Dawood
Lawrencepur
Limited

Power & Responsibility

# Annual Report 2017

*With great power comes great responsibility*

We believe in this adage lies the essence of what makes a leader an inspiration.

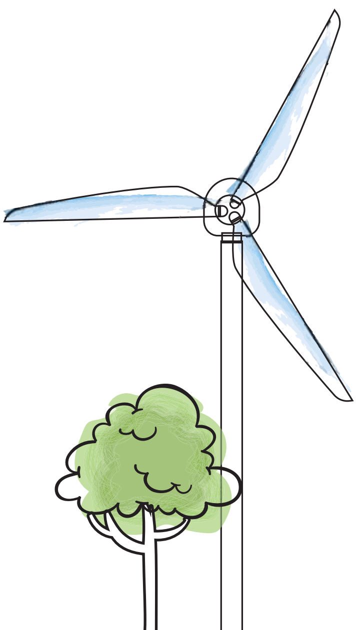
It is not that they have acquired power. It is how they attained it and how they intend to use it.

Our partners have adopted Reon solar not just to make their businesses more profitable but also as a contribution to make the planet safer. Today's innovations in clean energy have made this possible.

TENAGA GENERASI LIMITED

Tenaga Generasi is an
Independent Power Producer (IPP)
that manages a wind farm in Gharo, Sind
on Build-Own-Operate basis.

We are committed to clean energy.



emPower

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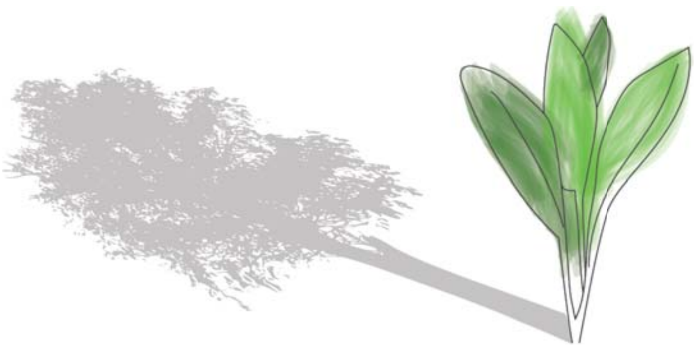

# Our Vision

To give our customers an energy abundant
future by harnessing the potential of the environment
in a safe and sustainable manner.

# Our Mission

We aim to be the leading renewable energy solutions company of Pakistan, with a turnover exceeding Rs.10 billion by 2020. We will achieve this by resolutely following our Core Values and by:

- Anticipating customer needs and consistently optimizing our products & services.
- Building strategic partnerships with technology suppliers, vendors and financial institutions.
- Becoming the employer of choice and developing a culture that inspires performance, excellence and teamwork.

# Company Information

## Board of Directors
- Mr. Shahid Hamid Pracha (Chairman)
- Mr. Mujtaba Haider Khan (Chief Executive Officer)
- Mr. Shahzada Dawood
- Mr. Abdul Samad Dawood
- Mr. Shafiq Ahmed
- Mr. Hasan Reza Ur Rahim
- Mr. Shabbir Hussain Hashmi

## Board Audit Committee
- Mr. Shabbir Hussain Hashmi (Chairman)
- Mr. Shahzada Dawood
- Mr. Hasan Reza Ur Rahim

## Human Resource and Remuneration Committee
- Mr. Shahid Hamid Pracha (Chairman)
- Mr. Abdul Samad Dawood
- Mr. Hasan Reza Ur Rahim

## Chief Financial Officer
- Mr. Shafiq Ahmed

## Company Secretary
- Mr. Imran Chagani

## Auditors
- A. F. Ferguson & Co.
  (Chartered Accountants)

## Bankers
- Bank Al-Habib Limited
- Standard Chartered Bank (Pakistan) Limited
- Habib Bank Limited
- National Bank of Pakistan

## Legal Advisor
- Zia Law Associates
  17, Second Floor
  Shah Chiragh Chambers
  The Mall, Lahore

## Share Registrar
- Central Depository Company of
  Pakistan Ltd.
  CDC House, 99-B, Block B, S.M.C.H.S
  Main Shahra-e-Faisal
  Karachi – 74400
  Tel.: 021-111-111-500

## Registered / Head Office
- 3rd Floor, Dawood Centre
  M. T. Khan Road
  Karachi-75530
  Tel.: 021-35632200-9
  Fax: 021- 35633970
  E-mail: info.reon@dawoodhercules.com
  Website: www.dawoodlawrencepur.com

## Lahore Office
- 3rd floor, Asia House, 19-C/D, L Block
  Gulberg III, Main Feroz Pur Road
  Lahore
  Tel.: 042-35861050-53
  Fax.: 042-35861054

## Mills
- Dawoodabad
  District Vehari
  Tel.: 067- 3353347, 3353145, 3353246
  Fax: 067- 3354679

- Dawoodpur
  District Attock
  Tel.: 057-2641074-6
  Fax: 057-2641073

# Our Values

### Ethics & Integrity

We will comply with the law of the land and practice high ethical standards. We will honor our commitments and be honest in our business dealing. We will practice transparency in accounting and financial reporting. We will be candid in our communication.

### Health, Safety & Environment Stewardship

We will create a culture of learning and practicing safety & caring about the environment. We will promote health and well-being of our employees. We will provide products & solutions in a manner that is safe for our customers, our employees, the community and the environment. We will strive to be good corporate citizens.

### Customer Satisfaction

Customer satisfaction is critical for our success. We will therefore anticipate customer needs and deliver on our promise. We will lead the market in bringing technological advancements which are relevant to our customer needs & will strive for innovation and continuous improvement in all that we do.

### Respect for our People

Our strength will always be our People. We will create a work environment that promotes respect for all and is free from harassment. We will develop a culture that is passionate about teamwork and collaboration at all levels across the company & together we will strive for excellence. We will learn and share knowledge and ideas and promote employee development.

### Shareholder Value Creation

We will always honor the trust our shareholders have placed in us and will work tirelessly for increasing shareholder value.


Tenaga Generasi Ltd.
Gharo, Sind

*Greater profitability that protects the planet*

Innovative energy strategies have made it possible for our clients to reduce the cost to their business and our planet.

“By adding Solar to our energy mix we have partnered with Reon in our common goal to build industries and protect the planet. Clean energy towards a greener world.”

- Khizar Butt
Area Manager, Unilever Pakistan Ltd

“We have been ahead of the game for over
30 years in Pakistan and Europe.
Reon’s acumen has equipped our shoe factory to
adopt the innovations in energy that give us the
edge of reducing cost not just to our business
but also to the planet.”

- Hassan Ehsan
Business Head, Servis Industries Ltd.

“Wah Nobel has increased productivity
by many fold, with uninterrupted
supply of electricity during day.
We chose Reon as our EPC Contractor for
their leadership in technical expertise and
professionalism.”

- Brig (R) Shiraz Ullah Choudhry (SI) M
Chief Executive, Wah Nobel Group

“270 acres maintained by pumps and motors
to water our golf courses and air conditioning
for leisure and entertainment areas are
powered by Reon Solar.
We now enjoy uninterrupted energy
at half the cost!”

- Cdr. Majid Iqbal Satti
Honorary Secretary, Karachi Golf Club

# Business Code of Conduct

The Company strongly believes in conducting and growing its business on the principles of integrity, fairness and high ethical standards. The Company takes pride in adhering to its principles and shall continue to serve its customers, stakeholders and society on the basis of the following Business Code of Conduct. The Company believes in the standards of business conduct defined in this policy and expects all Associates (employees, trainees, interns, and contractors), directors, consultants, customers, suppliers and vendors of all its divisions, subsidiaries and associated companies to abide by the same standards as mentioned herein below,

a. Ethical and fair business practices and open competitive markets. Developing any association within the segment, industry or with competitors to distort pricing and availability is contradictory to our business code of conduct.

b. The Company's financial policies for conducting business shall be based on transparency and integrity, and will follow the principles of accounting and finance as approved by regulations and contemporary accounting codes.

c. Ensure compliance with the laws of Pakistan.

d. Ensure protection of Intellectual Property rights and comply with related legislation regarding protection of copyright, trade secrets, patents, and other information, and neither solicit Confidential Information from others nor disclose the Company's Confidential Information that may come into their knowledge, during their association with the Company, to any unauthorized person or party. Understand, sign and comply with the Confidentiality Agreement (Confidential Information Protection/Non-disclosure Agreement).

e. As a responsible corporate citizen strongly adhere to the principles of corporate governance and comply with regulatory obligations enforced by regulatory bodies for improving corporate performance.

f. Demonstrate integrity and honesty in doing business for the Company and dealing with people. Any unfair or corrupt practices either to solicit business for the Company or for personal gain is fundamentally inconsistent with the Company's Business Code of Conduct and Conflict of Interest Policy. Avoid situations in which personal interest, relationships and activities conflict with or interfere with your duty to be loyal to the Company and prevents you from acting in the best interest of the Company at any time.

g. The Company's funds shall not be used, directly or indirectly, for the purpose of any unlawful payments. This includes, but is not limited to, not participating in, nor supporting, any activities that are, or relate to money laundering and terrorism financing.

h. The Company believes in making charitable contributions and community development without political and religious affiliations and without demand or expectation of any business return. The Company shall contribute its resources with an unprejudiced approach for the betterment of society and the environment.

i. The Company does not encourage giving or receiving Gifts and Entertainment. However, where required for sound business reasons, any Gifts or Entertainment exchanged shall be in accordance with the Company's Gift and Entertainment Policy.

j. Agreements with agents or consultants must be in writing and must clearly and accurately set forth the services to be performed, the basis for earning the commission or fee involved, and the applicable rate or fee. Any such payments must be reasonable in amount, not excessive in light of the practice in the trade, and commensurate with the value of the services rendered. The agent, or consultant must be advised that the agreement may be publicly disclosed and must agree to such public disclosure.

k. All assets of the Company must be accounted for properly and accurately.

l. Falsification of records for any reason shall not be tolerated. Do not make false or fraudulent entries in records, expense statements, invoices or any other documents nor alter them.

m. The Company's internal and external auditors shall be given access to information necessary for them to conduct audits properly and accurately.

n. Treat everyone with respect and fairness, including subordinates, peers, juniors, seniors and all others. Report incidents of violence and/or aggressive behavior. Management is expected to investigate so that such incidents are not repeated.

o. Comply with local legislation and Company policy on preventing harassment and strive to create a respectful work environment. The Company will not tolerate harassment of any sort.

p. The Company will support diversity and inclusiveness and will continuously strive to improve the work environment and prevent discrimination.

q. The Company will ensure its recruitment and selection process is of a high standard, based on merit and free from discrimination. If men and women both apply for any job vacancy, they will be given an equal opportunity to participate in a fair evaluation process.

r. Only an authorized spokesperson shall be entitled to speak on behalf of the Company in front of public gatherings and media.

s. The Company does not allow improper use of email and internet. All Associates are expected to comply with the Company policy on email and computer network use.

t. Comply with Health, Safety and Environment (HSE) policies, procedures and cardinal rules. Demonstrate safe behavior, prevent incidents and help others learn to act safely.

u. All Associates must manage their time and resources efficiently and effectively and keep the tools and equipment provided to them by the Company in safe and good working condition.

v. Soliciting the Company's employees for employment and customers for similar business is not allowed for a period of at least one year after Separation from the Company.

w. Our behavior reflects the image of the Company. Everyone associated with the Company is expected to act professionally and abide by the Company's Business Code of Conduct, policies, rules and regulations.

# Notice of 68th Annual General Meeting

Notice is hereby given that 68th Annual General Meeting of the shareholders of Dawood Lawrencepur Limited (the "Company") will be held on Wednesday, April 25, 2018 at 9:30 a.m. at The Dawood Foundation Business Hub, Ground Floor, Dawood Centre, M.T. Khan Road, Karachi to transact the following business:

**A) Ordinary Business:**

1. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended December 31, 2017 together with the Auditors' and Directors' Reports thereon and the Review Report of the Chairman.

2. To approve the payment of final cash dividend at the rate of Rupee 1/- per share i.e. 10% for the year ended December 31, 2017 as recommended by the Board of Directors.

3. To appoint Auditors and to fix their remuneration. The Board and the Audit Committee has recommended the reappointment of Messrs. A. F. Ferguson & Co. (Chartered Accountants), as auditors of the Company.

**B) Special Business:**

4. To consider and if deemed fit, to pass the following resolutions as special resolutions for renewal of Subordinated Loan Facility of up to PKR 300 million provided to M/s Tenaga Generasi Limited (TGL), a subsidiary of the Company:

   **"RESOLVED** that, the approval of the members of Dawood Lawrencepur Limited (the **Company**) be and is hereby granted in terms of Section 199 of the Companies Act, 2017 and all other applicable laws, for the renewal of Subordinated Loan Facility of up to PKR 300 million provided by the Company to its subsidiary, M/s Tenaga Generasi Limited (TGL) for a period of up to three years, as per the terms and conditions of the agreement.

   **FURTHER RESOLVED** that, for the purpose of giving effect to this special resolution, any two of the Chief Executive Officer, the Chief Financial Officer, and the Company Secretary of the Company be and are hereby authorized jointly to take all necessary actions and do all acts, deeds and things including execution of documents and agreements for the purposes of implementing the aforesaid resolution."

5. To consider and approve the disposal of the 'Lawrencepur' brand of the Company and if thought fit, pass with or without modifications, addition or deletion, the following resolutions as ordinary resolutions, in terms of Section 183 (3) of the Companies Act, 2017:

   **"RESOLVED** that, approval of members of Dawood Lawrencepur Limited (the Company) be and is hereby granted in terms of Section 183 (3) of the Companies Act, 2017 to dispose of the 'Lawrencepur' brand of the Company, and that the Board of Directors of the Company be and is hereby authorized to sell or otherwise dispose of the said asset on such basis and on such terms and subject to such conditions and for such consideration as may be determined by the Board of Directors of the Company.

   **FURTHER RESOLVED** that, any two of the Chief Executive Officer, the Chief Financial Officer and the Company Secretary of the Company, be and are hereby authorized jointly and empowered on behalf of the Company to do all acts, deeds and things and take all necessary steps for the disposal including negotiations and signing of the documents, deeds and papers, agreements and all other documents as may be necessary in order to give effect to, implement and complete the sale of the assets as aforesaid and all matters connected, necessary and incidental thereto."

By Order of the Board

Karachi,
Dated: March 20, 2018

Imran Chagani
Company Secretary

Notes:

**1. Placement of Financial Statements**

The Company has placed the Audited Annual Financial Statements together with Chairman's Review Report, Directors' and Auditors' Report thereon for the year ended December 31, 2017 on its website: www.dawoodlawrencepur.com.

**2. Closure of Share Transfer Books:**

The Share Transfer Books of the Company will remain closed from April 19, 2018 to April 25, 2018 (both days inclusive). Transfers received in order at the office of the Company's Share Registrar, Messrs. Central Depository Company of Pakistan Limited, CDC House, 99 – B, Block 'B', S.M.C.H.S., Main Shahra-e-Faisal, Karachi-74400, by close of business (5:00 p.m.) on April 18, 2018, will be treated as being in time for the purposes of payment of final dividend to the transferees and to attend and vote at the meeting.

**3. Participation in the Annual General Meeting:**

All Members, entitled to attend and vote at the meeting, are entitled to appoint another person in writing as their proxy to attend and vote on their behalf. A proxy need not be a member of the Company. A corporate entity, being member, may appoint any person, regardless whether they are a member or not, as its proxy. In case of corporate entities, a resolution of the Board of Directors / Power of Attorney with specimen signature of the person nominated to represent and vote on behalf of the corporate entity shall be submitted to the Company along with a completed proxy form. The proxy holders are required to produce their original CNICs or original passports at the time of the meeting.

In order to be effective, duly completed and signed proxy forms must be received at the Company's Registered Office at least 48 hours before the time of the meeting.

CDC account holders will further have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan (SECP) in Circular No. 1 of 2000.

**A. For Attending the Meeting**

a. In case of Individuals, the account holders or sub-account holders whose registration details are uploaded as per the Regulations shall authenticate his/her original valid Computerized National Identity Card (CNIC) or the original Passport at the time of attending the meeting.

b. In case of corporate entity, the Board of Directors' Resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

**B. For Appointing Proxies**

a. In case of individuals, the account holders or sub-account holders whose registration details are uploaded as per the Regulations shall submit the proxy form as per above requirements.

b. Attested copies of valid CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

c. The proxy shall produce original valid CNIC or original passport at the time of the meeting.

d. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

e. Proxy form will be witnessed by two persons whose names, addresses and valid CNIC numbers shall be mentioned on the form.

**4. Computerized National Identity Card (CNIC) / National Tax Number (NTN):**

With reference to the Securities and Exchange Commission of Pakistan (SECP) Notifications SRO 19(I)/2014 and SRO 831(1)/2012 dated July 5, 2012, which mandate that the dividend warrants should bear CNIC number of the registered member or their authorized person, except in case of minor(s) and corporate members. All those individual members holding physical shares who have not yet recorded their CNIC No. are once again reminded to immediately submit the copy of their CNIC to Company's Share Registrar M/s. Central Depository Company of Pakistan Limited, CDC House, 99 – B, Block 'B', S.M.C.H.S., Main Shahra-e-Faisal, Karachi-74400. Members while sending CNIC must quote their respective folio numbers. The corporate members having CDC accounts are required to have their NTN updated with their respective participants, whereas corporate entities having physical shares should send a copy of their NTN certificates to Company's Share Registrar. The corporate members while sending NTN or NTN certificates, as the case may be, must quote the company name and their respective folio numbers.

**5. Consent for Video Conference Facility**

Members can also avail video conference facility under the provision of Section 134(1)(b) of the Companies Act, 2017 to participate in the general meeting and consent from members as per following format. The members must hold in aggregate 10% or more shareholding residing in that city and consent of shareholders must reach at the registered address of the Company at least 10 days prior to the general meeting in order to participate in the meeting through video conference. The Company will intimate members regarding venue of video conference facility at least 7 days before the date of Annual General Meeting along with complete information necessary to enable them to access such facility.

I/We, ______________________ of _________, being a member of Dawood Lawrencepur Limited, holder of __________________ ordinary share (s) as per Register Folio/CDC Account No____________ hereby opt for video conference facility at ____________________.

________________
Signature of Members

## 6. Withholding Tax on Dividend

The Government of Pakistan through Finance Act, 2017 has made certain amendments in Section 150 of the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction withholding tax on the amount of dividend paid by the Companies. These tax rates are as under:

| | | | |
|---|---|---|---|
| (a) | For filers of income tax returns | : | 15.0% |
| (b) | For non-filers of income tax returns | : | 20.0% |

Shareholders who are filers are advised to make sure that their names are entered into latest Active Tax Payers List (ATL) provided on the website of FBR by the first day of book closure, otherwise they shall be treated as non-filers and tax on their cash dividend will be deducted at the rate of 20% instead of 15.0%.

**Withholding tax on Dividend in case of Joint Account Holders**

In order to enable the Company to follow the directives of the regulators to determine shareholding ratio of the Joint Account Holder(s) (where shareholding has not been determined by the Principal Shareholder) for deduction of withholding tax on dividend of the Company, Shareholders are requested to please furnish the shareholding ratio detail of themselves as Principal Shareholder and their Joint Holders, to the Company's Share Registrar, enabling the Company to compute withholding tax of each shareholder accordingly. The required information must reach to Company's Share Registrar before book closure otherwise it will be assumed that the shares are equally held by Principal Shareholder and Joint Holders(s).

**Requirement of valid tax exemption certificate for claiming exemption from withholding tax:**

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

## 7. Payment of Cash Dividend Electronically

Under second proviso to Section 242 of the Companies Act, 2017, listed companies are required to pay declared cash dividends only through electronic mode directly into the bank accounts designated by the entitled shareholders. In this way, dividends may be instantly credited to respective bank accounts and there are no chances of dividend warrants getting lost in the post, undelivered or delivered to the wrong address, etc.

Accordingly, the shareholders of the Company are requested to provide the following information for payment of cash dividend to be declared by the Company through electronic mode directly in the bank account designated by you.

| | |
|---|---|
| Title of Bank Account Bank | |
| Account Number | |
| IBAN Number | |
| Bank's Name | |
| Branch Name and Address | |
| Cell Number of Shareholder | |
| Landline number of Shareholder | |
| Email of Shareholder | |

The shareholders are also required to intimate the changes, if any in the above-mentioned information to the company and the concerned Share Registrar as soon as these occur. In case of shares held electronically, then the above electronic credit mandate form must be submitted directly to shareholder(s)' broker/participant/CDC account services.

8. Transmission of Annual Accounts, Notices of Meetings, Auditor's Report and Directors' Report through CD, DVD or USB Pursuant to S.R.O 470(I)/2016 dated May 31, 2016, the shareholders of the Company has accorded approval in general meeting for transmission of annual reports including annual audited accounts, notices of annual general meetings and other information contained therein of the Company through CD or DVD or USB instead of transmitting the same in hard copies. The shareholders who wish to receive hard copy of the aforesaid documents may send to the Company Secretary / Share Registrar, the Standard Request Form provided in the annual report and also available on the website of the Company and the Company will supply hard copies of the aforesaid document to the shareholders on demand, free of cost, within one week of such demand. The shareholders who intend to receive the annual report including the notice of meeting through e-mail are requested to provide their written consent on the Standard Request Form provided in the annual report and also available on the Company's website: www.dawoodlawrencepur.com.

# Statements of Material Facts under Section 134(3) of the Companies Act, 2017 relating to the Special Business referred to the Notice above

This Statement sets out the material facts concerning the following Special Business to be transacted at the Annual General Meeting of Shareholders of Dawood Lawrencepur Limited to be held on April 25, 2018.

**Agenda Item No. 4**
**Renewal of Subordinated Loan Facility of up to PKR 300 million for a period of up to three years provided to M/s. Tenaga Generasi Limited (TGL), a subsidiary of the Company**

Tenaga Generasi Limited ("TGL") is a subsidiary of Dawood Lawrencepur Limited. TGL has set up a wind energy project of 49.5 MW which is located at Khutikun, Mirpur Sakro. The Project has achieved its Commercial Operations Date (COD) on October 11, 2016 and has commenced dispatching energy to the National Grid. Due to uncertainty of the recoveries from the power purchaser, TGL requires a loan to manage its working capital requirement and meet day to day expenses. The Company is also seeking approval of the shareholders by passing the resolution as proposed in the notice of the meeting as a special resolution for the purpose of renewal of subordinated loan provided to TGL of PKR 300 million for a period of up to three years in order to fulfil the requirements of Section 199 of the Companies Act, 2017.

The directors have carried out necessary due diligence for the investment. The duly signed recommendation of the due diligence report shall be made available to the members for inspection in the annual general meeting. The latest annual audited and reviewed financial statements of the subsidiary shall be available for inspection in the annual general meeting.

