal A. Nanjee & Company (Private) Limited, before the proposed disposal and the exercise of valuation of the said property should be completed and the evaluation report be submitted to SECP within one month from the date of the letter. Further action on the request of disposal of the property shall be considered on the basis of the review of evaluation report.

During the period, the Modaraba has received the upfront payment of Rs. 10.10 million from First Dawood Investment Bank Limited and further monthly payments Rs. 15 million in 20 equal installment of Rs. 750,000 each has been received from FIDBL as per schedule.

On recommendation of Securities and Exchange Commission of Pakistan, the Modaraba has conducted fresh valuation of the property from M/s Iqbal A Nanji & (Private) Limited. Subsequent to the period ended December 31, 2015, the valuation of report dated February 08, 2016 has been received and submitted to SECP vide the Modaraba's letter dated February 11, 2016 which shows present market value of Rs. 58.42 million.

	(Un-audited) December 31, 2015	(Audited) June 30, 2015
Note	----- (Rupees) -----	
14 DIMINISHING MUSHARAKA BASED TERM FINANCE CERTIFICATES (TFC's)		
Diminishing musharaka based Term Finance Certificates (TFCs)	312,422,226	387,560,620
Less: Current portion	<u>(312,422,226)</u>	<u>(270,708,172)</u>
	<u>-</u>	<u>116,852,448</u>



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- 14.1** Equity International Limited (EIL) held the Diminishing Musharaka based Term Finance Certificates (TFCs) of 11,800 certificates of the Modaraba and the outstanding balance of Rs. 83.018 million (principal: Rs. 55.859 million and markup: Rs. 27.159 million) was payable to EIL. The Modaraba vide letter dated September 14, 2015 requested Securities and Exchange Commission of Pakistan (SECP) to relax the direction issued under section 18-A of the Modaraba Ordinance, 1980 to settle its liability against the Modaraba's certificates held by EIL against the Sukuks of Al-Razi Health Care (Private) Limited held by the Modaraba.

Moreover EIL intends to settle the amount payable to the Modaraba against the Musharaka Facility extended to it by making payment in cash in accordance with terms and conditions of Master Restructuring / Settlement Agreement dated April 15, 2011. SECP vide letter dated October 12, 2015 requested the Modaraba to proceed with the following course of action and provide relevant copies of the documents to process the case further.

- a. CEOs of BRRI and EIL shall enter into an agreement for settlement of the Modaraba's certificates held with EIL against sukuk of Al- Razi Health Care (Private) Limited and Musharaka Facility issued to EIL along with markup against cash.
- b. The CEOs of BRRI and EIL shall furnish an undertaking on stamp paper duly notarized that they shall ensure the execution of the above referred settlement agreement including cash settlement of outstanding Musharaka facility issued to EIL by the Modaraba along with markup accrued thereon.

The Modaraba submitted the draft of settlement agreement and undertaking by CEOs of BRRI and EIL to Registrar Modaraba who accorded his approval to Modaraba vide e-mail dated November 16, 2015. In pursuance of directive issued by SECP dated October 12, 2015, and email dated November 16, 2015 the Modaraba and EIL entered into settlement agreement dated November 25, 2015. As per the settlement agreement, a swap of 17,672 units of Sukuk of Al- Razi Health Care (Private) Limited with 11,800 certificate of Modaraba that were held by EIL was agreed between EIL and the Modaraba. Moreover, in pursuance of directive issued by SECP dated October 12, 2015, the CEOs of BRRI and EIL has also entered into an undertaking on stamp paper dated November 19, 2015 duly notarized to ensure the execution of settlement agreement including cash settlement of outstanding Musharaka facility issued to EIL by BRRGM along with markup accrued thereon. The Modaraba furnished the executed settlement agreement and undertaking vide its letter dated December 17, 2015 to SECP. As a consequence of above agreement, 17,672 units having value of Rs. 3,250 per unit of sukuk of Al Razi Health Care (Private) Limited has been transferred against 11,800 certificate of Modaraba which resulted in gain amounting Rs. 25.584 million which has been recorded during the period.

- 14.2** The Modaraba has granted a musharaka facility to Equity International (Private) Limited (EIL), an associated undertaking, amounting to Rs. 43.5 million which is non-compliance of Rule 31 of Modaraba Companies and Modaraba Rules, 1981 which states that "no loan or contribution shall be made by the Modaraba to any of its associated undertakings of the Modaraba companies or political parties or other organization of political nature". During the period, Modaraba has received interest amounting to Rs. 5.645 million and is expecting to receive the remaining interest and principal balance in the near future. As per directive of SECP dated October 12, 2015, the CEOs of BRRI and EIL has entered into an undertaking on stamp paper dated November 19, 2015 duly notarized to ensure the execution of settlement agreement including cash settlement of outstanding Musharaka facility issued to EIL by BRRGM along with markup accrued thereon. As per the undertaking, both the parties irrevocably and unconditionally undertake that the proceeds from the sale of Sukuk certificates of Al-Razi Health Care (Private) Limited shall be used exclusively for the cash settlement of the outstanding musharaka facility issued by the Modaraba to EIL along with markup accrued thereon. Subsequent to the balance sheet date, an amount of Rs.7.310 million has been received on this account.