<table>
<tr><th>Sr. No.</th><th>Nature of Information Required to be Disclosed Pursuant to the Companies (Investments in Associated Companies or Undertakings) Regulations, 2017</th><th>Relevant Information</th></tr>
<tr><td>a)</td><td colspan="2">Disclosure for all types of investments</td></tr>
<tr><td></td><td colspan="2">(A) Regarding associated company or associated undertaking: -</td></tr>
<tr><td></td><td>(i) Name of associated company or associated undertaking</td><td>Tenaga Generasi Limited (TGL).</td></tr>
<tr><td></td><td>(ii) Basis of relationship</td><td>By virtue of shareholding (75%) and common directorship.</td></tr>
<tr><td></td><td>(iii) (Loss) / Earnings per share for the last three years (PKR)</td><td><table><tr><td>2015</td><td>2016</td><td>2017</td></tr><tr><td>(0.48)</td><td>(0.81)</td><td>1.46</td></tr></table></td></tr>
<tr><td></td><td>(iv) Break-up value per share, based on the latest audited financial statements</td><td>PRK 10.54</td></tr>
</table>

| | | |
|---|---|---|
| | (v) Financial position, including main items of statement of financial position and profit and loss account on the basis of its latest financial statements; and | Financial Position as of and for the year ended December 31, 2017.<br><br>Main items of Balance Sheet:<br>(Rs. in million)<br>Non-current Assets: 11,146<br>Current Assets: 1,568<br>Total Equity: 3,189<br>Non-current Liabilities: 8,029<br>Current Liabilities: 1,496<br><br>Main items of Profit and Loss Account:<br>(Rs. in million)<br>Sales-net: 2,041<br>Profit from operations: 1,159<br>Profit before taxation: 448<br>Profit for the year: 441 |
| | (vi) In case of investment in relation to a project of associated company or associated undertaking that has not commenced operations, following further information, namely:<br><br>(I) description of the project and its history since conceptualization;<br><br>(II) starting date and expected date of completion of work;<br><br>(III) time by which such project shall become commercially operational;<br><br>(IV) expected time by which the project shall start paying return on investment; and<br><br>(V) funds invested or to be invested by the promoters, sponsors, associated company or associated undertaking distinguishing between cash and non-cash amounts. | Not applicable |

Main items of Balance Sheet:

| | (Rs. in million) |
|---|---|
| Non-current Assets | 11,146 |
| Current Assets | 1,568 |
| Total Equity | 3,189 |
| Non-current Liabilities | 8,029 |
| Current Liabilities | 1,496 |

Main items of Profit and Loss Account:

| | (Rs. in million) |
|---|---|
| Sales-net | 2,041 |
| Profit from operations | 1,159 |
| Profit before taxation | 448 |
| Profit for the year | 441 |

| | | |
|---|---|---|
| | (B) General Disclosure: - | |
| | (I) maximum amount of investment to be made;<br><br>(II) purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment;<br><br>(III) sources of funds to be utilized for investment and where the investment is intended to be made using borrowed funds:<br><br>(i) justification for investment through borrowings;<br><br>(ii) detail of collateral, guarantees provided and assets pledged for obtaining such funds; and<br><br>(iii) cost benefit analysis;<br><br>(IV) salient features of the agreement(s), if any, with associated company or associated undertaking with regards to the proposed investment;<br><br>(V) direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration; | Subordinated loan not exceeding PKR 300 million.<br><br>To assist TGL for meeting its working capital requirements. DLL will earn markup income from TGL on the Subordinated Loan. Period of loan is up to three years.<br><br>TGL has commenced its operations in October 2016 and is not seized with sufficient free cash to meet its working capital requirements. Being the subsidiary, DLL has committed to support its funding requirements.<br><br>DLL has pledged shares of Dawood Hercules Corporation Limited to acquire such funds, along with creation of charge over land and building of the Company.<br><br>Subordinated Loan will be provided from the borrowed fund for which markup shall be charged at 1% above average borrowing cost of the Company.<br><br>The Loan is a renewal of the existing facility to the subsidiary company. It is for the period of three years and carry markup at 1% above the finance cost to the Company.<br><br>None of the directors, sponsors, majority shareholders and their relatives have any interest in the proposed transaction, except to the extent of their shareholding in the associated company or associated undertaking or the transaction under consideration. |

| | | |
|---|---|---|
| | | Further, TGL is a subsidiary of DLL and 4 out of 5 directors of TGL are shareholders of DLL details are as follows:<br><br>Mr. Shahid Hamid Pracha: 1,000 shares<br>Mr. Shafiq Ahmed: 1,154 shares<br>Mr. Mujtaba Haider Khan: 1,150 shares<br>Mr. Inam ur Rahman: 8,534 shares |
| | (VI) in case any investment in associated company or associated undertaking has already been made, the performance review of such investment including complete information/justification for any impairment or write offs; and | DLL currently holds 75% of shareholding in TGL and during FY 2017, profit attributable to DLL amounted to PKR 331 million. No impairment on investment in TGL has been recognized by DLL. |
| | (VII) any other important details necessary for the members to understand the transaction; | None |

<table>
<tr><td>b)</td><td colspan="2">In case of investments in the form of loans, advances and guarantees, following disclosures in addition to those provided under clause (a) of sub-regulation (1) of regulation 3 shall be made: -</td></tr>
<tr><td></td><td>(I) category-wise amount of investment;</td><td>Subordinated loan not to exceed PKR 300 million.</td></tr>
<tr><td></td><td>(II) average borrowing cost of the investing company, the Karachi Inter Bank Offered Rate (KIBOR) for the relevant period, rate of return for Shariah compliant products and</td><td>3 months KIBOR + 0.65% to 0.90%</td></tr>
<tr><td></td><td>(III) rate of return for unfunded facilities, as the case may be, for the relevant period;</td><td>Not applicable</td></tr>
<tr><td></td><td>(IV) rate of interest, mark up, profit, fees or commission etc. to be charged by investing company;</td><td>Above 1% on the average borrowing cost of DLL</td></tr>
<tr><td></td><td>(V) particulars of collateral or security to be obtained in relation to the proposed investment;</td><td>The facility is unsecured</td></tr>
<tr><td></td><td>(VI) if the investment carries conversion feature i.e. it is convertible into securities, this fact along with terms and conditions including conversion formula, circumstances in which the conversion may take place and the time when the conversion may be exercisable; and</td><td>Not applicable</td></tr>
<tr><td></td><td>(VII) repayment schedule and terms and conditions of loans or advances to be given to the associated company or associated undertaking.</td><td>One bullet payment at the end of the tenure</td></tr>
</table>

None of the Directors of the Company have any direct or indirect interest in the above said special business except to the extent of their shareholding as mentioned in the pattern of shareholding attached to the directors' report.

**Agenda Item No. 5**

**The disposal of the 'Lawrencepur' brand of the Company**

Since ~8 years, the Company has changed its business interest from textile to renewable energy due to continual adverse trend seen in textile sector. Therefore, due to deterioration of 'Lawrencepur' brand's market worth and with the intention to safeguard shareholders' return, the Board of Directors of the Company in its meeting held on March 20, 2018 and after due consideration decided to dispose of the 'Lawrencepur' brand of the Company.

The information required under Notification No. S.R.O. 1227/2005 dated December 12, 2005 is as follows:

| Sr. No. | Description of Information | Detail of Information |
|---|---|---|
| 1 | Detail of assets to be disposed of: | |
| | • Description of assets | 'Lawrencepur' brand of the Company (intangible asset) |
| | • Cost of assets | Rs. Nil (intangible asset was not recognized in the books of account) |
| | • Book value of assets | Rs. Nil (intangible asset was not recognized in the books of account) |
| | • Revalued amount | Rs. 78.1 million as per valuation reports dated November 24, 2017 of Edesa Consulting |
| | • Approximate current market price / fair value | Current market price / fair value is expected to be in line with the re-valued amount as stated above. The exact amount, however, will be ascertained only after receipt of bids/quotations |
| 2 | The proposed manner of disposal | Through bidding process |
| 3 | Reason for the disposal of assets | In line with the Company strategic decision to exit textiles and embark upon other form of business, the management considers that in order to preserve the shareholders' value, the brand should now be disposed of |
| 4 | Benefits expected to accrue to the shareholders | The proceeds from the disposal of 'Lawrencepur' brand will be invested in renewable energy and related businesses carried by the Company and will seek to maximize shareholders' return |
| 5 | Nature and extent of interest, if any, of Directors | None of the Directors have any direct or indirect interest in the sale or disposal of the assets save and except as shareholders of the Company |

# Directors' Report

The Directors of Dawood Lawrencepur Limited (the Company) are pleased to present the Annual Report and the Audited Financial Statements for the year ended December 31, 2017.

## A. BUSINESS REPORT

### Global Renewables:

The world added enough renewable energy capacity to power every house in the UK, Germany, France and Italy combined last year. The record figure of 161 gigawatts cost about £187bn, but this was a staggering 23 per cent cheaper than it would have cost in the previous year. In a further sign of the tumbling price of low-carbon electricity, Denmark, Egypt, India, Mexico, Peru and the United Arab Emirates are all now receiving supplies at less than five US cents (about 4p) per kilowatt-hour, "well below" fossil fuels and nuclear.

The Renewables 2017 Global Status Report, published by international renewable body Ren21, found solar panels made up nearly half, or 47 per cent, of the extra capacity added, followed by wind on 34 per cent and hydro-electric schemes on 15.5 per cent. Renewables are now becoming the least cost option. Recent deals in Denmark, Egypt, India, Mexico, Peru and the United Arab Emirates saw renewable electricity being delivered at $0.05 per kilowatt-hour or less. This is well below equivalent costs for fossil fuel and nuclear generating capacity in each of these countries. Winners of two recent auctions for offshore wind in Germany have done so relying only on the wholesale price of power without the need for government support, demonstrating that renewables can be the least cost option.

New solar power provided the biggest boost – half of all new capacity – followed by wind power at a third and hydropower at 15%. It is the first year that the new solar capacity added has been greater than any other electricity-producing technology.

### Local Renewables:

Quite apart from the environmental considerations, Pakistan energy strategy has been slow in recognizing developments in technology, pricing and financing options for renewables elsewhere and the government's recent policy changes on renewable energy have dealt a grievous blow to a sector that had promised a new dawn of clean and cheap power for our energy starved country. While the rest of the world gallops ahead embracing wind and solar energy, our policy makers have thought otherwise committing instead to large scale thermal capacity. Resultantly new renewable power production (excluding traditional hydel sources) has had little impact and was less than 1% of the total in 2017. In contrast, advanced industrial nations like Germany and Denmark produce 42 percent and 14 percent of their electricity by wind alone.

In USA, the contribution of wind power to national grid is 82,183 megawatts which is approximately 6 percent of total electricity production of the country. China has the world's largest installed capacity of hydel, wind and solar power that accounts for 24 percent of its electricity generation. It produces 63 percent of the total world production of photovoltaic cells.

Nor are these developments restricted to the developed world. India has committed to adding 100,000 MW of solar and 60,000 MW of wind energy by 2022, recognizing that there is now a clear commercial case for wind and solar power production in their energy mix with the added advantage of predictable long term pricing with no fuel and extremely low operations and maintenance costs.

Despite the recent increase in capacity, Pakistan's per capita electricity consumption of 540 kwh is one of the lowest in the world with large parts of the country where grid electricity is not accessible. Pakistan's current energy mix features 64 percent thermal, 30 percent hydel, 3 percent nuclear and less for wind, solar, and coal. This will undergo a sea change once new large LNG and coal capacities come into play which will likely accentuate the current circular debt crisis and pile further pressure onto the country's balance of payments and debt servicing obligations.

As things stand, available capacity for wind and solar respectively at 640 MW and 400 MW is being underutilized and future capacity enhancements are facing active discouragement through lack of policy commitment and uncertain regulations. Hence strategic energy policy and power industry regulatory requirements need a thorough going review in order to benefit from the developing positive environment for renewables and to replicate the target of 15-20% of capacity based exclusively on these resources. In the alternative, we are and will continue to suffer environmental degradation and remain hostage to or else the country will be considered remain hostage to the volatility in imported fossil fuel prices.

## B. BUSINESS OVERVIEW

### Renewable Energy Business

Reon Energy Limited (REL), a wholly owned subsidiary of the Dawood Lawrencepur Limited, has been offering solar energy solutions in order to create an affordable and sustainable energy future for commercial & industrial entities in the region. REL has been able to win contracts from several top tier companies including leather goods, textiles and government sectors. The team is also actively innovating the structuring of such offerings by engaging external investors and development partners providing long term PPAs to AAA rated customers with excellent credit history. Beginning of Q1, first such PPA has been signed with Sindh Engro Coal Mining Company for a 5MW BOT project backed by a 15 years power purchase agreement. Moreover, an LOI has also been obtained from Unilever Walls for a 2.68 MW captive plant on site at the Lahore factory. These are two of the largest private PPAs ever done in the country and will open up the private energy market for REL in future. Last year REL also signed major partnership deals with ENI and Engro Energy Ltd for co-development of private and public IPP projects. Further partnership discussion is currently underway with other multinational entities. REL is focused in delivering a differentiated product to its customers through high-quality engineering and asset management expertise from being the premier solar power company in the country with the largest installed base in the Commercial & Industrial Sector.

### Wind Energy Project

The Plant is operating satisfactorily and meeting the expected targets for availability and BOP loss. The BOP Loss for the year was 1.13 % against a target of 3.0 %, whilst the availability was 98.9 % against a target of 97.0 %. Health Safety and the Environment (HSE) remained the priority and 119,505 safe man-hours have been clocked since COD with a TRIR of zero.

During the period, January to December the average wind speed observed was at par with P90 level. However, grid outage and extended power curtailment by the Power Purchaser continues unabated, and the curtailment accounted for 84.0 % of the total NPMV (non-project missed volume). The delay in the installation of the 220kV line from Gharo to Jhimpir has a direct impact on the curtailment. The work on the installation of the new line is being expedited and regular follow up with NTDC is being maintained. It is planned that this connection, operating at 132 kV, will be completed by end Q1 2018. The New-Jhimpir2 Grid Station has been commissioned and it is hoped that TGL will not face any constraint in evacuating through this circuit, as a consequence.

The total energy billed during this period was 115.4 GWh, which is appreciably lower than the estimated energy at P90 factor i.e. 126.9 GWh. The production that could have been achieved, without curtailment, is 127.1 GWh.

### 'Lawrencepur' Brand

Since closure of the woollen and textile unit, the Company has diverted its business from textile to renewable energy due to shift of the Company's focus from textile business. Since then the value of the 'Lawrencepur' brand was continually depleting. In order to safeguard shareholders' interest, the Board of Directors of the Company in its meeting held on March 20, 2018 and after due consideration had decided to dispose of the 'Lawrencepur' brand of the Company. The proceeds from the disposal of 'Lawrencepur' brand will be invested in renewable energy and related businesses carried by the Company and will seek to maximize shareholders' return.

### Textile Legacy Assets

During the year, the Company has entered in an agreement for disposal of its plant and machinery of the Company's discontinued unit, Burewala Textile Mills located at Burewala, District Vehari.

## C. FINANCIAL REPORT

### Financial performance

The consolidated revenue of the Group was PKR 2,537.4 million as compared to PKR 519.6 million for the similar period last year. The consolidated gross profit of the Group for 2017 was PKR 1,275.2 million as against PKR 7.2 million last year. The share of profit from associated company at PKR 560.0 million was lower by PKR 3,578.9 million due to the one time booking of gain on disposal of its Food business and change in accounting policy last year. After accounting for tax charge of PKR 318.1 million, the profit after tax from continuing operations at PKR 422.5 million was lower by PKR 2,732.8 million over 2016.

On a standalone basis, revenue of the Company was PKR 59.0 million as against PKR 161.2 million for the similar period last year i.e. lower by PKR 102.2 million mainly on account of transfer of renewable energy business to a wholly own subsidiary.

### Earnings per share

The unconsolidated earnings per share for the year 2017 was PKR 2.43 as compared to PKR 18.88 for the year 2016. Consolidated earnings per share attributable to owners of the Holding Company for the year were PKR 4.94 (2016: PKR 53.5).

### Auditors

The present auditors, Messrs. A.F. Ferguson & Co., Chartered Accountants are retiring at the conclusion of the forthcoming annual general meeting and offer themselves for reappointment. The Audit Committee has recommended the re-appointment of A.F. Ferguson & Co., Chartered Accountants as auditors of the Company for the year ending December 31, 2018 and the Board has endorsed this recommendation.

### Shares traded, average prices and PSX

During the year 1.22 million shares of the Company were traded on the Pakistan Stock Exchange.

The average price of the Company's share based on the daily closing rate was PKR 211.66 while the 52 weeks low-high during 2017 was PKR 158.84 to PKR 257.90 per share respectively.

### Trading in Company's Shares

During the year, Mr. Abdul Samad Dawood had sold 1,000,000 shares of the Company to Mr. Hussain Dawood through stock broker of Pakistan Stock Exchange Limited which is disclosed in the Pattern of Shareholding. No other Director, CEO, CFO and Company Secretary traded in the Company's shares during the year.

### Pattern of shareholding

The pattern of shareholding of the Company as at December 31, 2017, together with other necessary information, is available at the end of this report along with the proxy form.

### Market capitalization and book value

At the close of the year, the market capitalization of the Company was Rs. 11.1 billion (2016: 14.94 billion) with a market value of Rs. 188 per share (2016: Rs.253) and the breakup value of Rs. 45.81 per share (2016: Rs. 48.46 per share).

### Appropriation

The Board is pleased to propose a final cash dividend of Rupee 1 per share (10%) for approval by the shareholders in the 68th Annual General Meeting. The total dividend attributable to the year is Rupee 1 per share (10%).

### Key Operating and Financial Data

Summary of key operating and financial data for the last six financial years is attached to this Report.

### Gratuity fund

The funded retirement benefits of the employees of the Company are audited once a year and are adequately covered by appropriate investments. Fair value of the assets of the funded defined benefit gratuity plan was PKR 2.963 million as at December 31, 2017 (2016: PKR 2.928 million).

### Risk Management

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor adherence to limits. Risk management policies and systems are reviewed regularly to react to change in market conditions and the Company's activities.

### Corporate Governance

The management of the Company is committed to good corporate governance and compliance with best practices. The requirements of the Code of Corporate Governance set out by the Pakistan Stock Exchange in its Rule Book and Listing Regulations have been duly complied with. A Statement to this effect is annexed with the Report.

## Code of Conduct

The Board has adopted a Business Code of Conduct and all employees are aware of and have signed off on this Statement. The Code of Conduct is rigorously followed throughout the organization as all employees observe the rules of business conduct laid down therein.

## Vision and Mission

The statement reflecting the Vision and Mission of the Company is annexed to the report.

## Board of Directors

The Board comprises of seven directors. The composition of the board members is as follows:

| | |
|---|---|
| Independent Directors | 1 |
| Non-Executive Directors | 4 |
| Executive Directors | 2 |

## Board of Directors meetings

During the year ended December 31, 2017, a total of eight meetings of the Board of Directors were held. The position of attendance during respective tenure was as follows:

| Name of Director | Meetings | |
|---|---|---|
| | Held | Attended |
| Mr. Shahid Hamid Pracha | 8 | 7 |
| Mr. Mujtaba Haider Khan | 8 | 8 |
| Mr. Shahzada Dawood | 8 | 1 |
| Mr. Abdul Samad Dawood | 8 | 3 |
| Mr. Shafiq Ahmed | 8 | 7 |
| Mr. Hasan Reza Ur Rahim | 8 | 7 |
| Mr. Shabbir Hussain Hashmi | 8 | 8 |
| Mr. Inam ur Rahman | 1 | - |
| Mr. Ghias Uddin Khan | 1 | - |

Mr. Inam ur Rahman and Mr. Ghias Uddin Khan retired on January 20, 2017 after completion of their term, and on January 21, 2017, election of directors was held in which a new board with seven directors were constituted.

## Board Audit Committee meetings

The Board of Directors has established an Audit Committee, in compliance with the Code of Corporate Governance, which oversees internal controls and compliance and has been working efficiently since its inception. The Audit Committee reviewed the quarterly, half-yearly, and annual financial statements before submission to the Board and their publication. The Audit Committee had detailed discussions with the external auditors on various issues, including their letter to the management. The Audit Committee also reviewed internal auditors' findings and held separate meetings with internal and external auditors as required under the Code of Corporate Governance.

During the year ended December 31, 2017, a total of four meetings of the Board Audit Committee (BAC) were held. The position of attendance during respective tenure was as follows:

| Name of Director | Meetings Held | Meetings Attended |
|---|---|---|
| Mr. Shabbir Hussain Hashmi | 4 | 4 |
| Mr. Shahzada Dawood | 4 | 1 |
| Mr. Hasan Reza Ur Rahim | 4 | 4 |

**Human Resource and Remuneration Committee meetings**

During the year ended December 31, 2017, a total of two meetings of the Human Resource and Remuneration Committee (HR&RC) were held. The position of attendance during respective tenure was as follows:

| Name of Director | Meetings Held | Meetings Attended |
|---|---|---|
| Mr. Shahid Hamid Pracha | 2 | 2 |
| Mr. Abdul Samad Dawood | 2 | 1 |
| Mr. Hasan Reza Ur Rahim | 2 | 2 |

**Statement of Directors responsibility**

The Directors confirm compliance with Corporate and Financial Reporting Framework as per the Listing Regulations of the Stock Exchange in Pakistan as follows:

a. The financial statements prepared by the management of the Company, present its state of affairs fairly, the result of its operations, cash flows and change in equity.
b. Proper books of accounts of the Company have been maintained.
c. Appropriate accounting policies have been consistently applied in preparation of the financial statements. Accounting estimates are based on reasonable prudent judgment.
d. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements and any departures therefrom have been adequately disclosed.
e. The system of internal controls is sound in design and has been effectively implemented and monitored.
f. There are no significant doubts upon the Company's ability to continue as a going concern.
g. There is no material departure from the best practices of corporate governance, as detailed in the Listing Regulations.
h. Key operating and financial data for the last six years in summarized form are annexed to the report.

**Directors training program**

Mr. Mujtaba Haider Khan is left to acquaint with the certification of directors' training program. He will obtain the certification as per the prescribed timelines under the CCG.

**Related party transactions**

In accordance with the requirements of Code of Corporate Governance, the Company presented all related party transactions before the Audit Committee and the Board for their review and approval, respectively.

## D. Future Outlook

### Solar energy

Solar power is the most effective solution for producing electricity closer to demand centre using the unlimited potential of the sun, while significantly reducing dependence on conventional, fossil fuel based energy. Since it doesn't require any other external fuel so the system comes with negligible variable costs. In addition to being economically beneficial, solar offers tremendous environmental gains to the community, 5MW can be roughly equated with planting 220,000 trees. Last year was the tipping point in terms of demand for solar power in the country with both private sector and government entities allocating significant part of their development CAPEX to distributed solar. We expect this trend to accelerate in the coming years as the cost and efficiency of solar power vs conventional fuel continues to improve and as the number of reference sites increases.

Local industries can decrease their overall cost of energy by investing in affordable solar power. The payback on solar investment is less than five years due to design efficiencies and continuous decrease in photovoltaic prices. The case for solar energy remains strong; reducing energy costs, optimizing fuel consumption, minimizing run-hour of diesel/petrol generators, low maintenance costs, savings in operational expenses and eco-friendly atmosphere that will minimize operational hazards. With regulatory support in the form of cheaper financing, declining capital expenditure and streamlining of the net-metering policy, the market for solar solutions is now ready to witness significant growth.

### Wind Energy Project

The Government has largely kept up with electricity payments for the wind power sector, and the sector has, till now, been largely insulated from the chronic circular debt concern. Even within the sector, our project has a better collection record than others. However, challenges loom as the power purchaser (CPPA) is attempting to revise Operating Procedures to their benefit when calculating the NPMV payments and fund shortage has resulted in virtually no payment during January 2018.

The tariff bidding process has still not fully evolved and this is a cause of concern for the developers. The government has issued LOI for wind-solar hybrid installations. These are also being affected by no clarity on the tariff that will be available. The emphasis on short term base load solutions are taking focus away from renewables but we expect this to be a transient phenomenon and should be resolved post elections scheduled in mid-2018.

## E. Acknowledgement

The Board expresses its gratitude to all the shareholders for their confidence and support. We would like to thank all stakeholders, including but not limited to financial institutions, who have been associated with us for their support and cooperation and assure them of our commitment to look after their respective interests.

We would like to thank the management and employees for their sincere contributions toward the growth and prosperity of the Company.

| | |
|---|---|
| Mujtaba Haider Khan | Shahid Hamid Pracha |
| Chief Executive Officer | Chairman |

Karachi
Dated: March 20, 2018

Servis Industries Ltd.
Muridke, Punjab

# Chairman's Review Report

For the year ended December 31, 2017

Dear Shareholders,

This report is presented to the Annual General Meeting of Dawood Lawrencepur Limited.

The new Companies Act, 2017 (the Act) and the Listed Companies Code of Corporate Governance, 2017 (CCG 2017) have been promulgated and have introduced new requirements for compliance with the stated objective to protect capital and safeguard the interest of the shareholders. These include restricting the number of directors on the board of listed companies to enable individual directors to focus their attention on the fewer companies, approval of related party transactions from shareholders in case majority directors are interested and increasing the number of independent directors on the Board. Your company remains committed to strict fulfillment of the governance standards and procedures being set and is either already meeting these or plans compliance within the prescribed effective date. The interest of shareholders, particularly minority shareholders, thus remains protected while creating shareholder value for all.

The Board of Directors in compliance with the Regulations contained in the Code of Corporate Governance formed Board Audit Committee (BAC) and Human Resource and Remuneration Committee (HRRC) which is headed by independent directors. The BAC, as per its Terms of Reference is tasked to ensure that effective control and risk management policies are in place to safeguard the assets of the company and to ensure that the best practices and the robust policies are in place. Similarly, the HRRC is primarily responsible for implementation of the process of evaluation and compensation of the key management personnel. I am pleased to inform the shareholders that our committees are discharging their fiduciary duties in compliance with the law and best practices.

The Board comprises of seven directors, who, I can proudly state have at all times acted in the best interest of shareholders, bringing to bear their extensive experience and qualifications in setting the direction and strategy of the Company and in discharging their fiduciary duties. The strategy on renewable energy investments is showing great promise and this year its realisation through more productive assets on the ground have significantly impacted both revenue and profitability as detailed in the Director's Report. Today, Dawood Lawrencepur Limited and its subsidiaries Tenaga Generasi Limited and Reon Energy are seen as leaders and innovators in the alternate energy spectrum and have made great headway despite Government policies and a changing regulatory environment for renewables remaining unsupportive for growth. It is our firm conviction that renewables are a completely viable option for the country and the Company will continue to lead the agenda for their meaningful integration in the energy mix for the country's longer term benefit.

Risk management is an important responsibility of the Board, taking account of exposure of the Company to a variety of risks, such as market risk, credit risk and the liquidity risk. The Company's risk management program focuses on unpredictability of the financial markets in accessing cost effective funding as well as managing financial risk to minimize the earning volatility and provide maximum return to shareholders. The management manages these risks in line with the policies approved by the Board.

The majority of the Directors have undergone the prescribed Directors Training Programme and are certified board directors. Governance remains a high priority and the Board continuously engages in debate on how to improve performance and effectiveness. During the year, in line with the past practice, self-evaluation of the Board performance was carried out and it was concluded that the Board performance remained satisfactory.

The Board of Directors met eight times during the year: four time to examine the interim/quarterly and annual financial statements, once to review Group strategy in relation to the budget and business plan, and thrice for miscellaneous business purposes. At each meeting, the Directors also discussed the Group's business performance, updates on major projects undertaken by subsidiary companies and the matters submitted to the Board for a decision.

As the Board of Directors' roles and responsibilities and main operating procedures are set out in the Company's Memorandum and Articles of Association, the Board considers that it does not require specific rules of procedure. The Directors receive in a timely manner the information required for them to make an informed contribution to the Board's discussion. They may also ask the Chief Executive Officer and/or the Chief Financial Officer and/or the Company Secretary to give them any additional information they may consider useful for performing their duties.

Despite the meltdown in the stock market due to the political uncertainty, the Company's stock price remained relatively stable. This shows the confidence our shareholders have in us and we will strive to retain the same level of confidence in the years to come.

I express my gratitude to all the directors for their continued support in providing their valuable input in making strategic decisions involving investment and operating decisions. I also take this opportunity to record my sincere appreciation to all shareholders of the Company for their continuous support over time.

Shahid Hamid Pracha
Chairman of the Board of Directors

Dated: March 20, 2018

# Operating Highlights

| | PARTICULARS | UNIT | December 2017 | | | December 2016 | | | December 2015 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Continuing Operations | Discontinued Operations | Total | Continuing Operations | Discontinued Operations | Total | Continuing Operations | Discontinued Operations | Total |
| A) | INCOME STATEMENT | | | | | | | | | | |
| 1 | Sales Value | Rs. In (000) | 58,999 | 12,591 | 71,590 | 161,234 | 21,200 | 182,434 | 175,765 | 26,377 | 202,142 |
| 2 | Gross (Loss) / Profit | Rs. In (000) | (17,785) | 3,409 | (14,376) | 9,154 | (6,299) | 2,855 | 21,336 | 3,567 | 24,903 |
| 3 | Operating Profit / (Loss) | Rs. In (000) | 284,076 | (20,671) | 263,405 | (107,760) | (76,727) | (184,487) | (218,077) | (115,306) | (333,383) |
| 4 | Profit / (Loss) Before Taxation | Rs. In (000) | 247,967 | (20,675) | 227,292 | 1,283,597 | (41,362) | 1,242,235 | 815,971 | 659,571 | 1,475,542 |
| 5 | Profit / (Loss) After Taxation | Rs. In (000) | 164,288 | (20,675) | 143,613 | 1,156,519 | (41,362) | 1,115,157 | 622,548 | 659,571 | 1,282,119 |
| B) | DIVIDEND | | | | | | | | | | |
| 1 | Cash Dividend | % | 10 | - | 10 | 50 | - | 50 | 50 | - | 50 |
| 2 | Stock Dividend | % | - | - | - | - | - | - | - | - | - |
| C) | BALANCE SHEET | | | | | | | | | | |
| 1 | Total Assets | Rs. In (000) | 3,295,231 | 110,044 | 3,405,275 | 3,317,123 | 137,275 | 3,454,398 | 2,000,489 | 179,617 | 2,180,106 |
| 2 | Current Assets | Rs. In (000) | 246,791 | 51,621 | 298,412 | 688,051 | 67,194 | 755,245 | 908,203 | 97,143 | 1,005,346 |
| 3 | Current Liabilities | Rs. In (000) | 624,856 | 74,622 | 699,478 | 580,309 | 12,965 | 593,274 | 106,261 | 32,146 | 138,407 |
| 4 | Paid Up Capital | Rs. In (000) | 590,578 | - | 590,578 | 590,578 | | 590,578 | 590,578 | | 590,578 |
| 5 | Shareholders Equity | Rs. In (000) | 2,705,797 | - | 2,705,797 | 2,861,124 | | 2,861,124 | 2,041,699 | | 2,041,699 |
| 6 | No. of Ordinary Shares | In (000) | 59,058 | - | 59,058 | 59,058 | | 59,058 | 59,058 | | 59,058 |
| D) | RATIO ANALYSIS | | | | | | | | | | |
| 1 | Gross (Loss) / Profit | % | (30.14) | 27.07 | (20.08) | 5.68 | (29.71) | 1.56 | 12.14 | 13.52 | 12.32 |
| 2 | Earning / (Loss) Per Share | Rs. | 2.78 | (0.35) | 2.43 | 19.58 | (0.70) | 18.88 | 10.54 | 11.17 | 21.71 |
| 3 | Dividend Yield | % | - | - | - | - | - | - | - | - | - |
| 4 | Return on Equity | % | - | - | 5.31 | - | - | 38.98 | - | - | 62.80 |
| 5 | Break-up Value of Shares | Rs. | - | - | 45.81 | - | - | 48.45 | - | - | 34.57 |
| 6 | Market Value of Shares | Rs. | - | - | 188 | - | - | 253.00 | - | - | 139.99 |
| 7 | Price Earning Ratio | Rs. | - | - | 77.37 | - | - | 13.40 | - | - | 6.45 |
| 8 | Dividend Payout Ratio | % | - | - | - | - | - | - | - | - | - |
| E) | PRODUCTION | | | | | | | | | | |
| 1 | Capacity | | | | | | | | | | |
| | Yarn | Kgs In (000) | - | - | - | - | - | - | - | - | - |
| | Cloth | Mtrs In (000) | - | - | - | - | - | - | - | - | - |
| 2 | Actual Production | | | | | | | | | | |
| | Yarn Kgs | Kgs In (000) | - | - | - | - | - | - | - | - | - |
| | Cloth Mtrs. | Mtrs In (000) | - | - | - | - | - | - | - | - | - |
| 3 | Capacity Utilization - Yarn | % | - | - | - | - | - | - | - | - | - |
| | - Cloth | % | - | - | - | - | - | - | - | - | - |
| F) | OTHERS | | | | | | | | | | |
| 1 | Employees | Nos. | 21 | - | 21 | 11 | - | 11 | 31 | - | 31 |
| 2 | Capital Expenditures | Rs. In (000) | 360 | - | 360 | 3,740 | - | 3,740 | 17,290 | - | 17,290 |

| | December 2014 | | | December 2013 | | | December 2012 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Continuing Operations | Discontinued Operations | Total | Continuing Operations | Discontinued Operations | Total | Continuing Operations | Discontinued Operations | Total |
| | | | | | | | Restated | | Restated |
| | 129,199 | 70,423 | 199,622 | 134,318 | 84,255 | 218,573 | 378,965 | 4,693 | 383,658 |
| | 27,051 | (12,896) | 14,155 | 18,514 | (10,980) | 7,534 | 46,795 | (1,489) | 45,306 |
| | (132,070) | (181,811) | (313,881) | (159,111) | (81,134) | (240,245) | (34,600) | (69,900) | (104,500) |
| | (161,657) | 82,865 | (78,792) | (264,873) | (72,993) | (337,866) | 123,421 | (27,528) | 95,893 |
| | (171,722) | 82,865 | (88,857) | (267,173) | (72,993) | (340,166) | 118,607 | (27,528) | 91,079 |
| | | | | | | | | | |
| | - | - | - | 10 | - | 10 | 50 | - | 50 |
| | - | - | - | - | - | - | - | - | - |
| | | | | | | | | | |
| | 803,255 | 323,226 | 1,126,481 | 1,058,024 | 194,529 | 1,252,553 | 1,550,451 | 194,529 | 1,744,980 |
| | 292,495 | 205,512 | 498,007 | 552,095 | - | 552,095 | 1,155,176 | - | 1,155,176 |
| | 345,802 | - | 345,802 | 389,355 | - | 389,355 | 110,460 | - | 110,460 |
| | 590,578 | - | 590,578 | 590,578 | - | 590,578 | 590,578 | - | 590,578 |
| | 762,931 | - | 762,931 | 853,779 | - | 853,779 | 1,573,354 | - | 1,573,354 |
| | 59,058 | - | 59,058 | 59,058 | | 59,058 | 59,058 | - | 59,058 |
| | | | | | | | | | |
| | 20.94 | (18.31) | 7.09 | 13.78 | (13.03) | 3.45 | 12.35 | (31.73) | 11.81 |
| | (2.91) | 1.40 | (1.50) | (4.52) | (1.24) | (5.76) | 2.01 | (0.47) | 1.54 |
| | - | - | - | - | - | 7.15 | - | - | 2.19 |
| | - | - | (11.65) | - | - | (39.84) | - | - | 5.79 |
| | - | - | 12.92 | - | - | 14.46 | - | - | 26.64 |
| | - | - | 120.53 | - | - | 83.95 | - | - | 45.75 |
| | - | - | (80.11) | - | - | (14.57) | - | - | 29.65 |
| | - | - | - | - | - | (104.17) | - | - | 64.82 |
| | | | | | | | | | |
| | - | - | - | 358 | - | 358 | 358 | - | 358 |
| | - | - | - | 754 | - | 754 | 754 | - | 754 |
| | | | | | | | | | |
| | - | - | - | 30 | - | 30 | 96 | - | 96 |
| | - | - | - | 113 | - | 113 | 541 | - | 541 |
| | - | - | - | 8 | - | 8 | 27 | - | 27 |
| | - | - | - | 15 | - | 15 | 72 | - | 72 |
| | | | | | | | | | |
| | 79 | - | 79 | 88 | 21 | 109 | 572 | 144 | 716 |
| | 20,508 | 647 | 21,155 | 17,331 | - | 17,331 | 4,997 | - | 4,997 |

# Horizontal Analysis Balance Sheet

| Particulars | 2012 (Restated) | 2013 | 2014 (Restated) | 2015 (Restated) | 2016 | 2017 |
|---|---|---|---|---|---|---|
| | ----------- | ----------- | ----------- | Rs. in 000 | ----------- | ----------- |
| **Equity** | | | | | | |
| Share Capital | 590,578 | 590,578 | 590,578 | 590,578 | 590,578 | **590,578** |
| Reserves | 598,655 | 208,282 | 206,666 | 206,666 | 206,666 | **206,666** |
| Unappropriated profit | 4,481,863 | 4,549,834 | 3,771,909 | 5,722,164 | 9,083,774 | **9,057,908** |
| Unrealized gain on remeasurement on AFS investments | - | - | 4,943 | 9,297 | 14,157 | **10,763** |
| Non-Controlling interest | - | - | - | 301,436 | 708,256 | **818,537** |
| **Total equity** | 5,671,096 | 5,348,694 | 4,574,096 | 6,830,141 | 10,603,431 | **10,684,452** |
| **Non Current Liabilities** | 83,572 | 11,388 | 555,325 | 3,879,911 | 9,573,661 | **9,388,370** |
| **Sub Total** | 5,754,668 | 5,360,082 | 5,129,421 | 10,710,052 | 20,177,092 | **20,072,822** |
| **Current Liabilities** | | | | | | |
| Current portion - long term loan | - | - | - | - | 293,487 | **1,074,976** |
| Short term financing - secured | - | 261,708 | 178,491 | 12,566 | 466,487 | **561,820** |
| Trade and other payables | 106,892 | 113,171 | 185,522 | 203,455 | 811,030 | **321,569** |
| Accrued markup | - | 5,131 | 5,132 | 32,912 | 140,870 | **158,517** |
| Provision for taxation | 11,463 | 13,323 | - | - | - | **-** |
| **Sub Total** | 118,355 | 393,333 | 369,145 | 248,933 | 1,711,874 | **2,116,882** |
| **Total equity and liabilities** | 5,873,023 | 5,753,415 | 5,498,566 | 10,958,985 | 21,888,966 | **22,189,704** |

| Particulars | 2012 (Restated) | 2013 | 2014 (Restated) | 2015 (Restated) | 2016 | 2017 |
|---|---|---|---|---|---|---|
| | ----------- | ----------- | ----------- | Rs. in 000 | ----------- | ----------- |
| **Assets** | | | | | | |
| **Non current assets** | | | | | | |
| Property, plant and equipment (Including intangibles) | 239,941 | 259,333 | 376,835 | 3,719,419 | 11,434,379 | **11,230,140** |
| Long term investments | 4,224,587 | 4,615,752 | 4,500,467 | 5,349,755 | 8,708,829 | **8,969,639** |
| Long term deposits | 10,544 | 10,544 | 10,544 | 2,778 | 2,778 | **4,428** |
| Others | - | - | 38,072 | 352 | 49 | **308** |
| **Sub Total** | 4,475,072 | 4,885,629 | 4,925,918 | 9,072,304 | 20,146,035 | **20,204,515** |
| **Current Assets** | | | | | | |
| Stores and spares | 37,531 | 36,582 | 12,000 | 13,266 | 47,258 | **7,822** |
| Stock in trade | 295,152 | 261,306 | 280,519 | 210,307 | 149,447 | **96,178** |
| Trade debts | 159,017 | 94,882 | 51,533 | 118,944 | 326,655 | **739,062** |
| Loans and advances | 15,919 | 42,301 | 13,762 | 53,530 | 19,581 | **8,481** |
| Deposits, prepayments and other receivables | 71,229 | 95,147 | 17,654 | 30,323 | 338,671 | **127,339** |
| Taxes recoverable | - | - | 76,132 | 4,770 | 62,465 | **27,636** |
| Short term investments | 575,658 | 107,624 | 86,001 | 944,897 | - | **-** |
| Cash and bank balances | 48,916 | 35,415 | 35,047 | 510,644 | 798,854 | **941,433** |
| Assets classified as held for sale | 194,529 | 194,529 | - | - | - | **37,238** |
| **Sub Total** | 1,397,951 | 867,786 | 572,648 | 1,886,681 | 1,742,931 | **1,985,189** |
| **Total Assets Employed** | 5,873,023 | 5,753,415 | 5,498,566 | 10,958,985 | 21,888,966 | **22,189,704** |

| Percentage Change | | | | | |
|---|---|---|---|---|---|
| 12 Over 11 | 13 Over 12 | 14 Over 13 | 15 Over 14 | 16 Over 15 | **17 Over 16** |
| 0% | 0% | 0% | 0% | 0% | **0%** |
| 3% | -65% | -1% | 0% | 0% | **0%** |
| 3% | 2% | -17% | 52% | 59% | **0%** |
| 0% | 0% | 0% | 88% | 52% | **-24%** |
| 0% | 0% | 0% | 0% | 135% | **16%** |
| 3% | -6% | -14% | 49% | 55% | **1%** |
| 40% | -86% | 4776% | 599% | 147% | **-2%** |
| 3% | -7% | -4% | 109% | 88% | **-1%** |
| 0% | 0% | 0% | 0% | 0% | **266%** |
| 0% | 0% | -32% | -93% | 3612% | **20%** |
| -21% | 6% | 64% | 10% | 299% | **-60%** |
| 0% | 0% | 0% | 541% | 328% | **13%** |
| 34% | 16% | 0% | 0% | 0% | **0%** |
| -18% | 232% | -6% | -33% | 588% | **24%** |
| 2% | -2% | -4% | 99% | 100% | **1%** |

| Percentage Change | | | | | |
|---|---|---|---|---|---|
| 12 Over 11 | 13 Over 12 | 14 Over 13 | 15 Over 14 | 16 Over 15 | **17 Over 16** |
| 13% | 8% | 45% | 887% | 207% | **-2%** |
| 3% | 9% | -2% | 19% | 63% | **3%** |
| 0% | 0% | 0% | -74% | 0% | **59%** |
| 0% | 0% | 0% | -99% | -86% | **529%** |
| 4% | 9% | 1% | 84% | 122% | **0%** |
| -17% | -3% | -67% | 11% | 256% | **-83%** |
| -8% | -11% | 7% | -25% | -29% | **-36%** |
| 92% | -40% | -46% | 131% | 175% | **126%** |
| 22% | 166% | -67% | 289% | -63% | **-57%** |
| 2% | 34% | -81% | 72% | 1017% | **-62%** |
| 0% | 0% | 0% | -94% | 1210% | **-56%** |
| -12% | -81% | -20% | 999% | -100% | **0%** |
| -6% | -28% | -1% | 1357% | 56% | **18%** |
| 3% | 0% | -100% | 0% | 0% | **0%** |
| -2% | -38% | -34% | 229% | -8% | **14%** |
| 2% | -2% | -4% | 99% | 100% | **1%** |

# Vertical Analysis Balance Sheet

| Particulars | 2012 (Restated) | 2013 | 2014 (Restated) | 2015 (Restated) | 2016 | 2017 |
|---|---|---|---|---|---|---|
| | ---------------------------------------Rs. in 000 | | | ---------------------------------------- | | |
| **Share Capital and Reserves** | | | | | | |
| Share capital | 590,578 | 590,578 | 590,578 | 590,578 | 590,578 | **590,578** |
| Reserves | 598,655 | 208,282 | 206,666 | 206,666 | 206,666 | **206,666** |
| Unappropriated profit | 4,481,863 | 4,549,834 | 3,771,909 | 5,722,164 | 9,083,774 | **9,057,908** |
| Unrealized gain on remeasurement on AFS investments | - | - | 4,943 | 9,297 | 14,157 | **10,763** |
| Non-Controlling interest | - | - | - | 301,436 | 708,256 | **818,537** |
| **Total equity** | 5,671,096 | 5,348,694 | 4,574,096 | 6,830,141 | 10,603,431 | **10,684,452** |
| Non Current Liabilities | 83,572 | 11,388 | 555,325 | 3,879,911 | 9,573,661 | **9,388,370** |
| **Sub Total** | 5,754,668 | 5,360,082 | 5,129,421 | 10,710,052 | 20,177,092 | **20,072,822** |
| **Current Liabilities** | | | | | | |
| Current portion - long term loan | - | - | - | - | 293,487 | **1,074,976** |
| Short term financing - secured | - | 261,708 | 178,491 | 12,566 | 466,487 | **561,820** |
| Trade and other payables | 106,892 | 113,171 | 185,522 | 203,455 | 811,030 | **321,569** |
| Accrued markup | - | 5,131 | 5,132 | 32,912 | 140,870 | **158,517** |
| Provision for taxation | 11,463 | 13,323 | - | - | - | **-** |
| **Sub Total** | 118,355 | 393,333 | 369,145 | 248,933 | 1,711,874 | **2,116,882** |
| **Total** | 5,873,023 | 5,753,415 | 5,498,566 | 10,958,985 | 21,888,966 | **22,189,704** |

| Particulars | 2012 (Restated) | 2013 | 2014 (Restated) | 2015 (Restated) | 2016 | 2017 |
|---|---|---|---|---|---|---|
| | ---------------------------------------Rs. in 000 | | | ---------------------------------------- | | |
| **Assets** | | | | | | |
| **Non current assets** | | | | | | |
| Property, plant and equipment (Including intangibles) | 239,941 | 259,333 | 376,835 | 3,719,419 | 11,434,379 | **11,230,140** |
| Long term investments | 4,224,587 | 4,615,752 | 4,500,467 | 5,349,755 | 8,708,829 | **8,969,639** |
| Long term deposits | 10,544 | 10,544 | 10,544 | 2,778 | 2,778 | **4,428** |
| Others | - | - | 38,072 | 352 | 49 | **308** |
| **Sub Total** | 4,475,072 | 4,885,629 | 4,925,918 | 9,072,304 | 20,146,035 | **20,204,515** |
| **Current Assets** | | | | | | |
| Stores and spares | 37,531 | 36,582 | 12,000 | 13,266 | 47,258 | **7,822** |
| Stock in trade | 295,152 | 261,306 | 280,519 | 210,307 | 149,447 | **96,178** |
| Trade debts | 159,017 | 94,882 | 51,533 | 118,944 | 326,655 | **739,062** |
| Loans and advances | 15,919 | 42,301 | 13,762 | 53,530 | 19,581 | **8,481** |
| Deposits, prepayments and other receivables | 71,229 | 95,147 | 17,654 | 30,323 | 338,671 | **127,339** |
| Taxes recoverable | - | - | 76,132 | 4,770 | 62,465 | **27,636** |
| Short term investments | 575,658 | 107,624 | 86,001 | 944,897 | - | **-** |
| Cash and bank balances | 48,916 | 35,415 | 35,047 | 510,644 | 798,854 | **941,433** |
| Assets classified as held for sale | 194,529 | 194,529 | - | - | - | **37,238** |
| **Sub Total** | 1,397,951 | 867,786 | 572,648 | 1,886,681 | 1,742,931 | **1,985,189** |
| **Total Assets Employed** | 5,873,023 | 5,753,415 | 5,498,566 | 10,958,985 | 21,888,966 | **22,189,704** |

| ------------------------------------------------------------Percentage------------------------------------------------------------ | | | | | |
|---|---|---|---|---|---|
| 2012 | 2013 | 2014 | 2015 | 2016 | **2017** |
| 10% | 10% | 11% | 5% | 3% | 3% |
| 10% | 4% | 4% | 2% | 1% | 1% |
| 76% | 79% | 69% | 52% | 41% | 41% |
| 0% | 0% | 0% | 0% | 0% | 0% |
| 0% | 0% | 0% | 3% | 3% | 4% |
| 97% | 93% | 83% | 62% | 48% | **48%** |
| 1% | 0% | 10% | 35% | 44% | 42% |
| 98% | 93% | 93% | 98% | 92% | **90%** |
| 0% | 0% | 0% | 0% | 1% | 5% |
| 0% | 5% | 3% | 0% | 2% | 3% |
| 2% | 2% | 3% | 2% | 4% | 1% |
| 0% | 0% | 0% | 0% | 1% | - |
| 0% | 0% | - | - | - | - |
| 2% | 7% | 7% | 2% | 8% | **10%** |
| 100% | 100% | 100% | 100% | 100% | **100%** |

| ------------------------------------------------------------Percentage------------------------------------------------------------ | | | | | |
|---|---|---|---|---|---|
| 2012 | 2013 | 2014 | 2015 | 2016 | **2017** |
| 4% | 5% | 7% | 34% | 52% | **51%** |
| 72% | 80% | 82% | 49% | 40% | **40%** |
| - | 0% | 1% | 0% | 0% | **-** |
| 76% | 85% | 90% | 83% | 92% | **91%** |
| 1% | 1% | 0% | 0% | 0% | **0%** |
| 5% | 5% | 5% | 2% | 1% | **0%** |
| 3% | 2% | 1% | 1% | 1% | **3%** |
| 0% | 1% | 0% | 0% | 0% | **0%** |
| 1% | 2% | 0% | 0% | 2% | **-** |
| 0% | 0% | 1% | 0% | 0% | **0%** |
| 10% | 2% | 2% | 9% | 0% | **0%** |
| 1% | 1% | 1% | 5% | 4% | **4%** |
| 3% | 3% | 0% | 0% | 0% | **0%** |
| 24% | 15% | 10% | 17% | 8% | **9%** |
| 100% | 100% | 100% | 100% | 100% | **100%** |