		(Un-audited) December 31, 2015	(Audited) June 30, 2015
	Note	----- (Rupees) -----	
15 MURABAHA, MUSHARAKA AND FINANCE UNDER MARK-UP ARRANGEMENTS			
Murabaha arrangements	15.1	152,500,000	152,500,000
Musharaka arrangements	15.2	110,000,000	110,000,000
Mark-up arrangements			
Running finance	15.2	49,649,098	49,649,098
		<u>312,149,098</u>	<u>312,149,098</u>



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15.1 The Modaraba has entered into Murabaha (purchase and sale) agreements with a commercial bank. As per the original contract, the Murabaha sale price was payable on deferred payment basis in quarterly/monthly installments by June 27, 2011. The Modaraba initially defaulted on its obligation towards the commercial bank on its respective dates. Later, Modaraba offered a proposal for settlement which includes debt to asset swap and rescheduling of the amount due. However, restructuring has not been finalized to date by the bank. The Modaraba continues to accrue markup on the facilities ranging from 8.60% to 11.28% (June 30, 2015: 11.28% to 14.24%) per annum. The arrangements are secured by way of hypothecation of the leased assets and future rentals receivable.

15.2 The Modaraba has entered into Musharaka agreements with the commercial banks / financial institutions and other companies. These Musharaka arrangements are on profit sharing basis and payable upto December 28, 2014. Estimated rate of profit on Musharaka arrangement ranges from 8.85% to 9.26% (June 30, 2015: 8.98% to 16%) per annum.

Note	(Un-audited) December 31, 2015	(Audited) June 30, 2015
	----- (Rupees) -----	
16 CREDITORS, ACCRUED AND OTHER LIABILITIES		
Modaraba management fee payable	3,712,795	8,106,828
Sales tax on modaraba management fee payable	3,568,806	3,049,014
Provision for Workers' Welfare Fund	1,933,680	2,901,723
Accrued liabilities	-	11,651,565
Rentals received in advance	23,292,604	23,292,964
Lockers	29,070,907	25,445,052
Properties	22,064	117,009
Charity payable	19,523,815	54,329,903
Others	<u>81,124,671</u>	<u>128,894,058</u>

17 COMMITMENTS AND CONTINGENCIES

There were no contingencies as at December 31, 2015 (2014: Nil).

Note	(Un-audited) December 31, 2015	(Un-audited) December 31, 2014
	----- (Rupees) -----	
18 RETURN ON INVESTMENTS - NET		
Dividend income	6,086,803	5,654,446
Profit on term finance certificates	5,511,546	7,595,868
Gain on sale of investments	15,473,669	5,323,464
Diminution / surplus on revaluation of investment - held for trading	<u>(2,217,472)</u>	<u>10,735,265</u>
	<u>24,854,546</u>	<u>29,309,043</u>
19 OTHER INCOME		
(Loss) / gain on disposal of plant and equipment - Ijarah / leased	(275,159)	320,543
Gain on disposal of property and equipment - owned	1,324,725	282,454
Maintenance charge to tenant BRR Tower	1,132,000	-
Reversal of bonus and leave encashment	8,616,171	-
Gain on settlement of diminishing musharaka based Term Finance Certificates	25,584,023	-
Others	<u>1,310,935</u>	<u>1,361,266</u>
	<u>37,692,695</u>	<u>1,964,263</u>



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For The Half Year Ended December 31, 2015**

	(Un-audited) December 31, 2015	(Un-audited) December 31, 2014
	----- (Rupees) -----	
20 REVERSAL OF PROVISION / (PROVISION) FOR DOUBTFUL RECEIVABLES - NET		
Provision on Musharaka	-	(5,876,754)
Provision on Ijarah	-	(297,076)
Reversal of provision on Musharaka	275,000	312,978
Reversal of provision on lease receivables	111,698	648,446
	<u>386,698</u>	<u>(5,212,406)</u>

21 FAIR VALUE HIERARCHY

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

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

As at December 31, 2015, the Modaraba held the following financial instruments measured at fair value:

	December 31, 2015			
	Level 1	Level 2	Level 3	Total
	----- (Rupees) -----			
Investments at fair value through profit or loss - held-for-trading				
Listed ordinary shares	165,221,340	-	-	165,221,340
Available-for-sale investments				
Listed ordinary shares - Net	226,677,312	-	-	226,677,312
Unlisted ordinary shares	-	-	119,743,707	119,743,707
Debt securities	-	-	66,444,183	66,444,183
	<u>391,898,652</u>	<u>-</u>	<u>186,187,890</u>	<u>578,086,542</u>

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

	June 30, 2015			
	Level 1	Level 2	Level 3	Total
	----- (Rupees) -----			
Investments at fair value through profit or loss - held-for-trading				
Listed Ordinary shares	143,324,408	-	-	143,324,408
Available-for-sale investments				
Listed Ordinary shares - Net	182,182,209	-	-	182,182,209
Unlisted Ordinary shares	-	-	120,743,707	120,743,707
Debt securities	-	-	121,374,099	121,374,099
	<u>325,506,617</u>	<u>-</u>	<u>242,117,806</u>	<u>567,624,423</u>



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Notes To The Condensed Interim Financial Information For The Half Year Ended December 31, 2015

Valuation techniques

For Level 3 available-for-sale investments the Company values the investment at carrying value which approximates the fair value of the investment.