# Horizontal Analysis Profit And Loss

| Particulars | 2012 (Restated) | 2013 | 2014 (Restated) | 2015 (Restated) | 2016 | 2017 |
|---|---|---|---|---|---|---|
| | ------------------------------------ | ------------------- | Rs. in 000 | ------------------- | -------------------- | ---------------- |
| **CONTINUING OPERATIONS** | | | | | | |
| Revenue | 385,205 | 134,318 | 129,199 | 177,368 | 519,639 | **2,537,377** |
| Cost of revenue | 338,410 | 115,804 | 102,148 | 155,297 | 512,482 | **1,262,162** |
| **Gross profit** | 46,795 | 18,514 | 27,051 | 22,071 | 7,157 | **1,275,215** |
| Selling and distribution expenses | 10,505 | 60,372 | 118,897 | 129,043 | 118,590 | **154,111** |
| Administrative and other expenses | 85,929 | 134,844 | 146,112 | 155,859 | 261,043 | **259,853** |
| Finance cost | 662 | 5,898 | 31,999 | 25,613 | 170,004 | **736,882** |
| Provision & impairement / reversals | 1,794 | 2,528 | - | - | - | - |
| Other income | 89,358 | 32,482 | 20,769 | 29,062 | 35,320 | **56,170** |
| **Operating profit / (loss)** | 37,263 | (152,646) | (249,188) | (259,382) | (507,160) | **180,539** |
| Voluntary separation scheme cost | - | 201,812 | - | - | - | - |
| Impairement loss on AFS investment | 37,988 | - | - | - | - | - |
| Share of profit of associates | 266,229 | 515,794 | 398,274 | 1,493,835 | 4,138,901 | **560,026** |
| **Profit before taxation** | 265,504 | 161,336 | 149,086 | 1,234,453 | 3,631,741 | **740,565** |
| Taxation | 32,830 | 54,397 | 10,551 | 259,472 | 476,468 | **318,081** |
| **Profit after taxation from continuing operations** | 232,674 | 106,939 | 138,535 | 974,981 | 3,155,273 | **422,484** |
| **DISCONTINUED OPERATIONS** | | | | | | |
| Loss / (gain) from discontinued operations | 27,528 | 72,993 | (82,865) | (659,571) | 41,362 | **20,675** |
| **PROFIT FOR THE YEAR** | 205,146 | 33,946 | 221,400 | 1,634,552 | 3,113,911 | **401,809** |

# Vertical Analysis Profit And Loss

| Particulars | 2012 (Restated) | 2013 | 2014 (Restated) | 2015 (Restated) | 2016 | 2017 |
|---|---|---|---|---|---|---|
| | ------------------------------------ | ------------------- | Rs. in 000 | ------------------- | -------------------- | ---------------- |
| **CONTINUING OPERATIONS** | | | | | | |
| Revenue | 385,205 | 134,318 | 129,199 | 177,368 | 519,639 | **2,537,377** |
| Cost of revenue | 338,410 | 115,804 | 102,148 | 155,297 | 512,482 | **1,262,162** |
| **Gross profit** | 46,795 | 18,514 | 27,051 | 22,071 | 7,157 | **1,275,215** |
| Selling and distribution expenses | 10,505 | 60,372 | 118,897 | 129,043 | 118,590 | **154,111** |
| Administrative expenses | 85,929 | 134,844 | 146,112 | 155,859 | 261,043 | **259,853** |
| Finance cost | 662 | 5,898 | 31,999 | 25,613 | 170,004 | **736,882** |
| Provision & impairement / reversals | 1,794 | 2,528 | - | - | - | **-** |
| Other income | 89,358 | 32,482 | 20,769 | 29,062 | 35,320 | **56,170** |
| **Operating profit / (loss)** | 37,263 | (152,646) | (249,188) | (259,382) | (507,160) | **180,539** |
| Voluntary separation scheme cost | - | 201,812 | - | - | - | **-** |
| Impairement loss on AFS investment | 37,988 | - | - | - | - | **-** |
| Share of profit of associates | 266,229 | 515,794 | 398,274 | 1,493,835 | 4,138,901 | **560,026** |
| **Profit before taxation** | 265,504 | 161,336 | 149,086 | 1,234,453 | 3,631,741 | **740,565** |
| Taxation | 32,830 | 54,397 | 10,551 | 259,472 | 476,468 | **318,081** |
| **Profit after taxation from continuing operations** | 232,674 | 106,939 | 138,535 | 974,981 | 3,155,273 | **422,484** |
| **DISCONTINUED OPERATIONS** | | | | | | |
| Loss / (gain) from discontinued operations | 27,528 | 72,993 | (82,865) | (659,571) | 41,362 | **20,675** |
| **PROFIT FOR THE YEAR** | 205,146 | 33,946 | 221,400 | 1,634,552 | 3,113,911 | **401,809** |

------------------------------------------------------Percentage Change------------------------------------------------

| 12 Over 11 | 13 Over 12 | 14 Over 13 | 15 Over 14 | 16 Over 15 | **17 Over 16** |
|---|---|---|---|---|---|
| 3% | -65% | -4% | 37% | 193% | **388%** |
| 0% | -66% | -12% | 52% | 230% | **146%** |
| 33% | -60% | 46% | -18% | -68% | **17718%** |
| -35% | 475% | 97% | 9% | -8% | **30%** |
| 6% | 57% | 8% | 7% | 67% | **0%** |
| 0% | 791% | 443% | -20% | 564% | **333%** |
| 207% | 41% | -100% | 0% | 0% | **0%** |
| -3% | -64% | -36% | 40% | 22% | **59%** |
| 26% | -510% | -63% | -4% | -96% | **136%** |
| 0% | 0% | 0% | 0% | 0% | **0%** |
| -35% | -100% | 0% | 0% | 0% | **0%** |
| -67% | 94% | -23% | 275% | 177% | **-86%** |
| -66% | -39% | -8% | 728% | 194% | **-80%** |
| -83% | 66% | -81% | 2359% | 84% | **-33%** |
| -61% | -54% | 30% | 604% | 224% | **-87%** |
| -10% | 165% | -214% | 696% | -106% | **-50%** |
| -63% | -83% | 552% | 638% | 91% | **-87%** |

------------------------------------------------------------ Percentage-----------------------------------------------------------

| 12 Over 11 | 13 Over 12 | 14 Over 13 | 15 Over 14 | 16 Over 15 | **17 Over 16** |
|---|---|---|---|---|---|
| 100% | 100% | 100% | 100% | 100% | **100%** |
| 88% | 86% | 79% | 88% | 99% | **50%** |
| 12% | 14% | 21% | 12% | 1% | **50%** |
| 3% | 45% | 92% | 73% | 23% | **6%** |
| 22% | 100% | 113% | 88% | 50% | **10%** |
| 0% | 4% | 25% | 14% | 33% | **29%** |
| 0% | 0 | 0% | 0% | 0% | **0%** |
| 23% | 24% | 16% | 16% | 7% | **2%** |
| 11% | -114% | -193% | -146% | -98% | **7%** |
| 0% | 150% | 0% | 0% | 0% | **0%** |
| 10% | 0% | 0% | 0% | 0% | **0%** |
| 69% | 384% | 308% | 842% | 796% | **22%** |
| 69% | 120% | 115% | 696% | 699% | **29%** |
| 9% | 40% | 8% | 146% | 92% | **13%** |
| 60% | 80% | 107% | 550% | 607% | **17%** |
| 7% | 54% | -64% | -372% | 8% | **1%** |
| 53% | 25% | 171% | 922% | 599% | **16%** |

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Dawood Lawrencepur Limited (the Company) for the year ended December 31, 2017 to comply with the requirement of Rule 5.19 of the Rule Book of Pakistan Stock Exchange Limited where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the 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 of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended December 31, 2017.

Chartered Accountants

Karachi
Date: March 29, 2018

Engagement Partner: Osama Kapadia

*A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network*
*State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan*
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# Statement of Compliance with the Code of Corporate Governance

The statement is being presented to comply with the Code of Corporate Governance (the CCG) contained in the Regulation No. 5.19 of listing regulations of Pakistan Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. As at December 31, 2017, the Board included the following members:

| **Category** | **Name** |
|---|---|
| Independent Director | Mr. Shabbir Hussain Hashmi |
| Executive Directors | Mr. Mujtaba Haider Khan, Chief Executive Officer (CEO)<br>Mr. Shafiq Ahmed, Chief Financial Officer (CFO) |
| Non-Executive Directors | Mr. Shahid Hamid Pracha - Chairman<br>Mr. Shahzada Dawood<br>Mr. Abdul Samad Dawood<br>Mr. Hasan Reza Ur Rahim |

   The independent director meets the criteria of independence under clause 5.19.1 (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI, or being a broker of a stock exchange, has been declared as a defaulter by that stock exchange.

4. No casual vacancy occurred on Board during the year.

5. The Company has prepared a “Code of Conduct” and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. 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

employment of the CEO, other executive and non-executive directors, have been taken by the Board/Shareholders.

8. All meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board to chair the meeting. The Board met at least once in every quarter. Written notices of the Board meetings, along with the agenda and working papers, were circulated at least seven days before the meetings. except in the case of emergency meetings, where the notice period was reduced. The minutes of the meetings were appropriately recorded and circulated.

9. Mr. Mujtaba Haider Khan is left to acquaint with the certification of directors' training program. He will obtain the certification as per the prescribed timelines under the CCG.

10. During the year, there was no change in the position of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit.

11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by the CEO and the CFO before approval of the Board.

13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the CCG.

15. The Board has formed an Audit Committee. It comprised of three members, of whom two are non-executive and one is an independent director. The Chairman of the Audit Committee is an independent director.

16. The meetings of the Audit Committee were held at least once every quarter prior to the approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The Board has formed a Human Resource and Remuneration Committee (HR&R) It comprises of three members, all of whom are non-executive directors including the Chairman of the committee.

18. The Board has set up an effective internal audit function, manned by suitably qualified and experienced personnel that are involved in the internal audit function on a full time basis and are conversant with the policies and procedures of the Company.

19. The statutory auditors of the Company 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 shares of the Company and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

20. The statutory auditors or the persons associated with them have not been appointed to

provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The “closed period”, prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of the Company's securities, was determined and intimated to directors, employees and Pakistan Stock Exchange.
22. Material/price sensitive information has been disseminated among all market participants at once through Pakistan Stock Exchange.

23. The Company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said register.

24. We confirm that all other material principles enshrined in the CCG have been complied with.

| | |
|---|---|
| Shahid Hamid Pracha | Mujtaba Haider Khan |
| Chairman | Chief Executive Officer |

Karachi
Date: March 20, 2018

# Unconsolidated Financial Statements

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# AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed unconsolidated balance sheet of Dawood Lawrencepur Limited (the Company) as at December 31, 2017 and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated statement of changes in equity and unconsolidated statement of cash flows 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.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. 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 Company as required by the Companies Ordinance, 1984;

(b) in our opinion:

 (i) the unconsolidated balance sheet and unconsolidated profit and loss account, together with the notes thereon, have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the unconsolidated balance sheet, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated statement of changes in equity and unconsolidated statement of cash flows together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2017 and of the profit, total comprehensive income, changes in equity and its cash flows for the year then ended; and

(d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Chartered Accountants
Karachi
Date: March 29, 2018

Engagement Partner: Osama Kapadia

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# Unconsolidated Balance Sheet

As At December 31, 2017

| (Amounts in thousand) | Note | 2017 | 2016 |
|---|---|---|---|
| | | ------------Rupees------------ | |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 4 | **35,759** | 86,873 |
| Intangible assets | 5 | **857** | 5,880 |
| Long term investments | 6 | **3,030,231** | 2,603,622 |
| Long term deposits | 7 | **2,778** | 2,778 |
| | | **3,069,625** | 2,699,153 |
| **Current assets** | | | |
| Stores and spares | 8 | **7,789** | 7,789 |
| Stock | 9 | **58,824** | 86,558 |
| Trade debts | 10 | **1,548** | 35,398 |
| Loans and advances | 11 | **106,293** | 2,595 |
| Taxes recoverable | | **26,618** | 59,891 |
| Deposits, prepayments and other receivables | 12 | **72,570** | 262,684 |
| Interest accrued | | **14,531** | - |
| Cash and bank balances | 13 | **10,239** | 300,330 |
| | | **298,412** | 755,245 |
| Assets classified as 'held for sale' | 14 | **37,238** | - |
| **TOTAL ASSETS** | | **3,405,275** | 3,454,398 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 15 | **590,578** | 590,578 |
| Capital reserves | | **206,666** | 206,666 |
| Unappropriated profit | | **1,896,879** | 2,048,812 |
| Unrealized gain on remeasurement of available for sale investments | | **11,674** | 15,068 |
| | | **2,705,797** | 2,861,124 |
| **Current liabilities** | | | |
| Trade and other payables | 17 | **127,828** | 116,508 |
| Short term borrowings | 19 | **561,820** | 466,487 |
| Accrued markup | | **9,830** | 10,279 |
| | | **699,478** | 593,274 |
| **Contingencies and Commitments** | 20 | | |
| **TOTAL EQUITY AND LIABILITIES** | | **3,405,275** | 3,454,398 |

The annexed notes from 1 to 41 form an integral part of these unconsolidated financial statements.

| Mujtaba Haider Khan | Shahid Hamid Pracha | Shafiq Ahmed |
|---|---|---|
| Chief Executive Officer | Director | Chief Financial Officer |

# Unconsolidated Profit And Loss Account

For The Year Ended December 31, 2017

| (Amounts in thousand except for earning / (loss) per share) | Note | 2017 | 2016 |
|---|---|---|---|
| | | ------------Rupees------------ | |
| **CONTINUING OPERATIONS** | | | |
| Revenue - net | 21 | **58,999** | 161,234 |
| Cost of revenue | 22 | **(76,784)** | (152,080) |
| Gross (loss) / profit | | **(17,785)** | 9,154 |
| Dividend income | 23 | **312,628** | 1,364,708 |
| Selling and distribution expenses | 24 | **(8,572)** | (22,967) |
| Administrative expenses | 25 | **(54,880)** | (65,655) |
| | | **(63,452)** | (88,622) |
| Other income | 26 | **52,685** | 26,649 |
| Finance cost | 27 | **(36,109)** | (28,292) |
| Profit before taxation | | **247,967** | 1,283,597 |
| Taxation | 28 | **(83,679)** | (127,078) |
| Profit after taxation | | **164,288** | 1,156,519 |
| **DISCONTINUED OPERATIONS** | | | |
| Loss from discontinued operations | 29 | **(20,675)** | (41,362) |
| Profit for the year | | **143,613** | 1,115,157 |
| Earnings per share - Basic and diluted | | | |
| Continuing operations | 30 | **2.78** | 19.58 |
| Loss per share - Basic and diluted | | | |
| Discontinued operations | 30 | **(0.35)** | (0.70) |

The annexed notes from 1 to 41 form an integral part of these unconsolidated financial statements.

| Mujtaba Haider Khan | Shahid Hamid Pracha | Shafiq Ahmed |
|---|---|---|
| Chief Executive Officer | Director | Chief Financial Officer |

# Unconsolidated Statement Of Comprehensive Income

For The Year Ended December 31, 2017

| (Amounts in thousand) | Note | **2017** | 2016 |
|---|---|---|---|
| | | ------------Rupees------------ | |
| Profit for the year | | **143,613** | 1,115,157 |
| Other comprehensive income / (loss): | | | |
| **Items that may be reclassified subsequently to profit and loss account** | | | |
| (Loss) / Gain on remeasurement of available for sale investments | | **(3,394)** | 4,860 |
| **Items that will not be reclassified to profit and loss account** | | | |
| Remeasurement of post employment benefits obligation - Actuarial loss | 18.1.6 | **(257)** | (5,303) |
| | | **(3,651)** | (443) |
| Total comprehensive income for the year | | **139,962** | 1,114,714 |

The annexed notes from 1 to 41 form an integral part of these unconsolidated financial statements.

| Mujtaba Haider Khan | Shahid Hamid Pracha | Shafiq Ahmed |
|---|---|---|
| Chief Executive Officer | Director | Chief Financial Officer |

# Unconsolidated Statement Of Changes In Equity

## For The Year Ended December 31, 2017

(Amounts in thousand)

| | Capital reserves | | | | | | Revenue reserves | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share Capital | Merger reserve | Share premium reserve | Capital reserve | Capital redemption reserve fund | Total | Unappro-priated profit | Unrealized gain on remeasure-ment of available for sale investments | Total |
| | ---Rupees--- | | | | | | | | |
| **Balance as at January 1, 2016** | 590,578 | 10,521 | 136,865 | 33,311 | 25,969 | 206,666 | 1,234,247 | 10,208 | 2,041,699 |
| Profit for the year | - | - | - | - | - | - | 1,115,157 | - | 1,115,157 |
| Other comprehensive (loss) / income | - | - | - | - | - | - | (5,303) | 4,860 | (443) |
| Total comprehensive income for the year | - | - | - | - | - | - | 1,109,854 | 4,860 | 1,114,714 |
| **Transaction with owners** | | | | | | | | | |
| Final cash dividend for the year ended December 31, 2015 @ Rs. 5 per share | - | - | - | - | - | - | (295,289) | - | (295,289) |
| **Balance as at December 31, 2016** | 590,578 | 10,521 | 136,865 | 33,311 | 25,969 | 206,666 | 2,048,812 | 15,068 | 2,861,124 |
| Profit for the year | **-** | **-** | **-** | **-** | **-** | **-** | **143,613** | **-** | **143,613** |
| Other comprehensive loss | **-** | **-** | **-** | **-** | **-** | **-** | **(257)** | **(3,394)** | **(3,651)** |
| Total comprehensive income for the year | **-** | **-** | **-** | **-** | **-** | **-** | **143,356** | **(3,394)** | **139,962** |
| **Transaction with owners** | | | | | | | | | |
| Final cash dividend for the year ended December 31, 2016 @ Rs. 5 per share | **-** | **-** | **-** | **-** | **-** | **-** | **(295,289)** | **-** | **(295,289)** |
| **Balance as at December 31, 2017** | **590,578** | **10,521** | **136,865** | **33,311** | **25,969** | **206,666** | **1,896,879** | **11,674** | **2,705,797** |

The annexed notes from 1 to 41 form an integral part of these unconsolidated financial statements.

| Mujtaba Haider Khan | Shahid Hamid Pracha | Shafiq Ahmed |
|---|---|---|
| Chief Executive Officer | Director | Chief Financial Officer |

# Unconsolidated Statement Of Cash Flows
For The Year Ended December 31, 2017

| (Amounts in thousand) | 2017 | 2016 |
|---|---|---|
| | ------------Rupees------------ | |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Profit before taxation | **227,292** | 1,242,235 |
| Add: Loss before taxation attributable to discontinued operations | **20,675** | 41,362 |
| Profit before taxation from continuing operations | **247,967** | 1,283,597 |
| **Adjustment for non-cash charges and other items:** | | |
| Depreciation | **2,383** | 4,165 |
| Amortization | **5,060** | 5,181 |
| Provision for gratuity - net | **(3,634)** | 1,491 |
| Gratuity transferred from Subsidiary | **731** | 3,220 |
| Provision for slow moving and obsolete stock | **14,376** | 4,873 |
| Provision for doubtful debts - net | **(550)** | 100 |
| Finance cost | **36,109** | 28,292 |
| Loss on disposal of property, plant and equipment | **9** | 36 |
| Dividend income | **(312,628)** | (1,364,708) |
| Profit on deposits | **(2,076)** | (2,068) |
| Markup charged to related parties | **(31,452)** | - |
| Capital gain on sale of investments - held for trading | **-** | (3,749) |
| | **(43,705)** | (39,570) |
| **Working capital changes:** | | |
| **(Increase) / decrease in current assets** | | |
| Stores and spares | **-** | 1,266 |
| Stock | **4,240** | 94,113 |
| Trade debts | **34,158** | 80,468 |
| Loans and advances | **(103,858)** | 48,462 |
| Deposits, prepayments and other receivables | **176,200** | (202,723) |
| | **110,740** | 21,586 |
| **Increase in current liabilities** | | |
| Trade and other payables | **7,030** | 3,271 |
| | **117,770** | 24,857 |
| Gratuity paid / amount withdrawn | **144** | (11,081) |
| Finance cost paid | **(36,558)** | (18,057) |
| Taxes paid | **(50,406)** | (182,155) |
| Discontinued operations | **308** | (16,208) |
| Net cash used in operating activities | **(12,447)** | (242,214) |

# Unconsolidated Statement Of Cash Flows

For The Year Ended December 31, 2017

| (Amounts in thousand) | 2017 | 2016 |
|---|---|---|
| | ------------Rupees------------ | |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchases of property, plant and equipment | **(360)** | (1,958) |
| Purchase of intangible assets | **(37)** | - |
| Proceeds from disposal of property, plant and equipment | **22** | 5,852 |
| Proceeds from disposal of 'held for sale' assets | **-** | 17,088 |
| Investment in subsidiaries | **(430,003)** | (1,562,482) |
| Proceeds from disposal of short-term investments | **-** | 543,597 |
| Profit on deposits | **2,076** | 2,068 |
| Markup charged to related parties | **31,452** | - |
| Dividend received | **312,628** | 1,364,708 |
| Discontinued operations | **-** | (1,782) |
| Net cash (used in) / generated from investing activities | **(84,222)** | 367,091 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Payment of dividend | **(288,755)** | (287,640) |
| Net decrease in cash and cash equivalents | **(385,424)** | (162,763) |
| Cash and cash equivalents at beginning of the year | **(166,157)** | (3,394) |
| Cash and cash equivalents at end of the year | **(551,581)** | (166,157) |
| **Cash and cash equivalents** | | |
| Cash and bank balances | **10,239** | 300,330 |
| Short term borrowings | **(561,820)** | (466,487) |
| | **(551,581)** | (166,157) |

The annexed notes from 1 to 41 form an integral part of these unconsolidated financial statements.

| Mujtaba Haider Khan | Shahid Hamid Pracha | Shafiq Ahmed |
|---|---|---|
| Chief Executive Officer | Director | Chief Financial Officer |

(Amounts in thousand)

## 1. LEGAL STATUS AND OPERATIONS

**1.1** Dawood Lawrencepur Limited (the Company) was incorporated in Pakistan in the year 2004 as a public listed company. It was formed as a result of a Scheme of Arrangement for Amalgamation in terms of the provisions of the repealed Companies Ordinance, 1984 (now Companies Act, 2017) between Dawood Cotton Mills Limited, Dilon Limited, Burewala Textile Mills Limited and Lawrencepur Woolen and Textile Mills Limited. The shares of the Company are listed on Pakistan Stock Exchange. The Company is currently engaged in the business of trading and marketing of renewable energy solutions, mainly solar, to commercial and industrial consumers, along with the legacy textile business. The registered office of the Company is situated at 3rd Floor, Dawood Centre, M.T. Khan Road, Karachi in the province of Sindh.

**1.2** In prior years, the Company suspended operations of Lawrencepur Woolen and Textile Mills Limited (LWTM), Burewala Textile Mills Limited (BTM), Dilon Limited (DL) and Dawood Cotton Mills Limited (DCM) and sold assets of LWTM. DL and DCM property was sold in 2015. The results of discontinued operations include LWTM and BTM.

**1.3** The 'Lawrencepur' brand name continues to operate under license.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these unconsolidated financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

### 2.1 Basis of preparation

**2.1.1** These unconsolidated financial statements have been prepared under the historical cost convention as modified by remeasurement of certain financial assets and financial liabilities at fair value and retirement benefits at present value.

**2.1.2** These unconsolidated financial statements have been prepared in accordance with the requirements of the repealed Companies Ordinance, 1984 (the Ordinance), directives issued by the Securities and Exchange Commission of Pakistan (SECP) and approved accounting standards as applicable in Pakistan. As per the requirement of Circular No. CLD/CCD/PR(11)/2017 dated October 4, 2017 issued by SECP, companies whose financial year closes on or before December 31, 2017 are required to prepare their financial statements in accordance with the provisions of the Ordinance. Accordingly approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the provisions of the Ordinance. Wherever, the requirements of the Ordinance or directives issued by the SECP differ with the requirements of these standards, the requirements of the Ordinance and the requirements of the said directives have been followed.

**2.1.3** These unconsolidated financial statements are presented in Pakistani Rupees which is the functional currency of the Company.

**2.1.4** The preparation of these unconsolidated financial statements in conformity with the above requirements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

**2.2 Initial application of a Standard, Amendment or an Interpretation to an existing Standard**

**2.2.1 Standard, amendments to published standards and interpretation that are effective in 2017**

The following amendments to published standards are mandatory for the financial year beginning on or after January 1, 2017 and are relevant to the Company:

- IAS 7 'Cash flow statements: This amendment requires disclosure to explain changes in liabilities for which cash flows have been, or will be classified as financing activities in the statement of cash flows. The amendment only covers balance sheet items for which cash flows are classified as financing activities. In case other items are included within the reconciliation, the changes in liabilities arising from financing activities will be identified separately. A reconciliation of the opening to closing balance is not specifically required but instead the information can be provided in other ways. In the first year of adoption, comparative information need not be provided. The amendment does not have a significant impact on the Company's financial statements.

- IAS 12 'Income Taxes'. These amendments clarify the requirements for recognising deferred tax assets on unrealised losses. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. They also clarify certain other aspects of accounting for deferred tax assets. The amendment does not have a significant impact on the Company's financial statements.

**2.2.2 Standards, amendments to published standards and interpretations that are not yet effective and have not been early adopted by the Company**

The following new standards, amendments to published standards and interpretations are not effective for the financial year beginning on January 1, 2017 and have not been early adopted by the Company:

- IFRS 9 'Financial instruments' (effective for annual periods beginning on or after July 1, 2018). IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities and replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually uses for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The Company is yet to assess the full impact of the standard.

- Amendment to IFRS 9, 'Financial instruments', on prepayment features with negative compensation (effective for periods beginning on or after January 1, 2019). This amendment confirms that when a financial liability measured at amortized cost is modified without this resulting in de-recognition, a gain or loss should be recognized immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39. The Company is yet to assess the full impact of the amendment.

- IFRS 15, 'Revenue from contracts with customers' (effective for periods beginning on or after July 1, 2018). This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The Company is yet to assess the full impact of the standard.

- Amendments to IFRS 15, 'Revenue from contracts with customers' (effective for annual periods beginning on or after July 1, 2018). These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licenses of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard. The Company is yet to assess the full impact of the amendments.

- IFRIC 22 ' Foreign Currency Transactions and Advance Consideration' (effective for periods beginning on or after January 1, 2018). These interpretations clarify the determination of the date of transaction for the exchange rate to be used on initial recognition of a related asset, expense or income where an entity pays or receives consideration in advance for foreign currency-denominated contracts. For a single payment or receipt, the date of the transaction should be the date on which the entity initially recognizes the non-monetary asset or liability arising from the advance consideration (the prepayment or deferred income/contract liability). If there are multiple payments or receipts for one item, a date of transaction should be determined as above for each payment or receipt. The interpretation is not expected to have a significant impact on the Company's financial statements.

- IFRS 16 'Leases' (effective for periods beginning on or after January 1, 2019). This standard is yet to be notified by SECP. This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company is yet to assess the full impact of the standard.

- IFRIC 23, 'Uncertainty over income tax treatments' (effective for periods beginning on or after January 1, 2019). This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. The Company is yet to assess the full impact of the interpretation.

There are number of other standards, amendments and interpretations to the published standards that are not yet effective and are also not relevant to the Company and therefore, have not been presented here.

In addition to the foregoing, the Companies Act, 2017 which is not effective on these unconsolidated financial statements, has added certain disclosure requirements which will be applicable in future.

## 2.3 Property, plant and equipment

### 2.3.1 Recognition and measurement

Property, plant and equipment, except for free hold land, are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset. Capital work-in-progress is stated at cost less impairment, if any.

Disposal of assets is recognized when significant risks and rewards incidental to ownership have been transferred to the buyer. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized in profit and loss account.

### 2.3.2 Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognized at the carrying amount of the item, if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day to day servicing of property, plant and equipment are recognized in profit and loss as they are incurred.

### 2.3.3 Depreciation

Depreciation is charged using the straight-line and reducing balance method whereby the cost of an operating asset less its estimated residual value is charged over its estimated useful life. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each balance sheet date. Depreciation on additions is charged from the month in which an asset is available for use while no depreciation is charged for the month in which an asset is disposed off.

### 2.3.4 Impairment

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

### 2.4 Intangible assets

These are capitalized on the basis of the costs incurred to acquire and bring the specific software to use. Software is stated at cost less accumulated amortization and accumulated impairment losses, if any. These are amortized using the 'straight line method' from the month the software is available for use up to the month of its disposal at the rate mentioned in note 5.1. The residual values, useful lives and amortization method are reviewed and adjusted, if appropriate, at each reporting date.

### 2.5 Financial assets

### 2.5.1 Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss, held to maturity, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

**a) At fair value through profit or loss**

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets.

**b) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period which are classified as non-current assets. The Company's loans and receivable comprise trade debts, loans, deposits, other receivables  and cash and cash equivalents in the balance sheet.

**c) Held to maturity**

Held to maturity financial assets are non derivative financial assets with fixed or determinable payments and fixed maturity with a positive intention and ability to hold to maturity. There were no held to maturity financial assets at the balance sheet date.

**d) Available-for-sale**

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting date.

**2.5.2 Recognition and measurement**

All financial assets are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs except for financial assets not carried at fair value through profit and loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed to profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held to maturity investments are subsequently carried at amortised cost.

Gains or losses arising from changes in the fair value of the ‘financial assets at fair value through profit or loss’ category are recognised in profit and loss.

Gains and losses except impairment losses and foreign exchange gain and losses arising from changes in fair value of assets classified as available-for-sale are recognised in other comprehensive income until the financial asset is derecognised. When securities classified as available-for-sale are sold, the accumulated gain or loss previously recognised in other comprehensive income is reclassified from equity to profit and loss.

Interest on available-for-sale assets calculated using the effective interest method is recognised in profit and loss. Dividends on available for sale equity instruments are recognised in profit and loss when the Company’s right to receive payments is established.

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for assets carried at amortised cost, the loss is recognised in profit and loss. For available-for-sale financial assets, the cumulative loss is reclassified from equity and recognised in profit and loss. Impairment losses recognised in profit and loss on equity instruments classified as available for sale are not reversed through profit and loss.

**2.5.3 Financial liabilities**

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument at their fair value and in the case of a financial liability carried at fair value through profit or loss, the transaction cost incurred there against is also charged to profit or loss. After initial recognition, financial liabilities are measured at amortized cost using the effective interest method except financial liabilities at fair value through profit or loss which are measured at fair value.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the profit and loss.

### 2.5.4 Offsetting of financial assets and liabilities

A financial asset and a financial liability are offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set-off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

### 2.6 Investments in subsidiaries companies

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Further the Company also considers whether:

- It has power over the investee entity;
- It has exposure, right, to variable returns from its involvement with the investee entity; and
- It has the ability to use its power over the investee entity to affect the amount of the Company's returns.

Investment in subsidiary companies are stated at cost less impairment, if any.

### 2.7 Investment in associate

Associates are all entities over which the Company has significant influence but not control. Investment in associates are carried at cost less impairment, if any. The Company determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case, the Company calculates impairment loss as the difference between the recoverable amount of the associates and its carrying value and recognizes it in the profit and loss account.

### 2.8 Stores and spares

These are valued at weighted average cost except for items in transit which are stated at invoice value plus other charges paid thereon till the balance sheet date. For items which are slow moving and / or identified as surplus to the Company’s requirements, adequate provision is made for any excess book value over estimated residual value.

### 2.9 Stock

Stock is valued at the lower of cost and net realizable value. Cost is determined using weighted average method except for stock in transit, which is stated at cost (invoice value) plus other charges incurred thereon till the balance sheet date. Cost includes applicable purchase cost and manufacturing expenses.

Net realizable value represents the estimated selling price less all estimated costs necessary to make the sale.

### 2.10 Trade and other receivables

Trade debts and other receivables are stated initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. 'Trade debts' and 'other receivables' considered irrecoverable are written off.

### 2.11 Trade and other payables

These are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. Exchange gains and losses arising in respect of liabilities in foreign currency are added to the carrying amount of the respective liabilities.

### 2.12 Provisions

Provisions are recognized when the Company has a legal or constructive obligation as a result of past events and 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. Provisions are reviewed at each reporting date and adjusted to reflect current best estimate.

### 2.13 Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand, deposits held with banks and highly liquid investments with original maturity of three months or less. Running finance facilities availed by the Company, if any, which are repayable on demand and form an integral part of the Company's cash management are included as part of cash and cash equivalents for the purpose of the statement of cash flows.

### 2.14 Discontinued operations

A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and

**(a)** represents a separate major line of business or geographical area of operations;

**(b)** is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or

**(c)** is a subsidiary acquired exclusively with a view to resale.

**2.15 Employees' retirement benefits - defined benefit plan**

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in current and prior periods, that benefit is discounted to determine its present value. The calculation is performed at least once annually, by a qualified actuary using the projected unit credit method. The Company operates a defined benefit 'Gratuity' plan, for its regular permanent employees who have completed qualifying period of service. A funded gratuity scheme is in place for the Management employees of the Company's 'Lawrencepur Woolen and Textile Mills Unit' and other employees.

Provisions are made in the financial statements to cover obligations under the scheme. The provisions require assumptions to be made of future outcome which mainly include increase in remuneration, expected return on plan assets and the discount rate used to convert future cash flows to current values. Remeasurement gains and losses arising from the actuarial valuation are recognized immediately in other comprehensive income.

**2.16 Borrowings**

Borrowings are recognized initially at fair value, net of transaction costs incurred and are subsequently measured at amortized cost using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional / contractual right to defer settlement of the liability for atleast twelve months after the balance sheet date.

**2.17 Taxation**

**2.17.1 Current**

The current income tax charge is based on the taxable income for the year calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

**2.17.2 Deferred**

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and the tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax asset is recognized only when it is probable that future taxable profits and taxable temporary differences will be available against which the deductible temporary differences can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is charged or credited in the profit and loss account, unless it relates to item recognised in equity in which case it is also recognized in equity.

**2.18 Revenue recognition**

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable in the normal course of business. Revenue is recognized net of brokerages, commission and trade discounts.

**2.18.1 Project revenue**

Project revenues and costs relating to projects are recognized by reference to stage of completion of project activity at the reporting date. Stage of completion of a project is determined by applying 'cost to-cost method'. Under this method stage of completion of a project is determined by reference to the proportion that project cost incurred to date bears to the total estimated contract cost. Expected losses on projects are recognized as an expense immediately.

**2.18.2 Sale of goods**

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

**2.18.3 Interest income**

Income from investments and deposits is recognized on an accrual basis.

**2.18.4 Dividend income**

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

**2.18.5 Capital gain**

Capital gains / losses arising on sale of investments are included in the profit and loss on the date at which the transaction takes place.

**2.19 Borrowing costs**

Borrowing costs are recognized as an expense in the period in which they are incurred except, to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalized as part of the cost of such asset.

**2.20 Foreign currency translation**

Transactions in foreign currencies are accounted for in Pakistani Rupees at the exchange rates prevailing at the date of the transactions. Monetary assets and liabilities in foreign currencies are translated into Pakistani Rupees at rates of exchange prevailing at the balance sheet date. Foreign exchange differences are recognized in the profit and loss account.

### 2.21 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit and loss attributable to ordinary share holders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

### 2.22 Non-current assets held for sale

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. The assets are measured at lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognized in profit and loss. Non-current assets classified as held for sale are not depreciated or amortized.

### 2.23 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Company that makes the strategic decisions.

Management has disclosed information as required by IFRS- 8 'Operating Segments' in note 35 to these unconsolidated financial statements.

## 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

### 3.1 Property, plant and equipment

The Company reviews appropriateness of the rates of depreciation, useful lives and residual values used in the calculation of depreciation charge. Further, where applicable, an estimate of recoverable amount of assets is made for possible impairment on an annual basis.

### 3.2 Intangible assets

The Company reviews appropriateness of the rate of amortisation and useful life used in the calculation for amortisation. Further where applicable, an estimate of recoverable amount of assets is made for possible impairment on an annual basis.

### 3.3 Taxation

In making the estimates for current income taxes payable by the Company, the management considers the applicable laws and the decisions / judgments of appellate authorities on certain issues in the past.

### 3.4 Trade debts

An estimate of the collectible amount of trade debts is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Any difference between the amounts actually collected in future periods and the amounts expected is recognized in the profit and loss account.

### 3.5 Provision for retirement benefits

The present value of these obligations depend on a number of factors that are determined on actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of these obligations. The present values of these obligations and the underlying assumptions are disclosed in note 18.

### 3.6 Stock

The Company reviews the net realisable value of stock to assess any diminution in the respective carrying values. Net realisable value is determined with reference to estimated selling price less estimated expenditure to make the sales.

### 3.7 Revenue

Company estimates the cost to complete the projects in order to determine the stage of completion for the purpose of revenue recognition. These costs include the cost of material, infrastructure, labour and the cost of meeting other contractual obligations to the customer.

### 3.8 Impairment of investments in subsidiaries and associates

In making estimate of future cash flows from the Company's financial assets and from investment in subsidiaries and associate, the management considers future dividend stream and an estimate of the terminal value of these investments, which are subject to change.

### 3.9 Provision for warranty claims

The Company estimates warranty provision on basis of claims received to date to projects estimated cost.

(Amounts in thousand)

## 4. PROPERTY, PLANT AND EQUIPMENT

| | Freehold land | Building on freehold land | Plant and machinery | Furniture, fixtures and office equipment | Computers | Tools and equipment | Vehicles | Renewable energy units | Total |
|---|---|---|---|---|---|---|---|---|---|
| | ---Rupees--- | | | | | | | | |
| **As at January 1, 2016** | | | | | | | | | |
| Cost | 3,157 | 70,557 | 377,587 | 66,458 | 7,204 | 6,829 | 15,018 | 4,430 | 551,240 |
| Accumulated depreciation | - | (65,101) | (312,382) | (48,814) | (6,857) | (3,348) | (6,696) | (489) | (443,687) |
| **Net book value** | 3,157 | 5,456 | 65,205 | 17,644 | 347 | 3,481 | 8,322 | 3,941 | 107,553 |
| **Year ended December 31, 2016** | | | | | | | | | |
| Opening net book value | 3,157 | 5,456 | 65,205 | 17,644 | 347 | 3,481 | 8,322 | 3,941 | 107,553 |
| Additions | - | - | - | 136 | - | 47 | 3,523 | 34 | 3,740 |
| Disposals | | | | | | | | | |
| Cost | - | - | - | - | (438) | (241) | (7,596) | - | (8,275) |
| Accumulated depreciation | - | - | - | - | 405 | 171 | 1,811 | - | 2,387 |
| | - | - | - | - | (33) | (70) | (5,785) | - | (5,888) |
| Depreciation (note 4.3) | - | (546) | (13,041) | (1,771) | (237) | (421) | (2,071) | (445) | (18,532) |
| Closing net book value | 3,157 | 4,910 | 52,164 | 16,009 | 77 | 3,037 | 3,989 | 3,530 | 86,873 |
| **As at December 31, 2016** | | | | | | | | | |
| Cost | 3,157 | 70,557 | 377,587 | 66,594 | 6,766 | 6,635 | 10,945 | 4,464 | 546,705 |
| Accumulated depreciation | - | (65,647) | (325,423) | (50,585) | (6,689) | (3,598) | (6,956) | (934) | (459,832) |
| Net book value | 3,157 | 4,910 | 52,164 | 16,009 | 77 | 3,037 | 3,989 | 3,530 | 86,873 |
| **Year ended December 31, 2017** | | | | | | | | | |
| Opening net book value | **3,157** | **4,910** | **52,164** | **16,009** | **77** | **3,037** | **3,989** | **3,530** | **86,873** |
| Additions | **-** | **-** | **-** | **-** | **360** | **-** | **-** | **-** | **360** |
| Transfer to held for sale assets | | | | | | | | | |
| Cost | **-** | **-** | **(274,717)** | **-** | **-** | **(2,893)** | **-** | **-** | **(277,610)** |
| Accumuалated depreciation | **-** | **-** | **237,765** | **-** | **-** | **2,607** | **-** | **-** | **240,372** |
| | **-** | **-** | **(36,952)** | **-** | **-** | **(286)** | **-** | **-** | **(37,238)** |
| Disposals (note 4.2) | | | | | | | | | |
| Cost | **-** | **-** | **-** | **-** | **-** | **(55)** | **(123)** | **-** | **(178)** |
| Accumulated depreciation | **-** | **-** | **-** | **-** | **-** | **55** | **92** | **-** | **147** |
| | **-** | **-** | **-** | **-** | **-** | **-** | **(31)** | **-** | **(31)** |
| Depreciation (note 4.3) | **-** | **(491)** | **(10,433)** | **(1,601)** | **(130)** | **(308)** | **(796)** | **(446)** | **(14,205)** |
| Closing net book value | **3,157** | **4,419** | **4,779** | **14,408** | **307** | **2,443** | **3,162** | **3,084** | **35,759** |
| **As as December 31, 2017** | | | | | | | | | |
| Cost (note 4.4) | **3,157** | **70,557** | **102,870** | **66,594** | **7,126** | **3,687** | **10,822** | **4,464** | **269,277** |
| Accumulated depreciation | **-** | **(66,138)** | **(98,091)** | **(52,186)** | **(6,819)** | **(1,244)** | **(7,660)** | **(1,380)** | **(233,518)** |
| Net book value | **3,157** | **4,419** | **4,779** | **14,408** | **307** | **2,443** | **3,162** | **3,084** | **35,759** |
| **Annual rate of depreciation (%)** | **0%** | **10%** | **20%** | **10%** | **33%** | **10%-33%** | **20%** | **10%** | |

**4.1** The above include assets with an aggregate carrying value of Rs. 18,367 (2016: Rs. 67,303) which relate to discontinued textile units, LWTM and BTM.

**4.2** During the year, the following assets have been disposed off:

| | | Cost | Accumulated depreciation | Net book value | Sale proceeds |
|---|---|---|---|---|---|
| **Vehicle** | | ------------ | ------------ Rupees | ------------ | ------------ |
| By Company policy to existing employees | Employees | 123 | 92 | 31 | 17 |
| **Tools and equipment** | | | | | |
| By Company policy to existing executive | Executives | 55 | 55 | - | 5 |
| **December 31, 2017** | | **178** | **147** | **31** | **22** |
| December 31, 2016 | | 8,275 | 2,387 | 5,888 | 5,852 |

**4.3** Depreciation for the year has been allocated as under:

| | **2017** | 2016 |
|---|---|---|
| | ------Rupees | ------ |
| Selling and distribution expenses (note 24) | **446** | 443 |
| Administrative expenses (note 25) | **13,759** | 18,089 |
| | **14,205** | 18,532 |

**4.4** The Company's assets include demonstration equipments having cost of Rs. 1,980 (2016: Rs. 1,980) which have been installed at The Searle Company Limited.

**5.** **INTANGIBLE ASSETS - Computer software**

| | **2017** | 2016 |
|---|---|---|
| | ------Rupees | ------ |
| Balance at beginning of the year | **5,880** | 11,061 |
| Additions at cost | **37** | - |
| Amortization charged for the year (notes 5.1 and 25) | **(5,060)** | (5,181) |
| Balance at end of the year | **857** | 5,880 |
| **Gross carrying value** | | |
| Cost | **19,933** | 19,896 |
| Less: Accumulated amortization | **(19,076)** | (14,016) |
| Net book value | **857** | 5,880 |

**5.1** The above intangible cost is being amortized over 3 years.

**6.** **LONG TERM INVESTMENTS**

| | **2017** | 2016 |
|---|---|---|
| Investment in related parties at cost (note 6.1) | **3,016,102** | 2,586,099 |
| Other investments (note 6.2) | **14,129** | 17,523 |
| | **3,030,231** | 2,603,622 |

(Amounts in thousand)

| | | 2017 | 2016 |
|---|---|---|---|
| | | ------------Rupees------------ | |
| **6.1** | **Investment in related parties - at cost** | | |
| | **Subsidiary - unquoted** | | |
| | Tenaga Generasi Limited<br>Percentage holding 75% (2016: 75%)<br>227,027,613 (2016: 227,027,613) fully paid<br>ordinary shares of Rs. 10/- each | **2,294,804** | 2,294,804 |
| | **Wholly owned subsidiaries - unquoted** | | |
| | Mozart (Private) Limited<br>Percentage holding 100% (2016: 100%)<br>100 (2016: 100) fully paid<br>ordinary shares of Rs. 10/- each | **1** | 1 |
| | Reon Alpha (Private) Limited<br>Percentage holding 100% (2016: Nil)<br>100 (2016: Nil) fully paid<br>ordinary shares of Rs. 10/- each | **1** | - |
| | Reon Energy Limited<br>Percentage holding 100% (2016: 100%)<br>65,600,000 (2016: 22,600,000) fully paid<br>ordinary shares of Rs. 10/- each (note 6.1.1) | **656,000** | 226,000 |
| | Greengo (Private) Limited<br>Percentage holding 100% (2016: Nil)<br>100 (2016: Nil) fully paid<br>ordinary shares of Rs. 10/- each | **1** | - |
| | Abrax (Private) Limited<br>Percentage holding 100% (2016: Nil)<br>100 (2016: Nil) fully paid<br>ordinary shares of Rs. 10/- each | **1** | - |
| | **Associate - quoted** | | |
| | Dawood Hercules Corporation Limited<br>Percentage holding 16.19% (2016: 16.19%)<br>77,931,896 (2016: 77,931,896) fully paid<br>ordinary shares of Rs. 10/- each<br>Market value Rs. 8,719,021 (2016: Rs. 11,247,910) | **65,294** | 65,294 |
| | | **3,016,102** | 2,586,099 |

**6.1.1** During the year, the Company subscribed 43,000,000 (2016: 20,600,000) ordinary shares of Reon Energy Limited having face value of Rs. 10 each, against right offer.