Transfers during the period

During the half year ended December 31, 2015, there were no transfers between level 1 and level 2 fair value measurements, and no transfers into and out of level 3 fair value measurements.

22 TAXATION

As per the Second Schedule to the Income Tax Ordinance, 2001, the income of a non-trading modaraba is exempt from income tax provided that it distributes 90% of its profits to its certificate holders for the year after making appropriation for statutory reserves. The Modaraba intends to avail this exemption by distributing 90% of its profits to its certificate holders after making appropriation for statutory reserves. Accordingly, no provision in respect of current and deferred tax has been made in this condensed interim financial information.

23 RELATED PARTY TRANSACTIONS

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

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

Relationship with the Modaraba	Nature of transactions	(Un-audited) December 31, 2015 ----- (Rupees) -----	(Un-audited) December 31, 2014
Management Company			
BRR Investments (Private) Limited	Management fee accrued	3,712,796	-
	Management fee paid	8,106,829	-
	Rent received	150,000	150,000
Subsidiary Company			
B.R.R. Financial Services (Private) Limited	Preliminary expenses paid	528,265	-
Associated undertakings			
First Dawood Investment Bank Limited	Rent received	409,200	426,900
First Dawood Investment Bank Limited	Share of common expenses received	253,796	825,282
First Dawood Investment Bank Limited	Consideration receive against settlement of Bank Limited shares	11,600,000	-
First Dawood Investment Bank Limited	Principal paid against investment in BRRGM Sukuk	9,817,872	-



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**Notes To The Condensed Interim Financial Information
For The Half Year Ended December 31, 2015**

		(Un-audited) December 31, 2015	(Un-audited) December 31, 2014
		----- (Rupees) -----	
First Dawood Investment Bank Limited	Profit paid against investment in BRRGM Sukuk	5,482,641	-
Crescent Standard Modaraba	Share of common expenses received	92,095	264,093
First Dawood Employees Provident Fund	Transfer to provident fund	961,744	935,550
First Dawood Employees Provident Fund	Principal paid against investment in BRRGM Sukuk	1,602,376	734,422
First Dawood Employees Provident Fund	Profit paid against investment in BRRGM Sukuk	1,068,806	658,310
Equity International (Private) Limited	Profit received on Musharaka	5,645,500	-
Equity International (Private) Limited	Principal adjusted against settlement	55,858,769	-
Equity International (Private) Limited	Profit accrued on Musharaka	-	2,627,400
Equity International (Private) Limited	Profit adjusted against settlement	27,159,254	-
Dawood Family Takaful Limited	Rental Received on Ijarah finance	373,358	288,446
Dawood Family Takaful Limited	Rent received against property	3,025,436	2,162,814
Dawood Family Takaful Limited	Group life Takaful paid	92,657	112,208
Dawood Family Takaful Limited	Principal paid against investment in BRRGM Sukuk	13,556,250	8,660,938
Dawood Family Takaful Limited	Profit paid against investment in BRRGM Sukuk	8,902,679	7,356,539
Dawood Equities limited	Brokerage and commission paid	441,996	159,721
Dawood Equities limited	Rent received against property	132,000	66,000
Hamida Dawood	Principal paid against investment in BRRGM Sukuk	1,387,500	635,938
Hamida Dawood	Profit paid against investment in BRRGM Sukuk	923,421	570,032
Dawood Global Foundation	Charity paid	169,412	102,569



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For The Half Year Ended December 31, 2015**

Period end balances	Nature of transactions	(Un-audited) December 31, 2015	(Audited) June 30, 2015
		----- (Rupees) -----	
BRR Investments (Private) Limited	Management fee accrued	3,712,796	8,106,829
Associated companies / other related parties			
Equity International (Private) Limited	Profit receivable on Musharaka	7,310,414	12,955,914
Equity International (Private) Limited	Principal payable against investment in Sukuk	-	24,521,875
Equity International (Private) Limited	Profit payable against investment in Sukuk	-	21,967,466
Dawood Family Takaful Limited	Rent receivable against property	-	1,081,410
Dawood Equities Limited	Brokerage and Commission payable	-	918,941
First Dawood Investment Bank Limited	Receivable against settlement of Burj Bank Limited Share	13,580,000	25,180,000

24 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue on **26 February 2016** by the Board of Directors of B.R.R. Investments (Private) Limited.

25 GENERAL

25.1 This condensed interim financial information is presented in Pak Rupees, which is the Modaraba's functional and presentation currency.

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

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

Rafique Dawood
Chairman

Ayaz Dawood
Chief Executive Officer

Syed Ali Raza
Director

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