**6.1.2** The Company has pledged 32,199,737 (2016: 66,262,722) ordinary shares of Rs. 10 each of Dawood Hercules Corporation Limited and 34,599,995 (2016: 34,599,995) ordinary shares of Rs. 10 each of Tenaga Generasi Limited against various financing facilities procured from commercial banks (notes 19 and 20.1.9).

(Amounts in thousand)

**6.1.3** The details of shares pledged as security are as follows:

| Bank | Shares pledged | As at December 31, 2017 | | | As at December 31, 2016 | | |
|---|---|---|---|---|---|---|---|
| | | Number of shares pledged | Face value of shares pledged | Market value of pledged shares | Number of shares pledged | Face value of shares pledged | Market value of pledged shares |
| | | | ---------Rupees--------- | | | ---------Rupees--------- | |
| **Pledged against short term financing and other facilities availed by the Company (notes 19 and 20.1.9)** | | | | | | | |
| Standard Chartered Bank (Pakistan) Limited | Dawood Hercules Corporation Limited | **21,999,737** | **219,997** | **2,461,331** | 57,000,000 | 570,000 | 8,226,810 |
| Bank Al-Habib Limited | Dawood Hercules Corporation Limited | **10,200,000** | **102,000** | **1,141,176** | 9,262,000 | 92,620 | 1,336,784 |
| **Pledged under Sponsor Share Agreement** | | | | | | | |
| Citibank N.A. | Tenaga Generasi Limited | **34,599,995** | **346,000** | **-*** | 34,599,995 | 346,000 | -* |

* Tenaga Generasi Limited is an unlisted company.

## 6.2 Other investments - Available for sale investments

| 2017 | 2016 | Name of Investee | 2017 | 2016 |
|---|---|---|---|---|
| Units / No of Shares | | | ------------Rupees------------ | |
| | | **Listed Securities** | | |
| **200,000** | 200,000 | National Investment (Unit) Trust | **14,114** | 17,508 |
| | | **Un-Listed Securities** | | |
| **1,500** | 1,500 | Asian Co-operative Society Limited | **15** | 15 |
| | | | **14,129** | 17,523 |

## 6.3 Reconciliation between fair value and cost of investments classified as 'available for sale'

| | 2017 | 2016 |
|---|---|---|
| Fair value of investments | **14,129** | 17,523 |
| Surplus on remeasurement of investments as at year end | **(11,674)** | (15,068) |
| Cost of investments | **2,455** | 2,455 |

## 7. LONG TERM DEPOSITS

| | 2017 | 2016 |
|---|---|---|
| Deposits for utilities | **1,718** | 1,718 |
| Others | **1,060** | 1,060 |
| | **2,778** | 2,778 |

## 8. STORES AND SPARES

| | 2017 | 2016 |
|---|---|---|
| Stores | **11,090** | 11,090 |
| Spares | **4,488** | 4,488 |
| | **15,578** | 15,578 |
| Less: Provision for slow moving and obsolete items (note 8.1) | **(7,789)** | (7,789) |
| | **7,789** | 7,789 |

(Amounts in thousand)

| | | 2017 | 2016 |
|---|---|---|---|
| | | ------------Rupees------------ | |
| **8.1** | The movement in provision during the year is as follows: | | |
| | Balance at the beginning of the year | **7,789** | 3,578 |
| | Add: Charge for the year | **-** | 4,211 |
| | Balance at the end of the year | **7,789** | 7,789 |

**9.** **STOCK**

| | 2017 | 2016 |
|---|---|---|
| **Renewable energy** | | |
| Finished goods (notes 9.1 and 9.2) | **48,576** | 52,816 |
| Provision for slow moving and obsolete items (note 9.3) | **(30,860)** | (16,484) |
| | **17,716** | 36,332 |
| **Textile** | | |
| Finished goods | **47,418** | 62,077 |
| Provision for write down to net realisable value (note 9.3) | **(6,310)** | (11,851) |
| | **41,108** | 50,226 |
| | **58,824** | 86,558 |

**9.1** This includes stock with an aggregate carrying value of Rs. 2,144 (2016: Rs. 406) which is held by third party at reporting date.

**9.2** This includes stock in transit amounting to Nil (2016: Rs. 7,839).

| | | 2017 | 2016 |
|---|---|---|---|
| **9.3** | The movement in provision during the year is as follows: | | |
| | | ------------Rupees------------ | |
| | Balance at the beginning of the year | **28,335** | 23,462 |
| | Add: charge for the year | **8,835** | 4,873 |
| | Balance at the end of the year | **37,170** | 28,335 |

**10.** **TRADE DEBTS - unsecured**

| | 2017 | 2016 |
|---|---|---|
| **- Considered good** | | |
| Renewable energy - projects (note 10.5) | **1,258** | 15,510 |
| Textile (note 10.5) | **182** | 424 |
| Gross amount due from customers (note 10.4) | **-** | 17,546 |
| Renewable energy - others | **108** | 1,918 |
| | **1,548** | 35,398 |
| **- Considered doubtful** | | |
| Renewable energy | **2,477** | 3,059 |
| Others | **32** | - |
| | **2,509** | 3,059 |
| | **4,057** | 38,457 |
| Provision for doubtful debts (note 10.3) | **(2,509)** | (3,059) |
| | **1,548** | 35,398 |

**10.1** As at December 31, 2017, trade debts aggregating to Rs. 1,348 (2016: Rs. 29,737) were past due but not impaired. These relate to various customers which have either been confirmed / acknowledged by the customer or cleared subsequent to the year end. The aging analysis is as follows:

(Amounts in thousand)

| | 2017 | 2016 |
|---|---|---|
| | ------------Rupees------------ | |
| Upto 1 month | - | 79 |
| More than 1 month | 1,348 | 29,658 |
| | 1,348 | 29,737 |

**10.2** As at December 31, 2017, trade debts aggregating to Rs. 200 (2016: Rs. 5,661) were neither past due nor impaired. The credit quality of these receivables can be assessed with reference to their historical performance with no defaults ever.

**10.3** As at December 31, 2017, trade debts aggregating to Rs. 2,509 (2016: Rs. 3,059) were deemed to have been impaired and provided for. These have been outstanding for more than six months. The movement in provision during the year is as follows:

| | 2017 | 2016 |
|---|---|---|
| | ------------Rupees------------ | |
| Balance at the beginning of the year | 3,059 | 2,959 |
| Add: Provision for the year | 3,007 | 100 |
| Less: Reversal during the year | (3,557) | - |
| Balance at the end of the year | 2,509 | 3,059 |

**10.4** Gross amount due from customers:

| | | |
|---|---|---|
| Contract costs incurred plus recognized profits less recognized losses | - | 135,631 |
| Less : Progress billings | - | (118,085) |
| | - | 17,546 |

**10.5** Includes amounts due from related parties as follows:

| | Amount Outstanding | Maximum month end balance |
|---|---|---|
| | ------------Rupees------------ | |
| **December 31, 2017** | | |
| Sach International (Private) Limited | 43 | 3,946 |
| December 31, 2016 | | |
| Sach International (Private) Limited | 150 | 150 |
| Director | 1,738 | 1,738 |

**10.6** As at December 31, 2017, receivables aggregating to Nil (2016: Rs. 1,888) from related parties were past due but not impaired. The aging analysis of these receivables is as follows:

| | 2017 | 2016 |
|---|---|---|
| | ------------Rupees------------ | |
| More than 3 months | - | 1,888 |

(Amounts in thousand)

## 11. LOANS AND ADVANCES - unsecured, considered good

| | 2017 | 2016 |
|---|---|---|
| | ------------Rupees------------ | |
| Loans and advances to: | | |
| - Subsidiary company (note 11.1) | **105,000** | - |
| - Executives (notes 11.2, 11.3 and 11.4) | **51** | 799 |
| - Other employees (note 11.3) | **272** | 433 |
| | **105,323** | 1,232 |
| Advance to suppliers | **970** | 1,363 |
| | **106,293** | 2,595 |

**11.1** This represents subordinated loan amounting to Rs. 105,000 provided during the year to Tenaga Generasi Limited (TGL), a subsidiary company, carrying mark-up at the rate of three months KIBOR plus 1.775%. The total facility provided to TGL amounts to Rs. 300,000. The interest and principal is repayable in one year's time. The maximum aggregate amount due from TGL at the end of any month during the year was Rs. 105,000.

### 11.2 Reconciliation of the carrying amount of loans to executives

| | 2017 | 2016 |
|---|---|---|
| | ------------Rupees------------ | |
| Balance at beginning of the year | **799** | 167 |
| Transferred from the subsidiary company | **-** | 185 |
| Disbursements | **30** | 1,153 |
| Repayments | **(778)** | (706) |
| Balance at end of the year | **51** | 799 |

**11.3** This represent interest free loan and advances to employees in accordance with the terms of the employment.

**11.4** The maximum aggregate amount due from executives at the end of any month during the year was Rs. 799 (2016: Rs. 816).

## 12. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES - unsecured, considered good

| | 2017 | 2016 |
|---|---|---|
| | ------------Rupees------------ | |
| Security deposits | **8,568** | 10,314 |
| Prepayments | **1,653** | 1,796 |
| Sales tax | **7,602** | 1,766 |
| Others (notes 12.1 and 12.2) | **54,747** | 248,808 |
| | **72,570** | 262,684 |

(Amounts in thousand)

| | Amount Outstanding | Maximum month end balance |
|---|---|---|
| | ------------Rupees------------ | |
| **12.1** This includes amount due from related parties as follows: | | |
| **December 31, 2017** | | |
| Sach International (Private) Limited | **7,006** | **7,006** |
| Tenaga Generasi Limited | **23,336** | **53,420** |
| Reon Energy Limited | **19,496** | **294,723** |
| Greengo (Private) Limited | **2** | **2** |
| Abrax (Private) Limited | **1** | **1** |
| Reon Alpha (Private) Limited | **46** | **46** |
| Mozart (Private) Limited | **5** | **5** |
| Engro Fertilizers Limited | **1,878** | **4,382** |
| | **51,770** | **359,585** |
| **December 31, 2016** | | |
| Sach International (Private) Limited | 9,605 | 16,779 |
| Tenaga Generasi Limited | 24,256 | 75,562 |
| Reon Energy Limited | 207,014 | 207,014 |
| Dawood Hercules Corporation Limited | 6,342 | 6,342 |
| Mozart (Private) Limited | 5 | 5 |
| | 247,222 | 305,702 |

**12.2** As at December 31, 2017, receivables from related parties aggregating to Rs. 49,892 (2016: Rs.165,874) were past due but not impaired. The aging analysis of these receivables is as follows:

| | 2017 | 2016 |
|---|---|---|
| | ------------Rupees------------ | |
| Upto 3 month | **13,991** | 85,292 |
| 3 to 6 months | **3,821** | 31,843 |
| More than 6 months | **32,080** | 48,739 |
| | **49,892** | 165,874 |

## 13. CASH AND BANK BALANCES

| | | |
|---|---|---|
| Cash in hand | **106** | 413 |
| Balance with banks in: | | |
| - current accounts | **8,305** | 10,101 |
| - deposit accounts (note 13.1) | **1,828** | 289,816 |
| | **10,133** | 299,917 |
| | **10,239** | 300,330 |

**13.1** These represent deposits with commercial banks and carry profit at the rate of 5.15% (2016: 3.7% to 4%) per annum.

| | 2017 | 2016 |
|---|---|---|
| | ------------Rupees------------ | |
| **14. ASSETS CLASSIFIED AS HELD FOR SALE** | **37,238** | - |

(Amounts in thousand)

**14.1** During the year, the shareholders of the Company in their Extraordinary General Meeting held on October 9, 2017 resolved to dispose off certain assets (disposal group) relating to the Company's discontinued unit, BTM (Dawoodabad Burewala). The Company has also entered into a sale agreement during the year for sale of assets mentioned below. The sale transaction is expected to be completed by June 30, 2018. Accordingly, the disposal group has been classified as 'held for sale' in these unconsolidated financial statements and is being carried at its net book value being lower than fair value less cost to sell. The disposal group comprises of the following:

| Particulars | Cost at January 1, 2017 | Transfer from operating assets | Cost at December 31, 2017 | Accumulated depreciation at January 1, 2017 | Transfer from operating assets | Accumulated depreciation at December 31, 2017 | Net book value at December 31, 2017 |
|---|---|---|---|---|---|---|---|
| | ------Rupees------ | | | | | | |
| **Plant and machinery** | - | 274,717 | 274,717 | - | 237,765 | 237,765 | 36,952 |
| **Tools and equipment** | - | 2,893 | 2,893 | - | 2,607 | 2,607 | 286 |
| | - | 277,610 | 277,610 | - | 240,372 | 240,372 | 37,238 |

## 15. SHARE CAPITAL

Authorized capital

| 2017 | 2016 | | 2017 | 2016 |
|---|---|---|---|---|
| ---Number of shares--- | | | ------Rupees------ | |
| **75,000,000** | 75,000,000 | | **750,000** | 750,000 |

Issued, subscribed and paid up capital

| 2017 | 2016 | | 2017 | 2016 |
|---|---|---|---|---|
| ---Number of shares--- | | | ------Rupees------ | |
| **2,204,002** | 2,204,002 | Ordinary shares of Rs. 10 each full paid in cash | **22,040** | 22,040 |
| **12,805,118** | 12,805,118 | Issued for consideration other than cash | **128,051** | 128,051 |
| **44,048,739** | 44,048,739 | Fully paid as bonus | **440,487** | 440,487 |
| **59,057,859** | 59,057,859 | | **590,578** | 590,578 |

**15.1** Associates holding the Company's share capital are as under:

| | 2017 | 2016 |
|---|---|---|
| | ---Number of shares--- | |
| Dawood Corporation (Private) Limited | **29,016,622** | 29,016,622 |
| The Dawood Foundation | **2,979,324** | 2,979,324 |
| Patek (Private) Limited | **3,501,884** | 3,501,884 |
| Cyan Limited | **2,965,095** | 2,965,095 |
| Dawood Industries (Private) Limited | **494,921** | 494,921 |
| Sach International (Private) Limited | **3,776** | 3,776 |
| | **38,961,622** | 38,961,622 |

(Amounts in thousand)

**15.2** The Company has one class of ordinary shares which carry no right to fixed income. The holders are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

## 16. DEFERRED TAXATION

As at December 31, 2017, deferred tax asset amounting to Rs. 488,981 (2016: Rs. 463,704) has not been recognised in these unconsolidated financial statements as the Company expects that its income will be taxable under alternate corporate tax and final tax regime in future.

## 17. TRADE AND OTHER PAYABLES

| | 2017 | 2016 |
|---|---|---|
| | Rupees | |
| Creditors | 4,798 | 3,550 |
| Other payables (note 17.1) | 17,271 | 11,278 |
| Accrued expenses (note 17.2) | 20,118 | 28,465 |
| Unclaimed dividend | 43,393 | 36,859 |
| Due to Islamic Development Bank (note 17.3) | 25,969 | 25,969 |
| Due to customers of energy projects (note17.4) | 10,950 | 530 |
| Advance from customers and others (note 17.6) | 50 | 83 |
| Payable to gratuity fund (note 18) | 2,881 | 5,285 |
| Deposits (note 17.5) | 465 | 377 |
| Withholding tax | 1,933 | 4,112 |
| | 127,828 | 116,508 |

**17.1** This represents amount due to following related parties:

| | | |
|---|---|---|
| The Dawood Foundation | 509 | - |
| Reon Energy Limited | 11,467 | 11,266 |
| Dawood Hercules Corporation Limited | 5,295 | 12 |
| | 17,271 | 11,278 |

**17.2** This includes Rs. 5,800 (2016: Rs. 5,800) on interest payable to National Investment (Unit) Trust (NIT) in respect of deposit received for subscription of shares in the Company. During last year, the High Court of Sindh has decided the case in favour of NIT and the Company's is negotiating with NIT for amicable settlement.

**17.3** This represents amount payable against the preference shares issued before amalgamation in the year 2004, by one of the merged entity to Islamic Development Bank with a right to redeem. The merged entity had served notice to the Bank for redemption before the scheme of amalgamation and redemption reserve had been created.

**17.4** Due to customers of energy projects:

| | 2017 | 2016 |
|---|---|---|
| | Rupees | |
| Contract costs incurred plus recognized profits less recognized losses | 60,940 | 8,610 |
| Less : Progress billings | (71,890) | (9,140) |
| Gross amount due to customers | (10,950) | (530) |

(Amounts in thousand)

**17.5** All deposits are interest free and are payable on demand.

**17.6** Includes Rs. 50 (2016: Nil) received as advance from Tenaga Generasi Limited, a subsidiary company.

| | 2017 | 2016 |
|---|---|---|
| | ------------Rupees------------ | |
| **18. STAFF RETIREMENT BENEFITS** | | |
| Staff retirement gratuity | **2,881** | 5,285 |

**18.1** The details of staff retirement benefit obligation based on actuarial valuation carried out by independent actuary as at December 31, 2017 using the Projected Unit Credit Method are as follows:

**18.1.1** Following significant assumptions were used for determining the gratuity liability:

| | 2017 | 2016 |
|---|---|---|
| | ------------%------------ | |
| Discount rate | **8.25** | 8.00 |
| Expected rate of salary increase | **7.25** | 7.00 |
| Expected return on plan assets | **8.25** | 8.00 |

| | 2017 | 2016 |
|---|---|---|
| | ------------Rupees------------ | |
| **18.1.2 Balance sheet reconciliation** | | |
| Present value of defined benefit obligation (note 18.1.3) | **5,844** | 8,213 |
| Fair value of plan assets (note 18.1.4) | **(2,963)** | (2,928) |
| Net liability at end of the year | **2,881** | 5,285 |

**18.1.3 Movement in present value of defined benefit obligation**

| | 2017 | 2016 |
|---|---|---|
| Present value of defined benefit obligation at beginning of the year | **8,213** | 9,149 |
| Current service cost | **569** | 1,547 |
| Past service cost | **-** | (118) |
| Interest cost | **656** | 361 |
| Gain arising on plan settlements | **(4,533)** | - |
| Benefits paid | **-** | (11,081) |
| Liability transferred from subsidiary company | **731** | 3,220 |
| Remeasurements: experience adjustments | **208** | 5,135 |
| Present value of defined benefit obligation at end of the year | **5,844** | 8,213 |

**18.1.4 Movement in fair value of plan assets**

| | 2017 | 2016 |
|---|---|---|
| Fair value of plan assets at beginning of the year | **2,928** | 2,815 |
| Contributions (refunded) / made by the Company | **(144)** | 11,081 |
| Interest income | **228** | 281 |
| Benefits paid | **-** | (11,081) |
| Remeasurement loss on plan assets excluding interest income | **(49)** | (168) |
| Fair value of plan assets at end of the year | **2,963** | 2,928 |

(Amounts in thousand)

| | 2017 | 2016 |
|---|---|---|
| | ------------Rupees------------ | |
| **18.1.5 Expense recognized in profit and loss account** | | |
| Current service cost | **569** | 1,547 |
| Past service cost | **-** | (118) |
| Gain and losses arising on plan settlements | **(4,533)** | - |
| Interest cost on defined benefit obligation | **656** | 361 |
| Interest income on plan assets | **(228)** | (281) |
| Expense for the year | **(3,536)** | 1,509 |
| **18.1.6 Remeasurement losses recognized in other comprehensive income** | | |
| Experience adjustments on obligation | **208** | 5,135 |
| Return on plan assets, excluding interest income | **49** | 168 |
| | **257** | 5,303 |
| **18.1.7 Net recognized liability** | | |
| Net liability at beginning of the year | **5,285** | 6,334 |
| Expense recognized in profit and loss account | **(3,536)** | 1,509 |
| Remeasurement losses recognized in other comprehensive income | **257** | 5,303 |
| Liability transferred from the subsidiary company | **731** | 3,220 |
| Contributions refunded / (made) during the year | **144** | (11,081) |
| Net liability at end of the year | **2,881** | 5,285 |
| **18.1.8 Plan assets comprise of following:** | | |
| Investment in mutual funds | **2,962** | 2,783 |
| Cash at bank | **1** | 145 |
| | **2,963** | 2,928 |

| | 2017 | 2016 |
|---|---|---|
| | ------------ % ------------ | |
| Investment in mutual funds | **99.97** | 95 |
| Cash at bank | **0.03** | 5 |
| | **100** | 100 |

| | 2017 | 2016 |
|---|---|---|
| | ------------Rupees------------ | |
| **18.1.9** The sensitivity of the defined benefit obligation to changes in weighted principal assumptions is: | | |
| Discount rate (+100 bps) | **5,343** | 7,674 |
| Discount rate (-100 bps) | **6,429** | 8,817 |
| Future salary increase rate (+100 bps) | **6,437** | 8,825 |
| Future salary increase rate (-100 bps) | **5,327** | 7,658 |

(Amounts in thousand)

The sensitivity analysis is based on a change in assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the liability for gratuity recognized within the balance sheet.

**18.1.10** The weighted average duration of the defined benefit obligation is 9 years.

**18.1.11** Expected future cost for the year ending December 31, 2018 is Rs. 1,143.

**18.1.12** Historical information of staff retirement benefits:

| | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| | Rupees | | | | |
| Present value of defined benefit obligation | **(5,844)** | (8,213) | (9,149) | (20,370) | (11,711) |
| Fair value of plan assets | **2,963** | 2,928 | 2,815 | 2,622 | 2,292 |
| Deficit | **(2,881)** | (5,285) | (6,334) | (17,748) | (9,419) |

**19. SHORT TERM BORROWINGS**

| | 2017 | 2016 |
|---|---|---|
| | Rupees | |
| Running finance under mark-up arrangement (notes 19.1 and 19.2) | **561,820** | 466,487 |

**19.1** This includes utilized portion of short-term running finance facility aggregating to Rs. 1,000,000 (2016: Rs. 650,000) obtained under mark-up arrangements from Bank Al-Habib Limited. Out of the aforementioned facility, the Company has negotiated sub limits with the banks for financing the operations of the subsidiary company - Reon Energy Limited, amounting to Rs. 300,000. The running finance under mark-up arrangement is secured by way of deposit of title deeds of the Company's fixed assets, first ranking hypothecation charge over receivables and stocks and pledge over Company's investment in related party, as more fully explained in note 6.1.3. Rate of mark-up applicable to the facility ranges from three month KIBOR plus 65 basis points to three month KIBOR plus 75 basis points (2016: three month KIBOR plus 65 basis points) per annum. The facility will expire on January 30, 2018.

**19.2** This includes utilized portion of short-term running finance facility aggregating to Rs. 500,000 (2016: Rs 500,000) obtained under mark-up arrangements from Standard Chartered Bank (Pakistan) Limited. The running finance under mark-up arrangement is secured by way of ranking charge over Company's fixed assets and pledge over Company's investment in related party, as more fully explained in note 6.1.3. Rate of mark-up applicable to the facility is three months KIBOR plus 90 basis points (2016: three months KIBOR plus 90 basis points) per annum. The facility will expire on March 31, 2018.

(Amounts in thousand)

## 20. CONTINGENCIES AND COMMITMENTS

### 20.1 Contingencies

#### 20.1.1 Disallowances of expenses claimed (Tax year 2003)

The Company had filed an appeal against the order of Commissioner Inland Revenue (Appeals) [CIR(A)] before Appellate Tribunal Inland Revenue (ATIR) on disallowance of expenses of gratuity, lease rentals, employee perquisites and utilities aggregating to Rs. 32,278. The appeal has been heard and the case has been set aside by the Tribunal and remanded back to the Taxation Officer for reconsideration. The tax incidence of above mentioned disallowances is Rs. 11,297. The Taxation Officer has not yet initiated any proceedings.

#### 20.1.2 Expenses not allocated to dividend income (Tax years 2004, 2005 and transition year 2005).

The Additional Commissioner Inland Revenue (ACIR) in his order amended the amount of allocation of expenses from business income to capital gain and dividend income to Rs. 62,500 from the original allocation of Rs. 136,105 resulting in reduction in tax incidence to Rs. 25,762. The Company filed an appeal before CIR (A) on this matter, who upheld the order of ACIR. Thereafter, the Company again filed an appeal before ATIR which is pending hearing.

#### 20.1.3 Losses of amalgamating companies claimed (Tax year 2004)

The ATIR has disallowed adjustment of assessed losses of amalgamating companies amounting to Rs. 20,616 against the income of the Company. The Company has filed an appeal in Lahore High Court on this matter. The tax incidence of above mentioned disallowance is Rs. 7,216. The matter is yet to be decided by the High Court.

#### 20.1.4 Dividend income offset against business losses (Tax years 2008 and 2009).

The CIR (A) in his order did not allow to set off dividend income against business losses of tax years 2008 & 2009 having tax impact of Rs. 13,926. The Company filed an appeal before ATIR for both years which is pending hearing.

#### 20.1.5 Sales tax audit

Sales tax audit was initiated by the department for the July 2010 to June 2011. The Company received an order from DCIR, raising an erroneous demand of Rs. 5,880 relating mainly to inadmissible input taxes, non-payment of sales tax on scrap scales and non-payment of withholding sales tax. The Company filed an appeal against the order before CIR(A) who upheld the demand of DCIR. Subsequently the Company again filed an appeal before ATIR which is pending hearing.

#### 20.1.6 Tax audit (Tax Year 2014)

The Company had been selected in balloting for audit proceeding u/s 214C read with section 177 of Income Tax Ordinance, 2001 during October 2015 and the audit has been duly completed. Thereafter a show-cause notice was issued by the department against which the Company filed an application of stay in Sindh High Court. The matter is yet to be decided by the Sindh High Court.

(Amounts in thousand)

**20.1.7** The High Court of Sindh has decided that the Company's Appeal in its case against the National Investment (Unit) Trust (NIT) is devoid of merit and the Company's is negotiating with NIT for an amicable settlement.

**20.1.8** The Company has obtained stay order from the Honorable High Court of Sindh, with regards to the amendment inserted through Finance Act, 2017 relating to the taxation of undistributed profits as stated in section 5A of Income Tax Ordinance, 2001. No provision for tax in accordance with the said provision has been recognised as the Company, based on opinion of its legal advisor, is confident that the matter will be decided in its favor. Had the provision for tax on undistributed reserves be recorded, the profit after tax would have been lower by Rs. 93,168.

**20.1.9** The Company has extended a Corporate Guarantee amounting to USD 10,000 to Standard Chartered Bank (Pakistan) Limited (SCB) against SBLC facility granted to its subsidiary company, Tenaga Generasi Limited. Furthermore, the Company has also pledged shares of DHCL with SCB against the SBLC as more fully explained in note 6.1.3.

**20.1.10** The Company is contingently liable for following guarantees and counter guarantees:

- Rupee denominated bank guarantees of Rs. 58,308 (December 2016: Rs. 110,067) favoring Government and other parties. These have been issued against mobilization advances and performance of the goods and services rendered for a tenure varying from three months to three years.

- The Company is contingently liable to provide support to its subsidiary, Tenaga Generasi Limited, for an amount of Nil (2016: USD 3,240) to finance Project cost overruns.

**20.2 Commitments**

**20.2.1** The Company is committed, as Sponsor, to purchase shares of Tenaga Generasi Limited from International Finance Corporation (IFC) on exercise of put option by IFC under the Shareholders' Agreement under conditions (i) at any time during the period beginning on the seventh anniversary of the first subscription until Liquidity date; or (ii) in the event that Tenaga Generasi Limited and the Company breach any of the obligation set out in the shareholders' agreement.

| | **2017** | 2016 |
|---|---|---|
| **20.2.2** Commitment in respect of operating lease arrangements | -------------Rupees------------- | |
| Not later than one year | **459** | 7,551 |

**20.2.3** The Company has commitments against letters of credit of Nil (December 31, 2016: Rs. 8,394).

# Notes to the Unconsolidated Financial Statements

For The Year Ended December 31, 2017

(Amounts in thousand)

## 21. REVENUE - NET

| | 2017 | 2016 |
|---|---|---|
| | ------------Rupees------------ | |
| **Renewable energy** | | |
| Project revenue (note 21.1) | 63,120 | 163,532 |
| Solar lights | - | 1,667 |
| Others | 213 | 3,428 |
| | 63,333 | 168,627 |
| Less: Return and discount | (1,738) | - |
| Less: Sales Tax | (2,596) | (7,393) |
| | 58,999 | 161,234 |
| **Textile** | | |
| Fabric | 14,001 | 22,270 |
| Less: Sales Tax | (1,410) | (1,070) |
| | 12,591 | 21,200 |
| Related to discontinued operations (note 29) | (12,591) | (21,200) |
| | 58,999 | 161,234 |

**21.1** This includes Rs. 59,202 (2016: Rs. 14,345) relating to projects in progress at reporting date.

## 22. COST OF REVENUE

| | 2017 | 2016 |
|---|---|---|
| | ------------Rupees------------ | |
| **Renewable energy** | | |
| Opening stock | 52,816 | 146,929 |
| Purchases and related expenses | 58,168 | 53,094 |
| Provision for slow moving and obsolete items | 14,376 | 4,873 |
| Closing stock | (48,576) | (52,816) |
| Cost of goods sold (note 22.1) | 76,784 | 152,080 |
| **Textile** | | |
| Opening balance | 62,077 | 86,840 |
| (Reversal of) / Provision for slow moving and obsolete items and other adjustments | (5,541) | 4,197 |
| Donations / other expenses | 64 | (1,461) |
| Closing balance | (47,418) | (62,077) |
| | 9,182 | 27,499 |
| Related to discontinued operations (note 29) | (9,182) | (27,499) |
| | 76,784 | 152,080 |

**22.1** It includes Rs. 62,282 (2016: Rs. 13,259) relating to projects in progress at reporting date.

## 23. DIVIDEND INCOME

| | 2017 | 2016 |
|---|---|---|
| | ------------Rupees------------ | |
| Dividend Income | | |
| Dawood Hercules Corporation Limited | 311,728 | 1,363,808 |
| National Investment (Unit) Trust | 900 | 900 |
| | 312,628 | 1,364,708 |

(Amounts in thousand)

| | | 2017 | 2016 |
|---|---|---|---|
| | | ------------Rupees------------ | |
| **24.** | **SELLING AND DISTRIBUTION EXPENSES** | | |
| | Salaries and allowances | **6,071** | 13,304 |
| | Sales promotion | **-** | 2,246 |
| | Storage and forwarding | **6** | 361 |
| | Depreciation (note 4.3) | **446** | 443 |
| | Conveyance and travelling | **-** | 138 |
| | Fees and subscription | **200** | 1,135 |
| | Postage and telephone | **14** | 57 |
| | Electricity, gas and water | **38** | 261 |
| | Rent, rates and taxes | **722** | 1,800 |
| | Printing and stationery | **-** | 9 |
| | Repairs and maintenance | **60** | 236 |
| | Freight and insurance | **-** | 795 |
| | Advertisement | **196** | 2,398 |
| | Miscellaneous | **961** | 57 |
| | | **8,714** | 23,240 |
| | Related to discontinued operations (note 29) | **(142)** | (273) |
| | | **8,572** | 22,967 |
| **25.** | **ADMINISTRATIVE EXPENSES** | | |
| | Salaries and allowances | **56,924** | 57,352 |
| | Legal and professional | **9,315** | 15,856 |
| | Rent, rates and taxes | **3,252** | 2,206 |
| | Electricity and gas | **7,680** | 7,891 |
| | Depreciation (note 4.3) | **13,759** | 18,089 |
| | Printing and stationery | **2,510** | 2,666 |
| | Fees and subscription | **11,895** | 9,819 |
| | Insurance | **1,535** | 3,863 |
| | Conveyance and travelling | **500** | 622 |
| | Repairs and maintenance | **1,957** | 2,115 |
| | Postage and telephone | **966** | 576 |
| | Entertainment | **868** | 964 |
| | Auditors' remuneration (note 25.1) | **1,077** | 5,352 |
| | Amortization (note 5) | **5,060** | 5,181 |
| | Provision of doubtful debts - net | **-** | 100 |
| | Miscellaneous | **735** | 3,137 |
| | | **118,033** | 135,789 |
| | Related to discontinued operations (note 29) | **(63,153)** | (70,134) |
| | | **54,880** | 65,655 |
| **25.1** | **Auditors' remuneration** | | |
| | Fee for: | | |
| | - annual statutory audit | **420** | 400 |
| | - half yearly review | **158** | 150 |
| | - consolidated financial statements | **79** | 75 |
| | - certification and other advisory services | **352** | 4,677 |
| | - reimbursement of expenses | **68** | 50 |
| | | **1,077** | 5,352 |

(Amounts in thousand)

| | 2017 | 2016 |
|---|---|---|
| | ------------Rupees------------ | |
| **26. OTHER INCOME** | | |
| **Income from financial assets** | | |
| Profit on deposits | 2,076 | 2,068 |
| Markup charged to related parties | 31,452 | - |
| Reversal of provision of doubtful debts - net | 550 | - |
| Capital gain on sale of investments - held for trading | - | 3,749 |
| Unrealized gain on short term investments | 34,078 | 5,817 |
| **Income from non-financial assets and others** | | |
| Sale of stock (note 26.1) | 74,455 | 223,778 |
| Related cost | (74,455) | (223,778) |
| | - | - |
| Loss on disposal of property, plant and equipment | (9) | (36) |
| Royalty income | 14,461 | 15,903 |
| Warehouse rentals | 37,565 | 23,854 |
| Others | 5,805 | 16,476 |
| | 57,822 | 56,197 |
| | 91,900 | 62,014 |
| Related to discontinued operations (note 29) | (39,215) | (35,365) |
| | 52,685 | 26,649 |

**26.1** Represents renewable energy stock purchased on behalf of and sold to Reon Energy Limited, a wholly owned subsidiary.

## 27. FINANCE COST

| | 2017 | 2016 |
|---|---|---|
| Mark-up on running finance | 35,228 | 27,053 |
| Bank charges | 885 | 1,260 |
| | 36,113 | 28,313 |
| Related to discontinued operations (note 29) | (4) | (21) |
| | 36,109 | 28,292 |

## 28. TAXATION

| | 2017 | 2016 |
|---|---|---|
| **Current** | | |
| For the year | 46,337 | 171,648 |
| For the prior year-net (note 28.1) | 37,342 | (44,570) |
| | 83,679 | 127,078 |

**28.1** Includes 'Super Tax for rehabilitation of temporary displaced persons' at the rate of 3% on specified income for the tax year 2017 (i.e. for the year ended December 31, 2016) levied through Finance Act, 2017.

### 28.2 Relationship between tax expense and accounting profit

The relationship between tax expense and accounting profit has not been presented in these unconsolidated financial statements as the majority of the income falls under final tax regime whereas other income is separately taxed under respective sections of the Income Tax Ordinance, 2001.

## 29. LOSS FROM DISCONTINUED OPERATIONS

| | 2017 | 2016 |
|---|---|---|
| | ------------Rupees------------ | |
| Revenue - net (note 21) | **12,591** | 21,200 |
| Cost of revenue (note 22) | **(9,182)** | (27,499) |
| Gross profit / (loss) | **3,409** | (6,299) |
| Selling and distribution expenses (note 24) | **(142)** | (273) |
| Administrative expenses (note 25) | **(63,153)** | (70,134) |
| Other income (note 26) | **39,215** | 35,365 |
| Finance cost (note 27) | **(4)** | (21) |
| Net loss from discontinued operations | **(20,675)** | (41,362) |

## 30. EARNINGS PER SHARE - BASIC AND DILUTED

There is no dilutive effect on the basic earning per share of the Company, which is based on:

| | 2017 | 2016 |
|---|---|---|
| **Continuing operations** | ------------Rupees------------ | |
| Profit for the year | **164,288** | 1,156,519 |
| Weighted average number of ordinary shares (in thousand) | **59,058** | 59,058 |
| Earnings per share | **2.78** | 19.58 |
| **Discontinued operations** | | |
| Loss for the year | **(20,675)** | (41,362) |
| Weighted average number of ordinary shares (in thousand) | **59,058** | 59,058 |
| Loss per share | **(0.35)** | (0.70) |

(Amounts in thousand)

## 31. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | Directors | | Executives | Directors | | Executives |
| | Chief Executive | Others | | Chief Executive | Others | |
| | (Rupees) | | | | | |
| Managerial remuneration | 1,208 | 4,059 | 12,643 | 1,170 | - | 12,994 |
| Bonus | - | - | 111 | 952 | - | 905 |
| House rent allowance | - | - | - | 585 | - | 434 |
| Utilities | - | - | - | 292 | - | 96 |
| Retirement benefits | - | - | 572 | 108 | - | 993 |
| Other benefits | 91 | - | 5,298 | 237 | - | 9,082 |
| Fees | - | 1,800 | - | - | 1,350 | - |
| Total | 1,299 | 5,859 | 18,624 | 3,344 | 1,350 | 24,504 |
| Number of persons, including those who worked part of the year | 1 | 5 | 11 | 2 | 4 | 13 |

**31.1** This includes amount charged by the subsidiary company in respect of shared employees.

## 32. FINANCIAL INSTRUMENTS BY CATEGORY

### 32.1 Financial assets as per balance sheet

| | 2017 | 2016 |
|---|---|---|
| | Rupees | |
| **- Available for sale investments** | | |
| Long term investment | 14,129 | 17,523 |
| **- Loans and receivables at amortized cost** | | |
| Long term deposits | 2,778 | 2,778 |
| Trade debts | 1,548 | 35,398 |
| Loans and advances | 105,323 | 1,232 |
| Deposits and other receivables | 63,315 | 259,122 |
| Interest accrued | 14,531 | - |
| Cash and bank balances | 10,239 | 300,330 |
| | 197,734 | 598,860 |

### 32.2 Financial liabilities as per balance sheet

| | 2017 | 2016 |
|---|---|---|
| **- Financial liabilities measured at amortized cost** | | |
| Trade and other payables | 112,014 | 106,498 |
| Accrued mark-up | 9,830 | 10,279 |
| Short term borrowings | 561,820 | 466,487 |
| | 683,664 | 583,264 |

### 32.3 Fair values of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction. The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

(Amounts in thousand)

## 33. FINANCIAL RISK MANAGEMENT

### 33.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Company's risk management program focuses on unpredictability of the financial markets for having cost effective funding as well as to manage financial risk to minimize earnings volatility and provide maximum return to the shareholders. Risk management is carried out by the Company's finance department under the policies approved by the Company's Board of Directors.

**a) Market risk**

**i) Currency risk**

Currency risk represents the risk that the fair values or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to payables to foreign suppliers of goods in foreign currency. The Company deals in local sales and does not have any foreign currency exports or foreign debtors.

**ii) Interest rate risk**

Interest rate risk represents the risk that the fair values or future cash flows of financial instruments will fluctuate because of changes in market interest rates.

The Company analyses its interest rate exposure on a regular basis by monitoring existing facilities against prevailing market interest rates and taking into account various other financing options available. For borrowing at variable rates, the rates are determined in advance for stipulated periods with reference to KIBOR.

The Company is exposed to interest rate risk on short term borrowings and loan given to subsidiary company. At December 31, 2017, if interest rates on the Company's borrowings and loan to a subsidiary company had been 1% higher / lower with all other variables held constant, post-tax profit for the year would have been lower / higher by Rs. 4,568 (2016: lower / higher by Rs. 4,665).

**iii) Other price risk**

Price risk represents the risk that the fair values or future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to price risk as it carries no price sensitive financial instruments as at December 31, 2017.

**b) Credit risk**

Credit risk represents the risk of financial loss being caused if counter parties fail to discharge their obligations.

(Amounts in thousand)

Credit risk arises from deposits with banks and financial institutions, trade debts, loans, advances, deposits and other receivables. The maximum exposure to credit risk is equal to the carrying amount of financial assets. The carrying value of financial assets which are neither past due nor impaired are as follows:

| | 2017 | 2016 |
|---|---|---|
| | ------------Rupees------------ | |
| Long term investments | **14,129** | 17,523 |
| Long term deposits | **2,778** | 2,778 |
| Trade debts | **200** | 5,661 |
| Loans and advances | **105,323** | 1,232 |
| Deposits and other receivables | **13,423** | 93,248 |
| Interest accrued | **14,531** | - |
| Cash and bank balances | **10,239** | 300,330 |
| | **160,623** | 420,772 |

As at December 31, 2017, the Company has deposits with banks and financial institutions amounting to Rs. 10,133 (2016: Rs. 299,917). The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings as follows:

| | 2017 | | |
|---|---|---|---|
| Banks/Investments | Rating Agency | Short term | Long term |
| Habib Bank Limited | JCR-VIS | A-1+ | AAA |
| National Bank of Pakistan | PACRA | A1+ | AAA |
| Standard Chartered Bank (Pakistan) Limited | PACRA | A1+ | AAA |
| Bank Al Habib Limited | PACRA | A1+ | AA+ |
| National Investment Trust | PACRA | - | AM2+ |

## b) Liquidity risk

Liquidity risk represents the risk that the Company will encounter difficulties in meeting obligations associated with its financial liabilities. The Company's liquidity management involves projecting cash flows and considering the level of liquid funds necessary to meet these, monitoring balance sheet liquidity ratios against external regulatory requirements and maintaining debt financing plans. These objectives are achieved by maintaining sufficient cash and readily marketable securities and availability of funding through committed credit facilities. Due to dynamic nature of the business, the Company maintains flexibility in funding by maintaining committed credit lines available.

The table below analyses the Company's financial liabilities into relevant maturitygroupings based on the remaining period at the balance sheet date to contractual maturity dates. The amounts disclosed in the table are the contractual cash flows.

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | Maturity upto one year | Maturity after one year | Total | Maturity upto one year | Maturity after one year | Total |
| | ---------------------------------------------Rupees--------------------------------------------- | | | | | |
| Trade and other payables | **112,014** | **-** | **112,014** | 106,498 | - | 106,498 |
| Accrued interest / mark-up | **9,830** | **-** | **9,830** | 10,279 | - | 10,279 |
| Short term borrowings | **561,820** | **-** | **561,820** | 466,487 | - | 466,487 |
| | **683,664** | **-** | **683,664** | 583,264 | - | 583,264 |

(Amounts in thousand)

**33.2** The table below analyzes financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2)

- Inputs for the asset or liability that are not based on observable market data (level 3)

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| | --------------------------------Rupees-------------------------------- | | | |
| **Assets** | | | | |
| Available for sale financial asset - Long term investments | 14,114 | - | 15 | 14,129 |

**33.2.1** There were no changes in valuation techniques during the year.

## 34. CAPITAL RISK MANAGEMENT

The objective of the Company when managing capital, i.e. its shareholders' equity is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its businesses.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders or issue new shares.

The Company manages its capital by maintaining gearing ratio at certain level. The ratio is calculated as net debt divided by total capital. Total capital is calculated as 'equity' in the balance sheet plus net debt. The gearing ratio as at December 31 is as follows:

| | 2017 | 2016 |
|---|---|---|
| | ------------Rupees------------ | |
| Short term borrowings | 561,820 | 466,487 |
| Cash and bank balances | (10,239) | (300,330) |
| Net debt | 551,581 | 166,157 |
| Total equity | 2,705,797 | 2,861,124 |
| Total capital | 3,257,378 | 3,027,281 |
| **Debt to equity ratio** | **0.169** | 0.055 |

(Amounts in thousand)

## 35. SEGMENT REPORTING

Management has determined the operating segments for allocation of resources and assessment of performance which are organized into the following two reportable operating segments;

- Renewable energy solutions

- Textile - discontinued operations

### 35.1 Segment results

| | Renewable energy | | Textile - discontinued operations | | Unallocated | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 |
| | ---Rupees--- | | | | | | | |
| Revenue | **58,999** | 161,234 | **12,591** | 21,200 | **-** | - | **71,590** | 182,434 |
| Cost of goods sold | **(76,784)** | (152,080) | **(9,182)** | (27,499) | **-** | - | **(85,966)** | (179,579) |
| Segment gross profit / (loss) | **(17,785)** | 9,154 | **3,409** | (6,299) | **-** | - | **(14,376)** | 2,855 |
| Administrative expenses | **(54,880)** | (65,655) | **(63,153)** | (70,134) | **-** | - | **(118,033)** | (135,789) |
| Selling and distribution expenses | **(8,572)** | (22,967) | **(142)** | (273) | **-** | - | **(8,714)** | (23,240) |
| Finance cost | **-** | - | **(4)** | (21) | **(36,109)** | (28,292) | **(36,113)** | (28,313) |
| Dividend Income | **-** | - | **-** | - | **312,628** | 1,364,708 | **312,628** | 1,364,708 |
| Other income | **-** | - | **39,215** | 35,365 | **52,685** | 26,649 | **91,900** | 62,014 |
| Taxation | **-** | - | **-** | - | **(83,679)** | (127,078) | **(83,679)** | (127,078) |
| Segment net (loss) / profit | **(81,237)** | (79,468) | **(20,675)** | (41,362) | **245,525** | 1,235,987 | **143,613** | 1,115,157 |

### 35.2 Segment assets

| | Renewable energy | | Textile - discontinued operations | | Unallocated | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 |
| Property, plant and equipment | **17,392** | 19,570 | **18,367** | 67,303 | - | - | **35,759** | 86,873 |
| Intangible assets | - | - | - | - | **857** | 5,880 | **857** | 5,880 |
| Long term investments | - | - | - | - | **3,030,231** | 2,603,622 | **3,030,231** | 2,603,622 |
| Long term deposits | - | - | **2,778** | 2,778 | - | - | **2,778** | 2,778 |
| Stores and spares | - | - | **7,789** | 7,789 | - | - | **7,789** | 7,789 |
| Stock | **17,716** | 36,332 | **41,108** | 50,226 | - | - | **58,824** | 86,558 |
| Trade debts | **1,366** | 34,974 | **182** | 424 | - | - | **1,548** | 35,398 |
| Loans and advances | **1,218** | 2,360 | **75** | 235 | **105,000** | - | **106,293** | 2,595 |
| Taxes recoverable | - | - | - | - | **26,618** | 59,891 | **26,618** | 59,891 |
| Deposits, prepayments and other receivables | **70,103** | 254,164 | **2,467** | 8,520 | - | - | **72,570** | 262,684 |
| Interest accrued | - | - | - | - | **14,531** | - | **14,531** | - |
| Cash and bank balances | - | - | - | - | **10,239** | 300,330 | **10,239** | 300,330 |
| Asset classified 'as held for sale' | - | - | **37,238** | - | - | - | **37,238** | - |
| **Total segment assets** | **107,795** | 347,400 | **110,004** | 137,275 | **3,187,476** | 2,969,723 | **3,405,275** | 3,454,398 |
| **Segment liabilities** | | | | | | | | |
| Trade and other payables | **46,714** | 30,427 | **74,622** | 12,965 | **6,492** | 73,116 | **127,828** | 116,508 |
| Short term borrowings | - | - | - | - | **561,820** | 466,487 | **561,820** | 466,487 |
| Accrued markup | - | - | - | - | **9,830** | 10,279 | **9,830** | 10,279 |
| **Total segment liabilities** | **46,714** | 30,427 | **74,622** | 12,965 | **578,142** | 549,882 | **699,478** | 593,274 |

(Amounts in thousand)

**35.3** Included in the revenues arising from energy projects of Rs. 58,786 (2016: Rs. 156,139) are revenues of approximately Rs. 58,268 (2016: Rs. 116,366) which arose from sales to the Company's major customers. The breakup of major customers is as follows:

| | 2017 | 2016 |
|---|---|---|
| | ------------Rupees------------ | |
| Basic Health Unit | **58,268** | 2,672 |
| Nobel Energy Limited | **-** | 72,617 |
| LCC Pakistan (Private) Limited | **-** | 16,726 |
| Unilever Pakistan Foods Limited | **-** | 24,351 |
| | **58,268** | 116,366 |

## 36. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The Company in the normal course of business carries out transactions with various related parties. Related parties comprise of subsidiary companies, associated undertakings, directors, key management personnel, retirement benefit funds and others. Amounts due from and to other related parties, directors and key management personnel are shown under respective notes. Transaction with related parties are carried out at agreed terms. Remuneration of key management personnel are as per terms of employment. Remuneration of directors and key management personnel is disclosed in note 31. Transactions and balances with related parties other than those disclosed elsewhere in these unconsolidated financial statements are as follows:

| Relationship | Nature of transaction | 2017 | 2016 |
|---|---|---|---|
| | | ------------Rupees------------ | |
| **a. Subsidiary companies** | | | |
| Tenaga Generasi Limited | Reimbursable expenses incurred by the Company | **6,792** | 260,660 |
| | Equity arrangement fee (SBLC) / SBLC cost reimbursement | **21,813** | 32,916 |
| | Short term loan disbursed | **105,000** | - |
| | Interest on outstanding receivable balance | **5,590** | - |
| | Interest on subordinated loan | **5,788** | - |
| | Subscription of ordinary shares | - | 1,356,481 |
| | Purchase of fixed asset on behalf of the Company | - | 368 |
| | Interest accrued | **11,377** | - |
| Reon Energy Limited | Subscription of ordinary shares | **430,000** | 206,000 |
| | Retirement and other benefits transferred | - | 3,220 |
| | Reimbursable expenses incurred by the Company | **42,409** | 163,968 |
| | Purchases by the Company | **200** | 10,767 |
| | Sales by the Company | **74,455** | 226,621 |
| | Interest on sale of inventory | **14,121** | - |
| | Interest on reimbursement of expenses | **5,916** | - |
| | Sale of assets | - | 17,503 |
| | Short term loan obtained | **80,000** | - |
| | Short term loan disbursed | **80,000** | - |

(Amounts in thousand)

| Relationship | Nature of transaction | 2017 | 2016 |
|---|---|---|---|
| | | ------------Rupees------------ | |
| | Interest on short term loan obtained | **187** | - |
| | Short term loan disbursed | **7,000** | - |
| | Short term loan obtained | **7,000** | - |
| | Interest on short term loan disbursed | **37** | - |
| | SECMC security deposit | **5,250** | - |
| | Reimbursable expenses incurred on behalf of the Company | **18,396** | 28,904 |
| | Interest accrued | **3,154** | - |
| Mozart (Private) Limited | Subscription of ordinary shares | **-** | 1 |
| | Reimbursable expenses incurred by the Company | **-** | 5 |
| Abrax (Private) Limited | Reimbursable expenses incurred by the Company | **1** | - |
| | Subscription of ordinary shares | **1** | - |
| Greengo (Private) Limited | Reimbursable expenses incurred by the Company | **2** | - |
| | Subscription of ordinary shares | **1** | - |
| Reon Alpha (Private) Limited | Subscription of ordinary shares | **1** | - |
| | Reimbursable expenses incurred by the Company | **46** | - |
| **b. Associated companies** | | | |
| Dawood Hercules Corporation Limited | Dividend income | **311,728** | 1,363,808 |
| | Reimbursable expenses incurred by the Company | **23** | 2,563 |
| | Reimbursable expenses incurred on behalf of the Company | **8,398** | 557 |
| | Sale of fixed assets | **-** | 5,785 |
| Sach International (Private) Limited | Sale of fabric by the Company | **477** | 150 |
| | Reimbursable expenses incurred by the Company | **123** | - |
| | Reimbursable expenses incurred on behalf of the Company | **1,970** | 250 |
| | Royalty charged | **14,461** | 15,903 |
| | Penalty charged | **5** | 304 |

# Notes to the Unconsolidated Financial Statements

For The Year Ended December 31, 2017

(Amounts in thousand)

| Relationship | Nature of transaction | 2017 | 2016 |
|---|---|---|---|
| | | ------------Rupees------------ | |
| Cyan Limited | Reimbursable expenses to the Company | - | 145 |
| The Dawood Foundation | Rental charges | 5,440 | 6,803 |
| | Reimbursable expenses incurred by the Company | - | 1,511 |
| | Maintenance utility payable | 1,573 | - |
| | Security deposits | - | 1,550 |
| Engro Fertilizers Limited | Rental income | 7,691 | - |
| **c. Other related parties** | | | |
| Chief Executive Officer | Sale of solar products | - | 10 |

## 37. NUMBER OF EMPLOYEES

| | 2017 | 2016 |
|---|---|---|
| Average number of employees during the year | 16 | 14 |
| Number of employees as at December 31 | 21 | 11 |

## 38. GENERAL

Figures have been rounded off to the nearest thousand of Rupees.

## 39. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of better presentation and comparison, the effects of which are not material.

The Board of Directors in its meeting held on March 20, 2018 has proposed a final cash dividend of Rs. 1 (2016: cash dividend of Rs. 5) per share for the year ended December 31, 2017 amounting to Rs. 59,058 (2016: Rs. 295,289), for approval of the members at the Annual General Meeting to be held on April 25, 2018. The amount of total dividend is calculated at the number of shares outstanding as at December 31, 2017.

## 41. DATE OF AUTHORIZATION FOR ISSUE

These unconsolidated financial statements were authorized for issue on March 20, 2018 by the Board of Directors of the Company.

| Mujtaba Haider Khan | Shahid Hamid Pracha | Shafiq Ahmed |
|---|---|---|
| Chief Executive Officer | Director | Chief Financial Officer |

# Consolidated Financial Statements

## Contents

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Power & Responsibility

# AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Dawood Lawrencepur Limited (the Holding Company) and its subsidiary companies as at December 31, 2017 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of the Holding Company and its subsidiary companies except for Mozart (Private) Limited, Abrax (Private) Limited, Greengo (Private) Limited and Reon Alpha (Private) Limited which have been consolidated based on un-audited financial statements as explained in notes 1.5.3, 1.5.4, 1.5.5 and 1.5.6 respectively to these financial statements.

These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of Dawood Lawrencepur Limited (the Holding Company) and its subsidiary companies as at December 31, 2017 and the results of their operations for the year then ended.

Chartered Accountants

Karachi
Date: March 29, 2018

Engagement Partner: Osama Kapadia

*A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network*
*State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan*
*Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>*

KARACHI ▪ LAHORE ▪ ISLAMABAD

# Consolidated Balance Sheet
As At December 31, 2017

| (Amounts in thousand) | Note | 2017 | 2016 |
|---|---|---|---|
| | | ------------Rupees------------ | |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 4 | **11,205,846** | 11,405,112 |
| Intangible assets | 6 | **24,294** | 29,267 |
| Long term investments | 7 | **8,969,639** | 8,708,829 |
| Long term deposits | 8 | **4,428** | 2,778 |
| Long term loans | 9 | **308** | 49 |
| | | **20,204,515** | 20,146,035 |
| **Current assets** | | | |
| Stores and spares | 10 | **7,822** | 47,258 |
| Stock-in-trade | 11 | **96,178** | 149,447 |
| Trade debts | 12 | **739,062** | 326,655 |
| Loans and advances | 13 | **8,481** | 19,581 |
| Deposits, prepayments and other receivables | 14 | **116,006** | 338,671 |
| Accrued interest | | **11,333** | - |
| Taxes recoverable | | **27,636** | 62,465 |
| Cash and bank balances | 15 | **941,433** | 798,854 |
| | | **1,947,951** | 1,742,931 |
| Assets classfied as 'held for sale' | 16 | **37,238** | - |
| **TOTAL ASSETS** | | **22,189,704** | 21,888,966 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Issued, subscribed and paid-up capital | 17 | **590,578** | 590,578 |
| Capital reserves | | **206,666** | 206,666 |
| Unappropriated profits | | **9,057,908** | 9,083,774 |
| Unrealized gain on remeasurement of available for sale investments | | **10,763** | 14,157 |
| Non-controlling interest | | **818,537** | 708,256 |
| | | **10,684,452** | 10,603,431 |
| **Non-current liabilities** | | | |
| Staff retirement gratuity | 18 | **28,228** | 23,612 |
| Deferred taxation | 19 | **1,333,533** | 1,078,251 |
| Borrowings | 20 | **8,026,609** | 8,471,798 |
| | | **9,388,370** | 9,573,661 |
| **Current liabilities** | | | |
| Current portion of long term borrowings | 20 | **1,074,976** | 293,487 |
| Short term borrowings | 21 | **561,820** | 466,487 |
| Trade and other payables | 22 | **321,569** | 811,030 |
| Accrued markup | | **158,517** | 140,870 |
| | | **2,116,882** | 1,711,874 |
| **Contingencies and Commitments** | 23 | | |
| **TOTAL EQUITY AND LIABILITIES** | | **22,189,704** | 21,888,966 |

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

| Mujtaba Haider Khan | Shahid Hamid Pracha | Shafiq Ahmed |
|---|---|---|
| Chief Executive Officer | Director | Chief Financial Officer |

# Consolidated Profit And Loss Account

For The Year Ended December 31, 2017

(Amounts in thousand except for earning / (loss) per share)

| | Note | 2017 | 2016 |
|---|---|---|---|
| | | ------------Rupees------------ | |
| **CONTINUING OPERATIONS** | | | |
| Revenue - net | 24 | **2,537,377** | 519,639 |
| Cost of revenue | 25 | **(1,262,162)** | (512,482) |
| **Gross profit** | | **1,275,215** | 7,157 |
| Selling and distribution expenses | 26 | **(154,111)** | (118,590) |
| Administrative expenses | 27 | **(253,298)** | (190,264) |
| Other operating expenses | 28 | **(6,555)** | (70,779) |
| Other income | 29 | **56,170** | 35,320 |
| **Operating profit / (loss)** | | **917,421** | (337,156) |
| Finance cost | 30 | **(736,882)** | (170,004) |
| Share of profit of associate | 7 | **560,026** | 4,138,901 |
| **Profit before taxation** | | **740,565** | 3,631,741 |
| Taxation | 31 | **(318,081)** | (476,468) |
| **Profit from continuing operations** | | **422,484** | 3,155,273 |
| **DISCONTINUED OPERATIONS** | | | |
| Loss from discontinued operations | 32 | **(20,675)** | (41,362) |
| **Profit for the year** | | **401,809** | 3,113,911 |
| **Profit / (loss) attributable to:** | | | |
| - Owners of the Holding Company | | **291,528** | 3,159,626 |
| - Non-controlling interest | | **110,281** | (45,715) |
| | | **401,809** | 3,113,911 |
| **Earnings / (loss) per share - Basic and diluted** | | | |
| - Continuing operations | 33.1 | **5.29** | 54.20 |
| - Discontinued operations | 33.2 | **(0.35)** | (0.70) |

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

| Mujtaba Haider Khan | Shahid Hamid Pracha | Shafiq Ahmed |
|---|---|---|
| Chief Executive Officer | Director | Chief Financial Officer |

# Consolidated Statement Of Comprehensive Income

For The Year Ended December 31, 2017

| (Amounts in thousand) | Note | 2017 | 2016 |
|---|---|---|---|
| | | ------------Rupees------------ | |
| Profit for the year | | **401,809** | 3,113,911 |
| Other comprehensive income / (loss): | | | |
| **Items that may be reclassified subsequently through profit and loss account** | | | |
| (Loss) / gain on remeasurement of 'available for sale' investments | | **(3,394)** | 4,860 |
| Share of other comprehensive income / (loss) from investment in associate - net of tax | | **2,316** | (647) |
| | | **(1,078)** | 4,213 |
| **Items that will not be reclassified subsequently through profit and loss account** | | | |
| Remeasurement of defined benefit obligation - Actuarial loss | 18.6 | **(2,236)** | (5,125) |
| | | **(3,314)** | (912) |
| **Total comprehensive income for the year** | | **398,495** | 3,112,999 |
| Total comprehensive income attributable to: | | | |
| - Continuing operations | | **419,170** | 3,154,361 |
| - Discontinued operations | | **(20,675)** | (41,362) |
| | | **398,495** | 3,112,999 |
| Total comprehensive income attributable to: | | | |
| - Owners of the Holding Company | | **288,214** | 3,158,714 |
| - Non-controlling Interest | | **110,281** | (45,715) |
| | | **398,495** | 3,112,999 |

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

| Mujtaba Haider Khan | Shahid Hamid Pracha | Shafiq Ahmed |
|---|---|---|
| Chief Executive Officer | Director | Chief Financial Officer |

# Consolidated Statement Of Changes In Equity

## For The Year Ended December 31, 2017

(Amounts in thousand)

| | Attributable to owners of the Holding Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Capital reserves | | | | | Revenue reserves | | | | |
| | Ordinary Shares | Merger reserve | Share premium reserve | Capital reserve | Capital redemption reserve fund | Total | Unappropriated profit | Unrealized gain on remeasurement of available for sale investments | Total | Non controlling interest (NCI) | Total |
| | Rupees | | | | | | | | | | |
| **Balance as at January 1, 2016** | 590,578 | 10,521 | 136,865 | 33,311 | 25,969 | 206,666 | 5,722,164 | 9,297 | 6,528,705 | 301,436 | 6,830,141 |
| **Transactions with owners** | | | | | | | | | | | |
| Final cash dividend for the year ended December 31, 2015 @ Rs. 5 per share | - | - | - | - | - | - | (295,289) | - | (295,289) | - | (295,289) |
| Shares issued to NCI | - | - | - | - | - | - | - | - | - | 452,535 | 452,535 |
| Share issuance cost | - | - | - | - | - | - | (4,335) | - | (4,335) | - | (4,335) |
| | - | - | - | - | - | - | (299,624) | - | (299,624) | 452,535 | 152,911 |
| Profit / (loss) for the year | - | - | - | - | - | - | 3,159,626 | - | 3,159,626 | (45,715) | 3,113,911 |
| Other comprehensive income / (loss) | - | - | - | - | - | - | (5,772) | 4,860 | (912) | - | (912) |
| Total comprehensive income for the year | - | - | - | - | - | - | 3,153,854 | 4,860 | 3,158,714 | (45,715) | 3,112,999 |
| Effect of other transaction of associate | - | - | - | - | - | - | 507,380 | - | 507,380 | - | 507,380 |
| **Balance at December 31, 2016** | 590,578 | 10,521 | 136,865 | 33,311 | 25,969 | 206,666 | 9,083,774 | 14,157 | 9,895,175 | 708,256 | 10,603,431 |
| **Balance as at January 1, 2017** | **590,578** | **10,521** | **136,865** | **33,311** | **25,969** | **206,666** | **9,083,774** | **14,157** | **9,895,175** | **708,256** | **10,603,431** |
| **Transactions with owners** | | | | | | | | | | | |
| Final cash dividend for the year ended December 31, 2016 @ Rs. 5 per share | **-** | **-** | **-** | **-** | **-** | **-** | **(295,289)** | - | **(295,289)** | - | **(295,289)** |
| Profit for the year | **-** | **-** | **-** | **-** | **-** | **-** | **291,528** | **-** | **291,528** | **110,281** | **401,809** |
| Other comprehensive income / (loss) | **-** | **-** | **-** | **-** | **-** | **-** | **80** | **(3,394)** | **(3,314)** | **-** | **(3,314)** |
| Total comprehensive income for the year | **-** | **-** | **-** | **-** | **-** | **-** | **291,608** | **(3,394)** | **288,214** | **110,281** | **398,495** |
| Effect of other transaction of associate | **-** | **-** | **-** | **-** | **-** | **-** | **(22,185)** | **-** | **(22,185)** | **-** | **(22,185)** |
| **Balance as at December 31, 2017** | **590,578** | **10,521** | **136,865** | **33,311** | **25,969** | **206,666** | **9,057,908** | **10,763** | **9,865,95** | **818,537** | **10,684,452** |

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

| Mujtaba Haider Khan | Shahid Hamid Pracha | Shafiq Ahmed |
|---|---|---|
| Chief Executive Officer | Director | Chief Financial Officer |

# Consolidated Statement Of Cash Flows
For The Year Ended December 31, 2017

| (Amounts in thousand) | 2017 | 2016 |
|---|---|---|
| | ------------Rupees------------ | |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Profit before taxation | **719,890** | 3,590,379 |
| Add: Loss before taxation attributable to discontinued operations | **20,675** | 41,362 |
| Profit before taxation from continuing operations | **740,565** | 3,631,741 |
| **Adjustment for non-cash charges and other items:** | | |
| Depreciation | **545,310** | 147,985 |
| Amortization | **5,402** | 5,458 |
| Provision for gratuity - net | **6,492** | 7,106 |
| Provision for slow moving and obsolete stock-in-trade - net | **(2,477)** | 74,654 |
| Provision for impairment against doubtful debts - net | **2,186** | 570 |
| Provision for warranty | **2,679** | - |
| Finance cost | **736,882** | 170,004 |
| (Gain) / loss on disposal of property, plant and equipment | **(274)** | 428 |
| Share of profit of associate | **(560,026)** | (4,138,901) |
| Dividend income | **(900)** | (900) |
| Profit on deposits | **(27,725)** | (3,575) |
| Gain on sale of short-term investments | **-** | (9,501) |
| Operating profit / (loss) before working capital changes | **1,448,114** | (114,931) |
| **(Increase) / decrease in current assets** | | |
| Stores and spares | **39,436** | (38,203) |
| Stock-in-trade | **43,949** | (38,557) |
| Trade debts | **(402,220)** | (208,889) |
| Loans and advances | **160,051** | 34,172 |
| Deposits, prepayments and other receivables | **325,023** | (308,347) |
| **Increase/ (decrease) in current liabilities** | | |
| Trade and other payables | **(739,366)** | 620,156 |
| | **(573,127)** | 60,332 |
| Net cash generated from / (used in) operations | **874,987** | (54,599) |
| Gratuity paid | **(5,047)** | (12,537) |
| Long term loans | **(259)** | 303 |
| Long term deposits | **(1,650)** | - |
| Taxes paid | **(63,746)** | (187,275) |
| Discontinued operations | **308** | (16,209) |
| Net cash generated from / (used in) operating activities | **804,593** | (270,317) |

# Consolidated Statement Of Cash Flows
For The Year Ended December 31, 2017

| (Amounts in thousand) | 2017 | 2016 |
|---|---|---|
| | ------------Rupees------------ | |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchase of property, plant and equipment | **(31,224)** | (7,572,135) |
| Sale proceeds from disposal / transfer of property, plant and equipment | **738** | 23,736 |
| Purchase of intangible assets | **(429)** | (157) |
| Purchase of short-term investments | **-** | (720,000) |
| Sales proceeds from disposal of short-term investments | **-** | 1,674,398 |
| Interest received | **16,392** | 13,894 |
| Dividend received | **312,628** | 1,364,708 |
| Discontinued operations | **-** | (1,782) |
| Net cash generated from / (used in) investing activities | **298,105** | (5,217,338) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from borrowings | **280,620** | 5,525,332 |
| Repayment of borrowings | **(336,959)** | - |
| Share issuance cost | **-** | (4,335) |
| Issue of fully paid ordinary shares in cash | **-** | 452,535 |
| Finance costs paid | **(710,358)** | (339,549) |
| Transaction cost paid | **-** | (24,399) |
| Payment of dividend | **(288,755)** | (287,640) |
| Net cash (used in) / generated from financing activities | **(1,055,452)** | 5,321,944 |
| Net increase / (decrease) in cash and cash equivalents | **47,246** | (165,711) |
| Cash and cash equivalents at beginning of the year | **332,367** | 498,078 |
| Cash and cash equivalents at end of the year | **379,613** | 332,367 |
| **Cash and cash equivalents** | | |
| Cash and bank balance | **941,433** | 798,854 |
| Short term borrowings | **(561,820)** | (466,487) |
| | **379,613** | 332,367 |

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

| Mujtaba Haider Khan | Shahid Hamid Pracha | Shafiq Ahmed |
|---|---|---|
| Chief Executive Officer | Director | Chief Financial Officer |

(Amounts in thousand)

## 1. LEGAL STATUS AND OPERATIONS

**1.1** Dawood Lawrencepur Limited (the Holding Company) was incorporated in Pakistan in the year 2004 as a public listed company. It was formed as a result of a Scheme of Arrangement for Amalgamation in terms of the provisions of the repealed Companies Ordinance, 1984 (now Companies Act, 2017) among Dawood Cotton Mills Limited, Dilon Limited, Burewala Textile Mills Limited and Lawrencepur Woolen and Textile Mills Limited. The shares of the Holding Company are listed on Pakistan Stock Exchange. The Holding Company is currently engaged in the business of trading and marketing of renewable energy solutions, mainly solar, to commercial and industrial consumers, along with the legacy textile business. The registered office of the Holding Company is situated at 3rd Floor, Dawood Centre, M.T.Khan Road, Karachi in the province of Sindh.

**1.2** In prior years, the Holding Company suspended operations of Lawrencepur Woolen and Textile Milles Limited (LWTM), Burewala Textile Mills Limited (BTM), Dilon Limited (DL) and Dawood Cotton Mills Limited (DCM) and sold assets of LWTM. DL and DCM property was sold in 2015. The results of discontinued operations include LWTM and BTM.

**1.3** The 'Lawrencepur' brand name continues to operate under license.

**1.4** The "Group" consists of:

**Holding Company:** Dawood Lawrencepur Limited;

**Subsidiary Companies:** Companies in which the Holding Company owns over 50% of voting rights, or companies directly controlled by the Holding Company:

| | Financial year end | %age of direct holding 2017 | 2016 |
|---|---|---|---|
| - Reon Energy Limited (note 1.5.1) | December 31 | **100%** | 100% |
| - Tenaga Generasi Limited (note 1.5.2) | December 31 | **75%** | 75% |
| - Mozart (Private) Limited (note 1.5.3) | December 31 | **100%** | 100% |
| - Abrax (Private) Limited (note 1.5.4) | December 31 | **100%** | 0% |
| - Greengo (Private) Limited (note 1.5.5) | December 31 | **100%** | 0% |
| - Reon Alpha (Private) Limited (note 1.5.6) | December 31 | **100%** | 0% |
| **Associated Company:** | | | |
| - Dawood Hercules Corporation Limited (note 1.5.7) | December 31 | **16.19%** | 16.19% |

### 1.5 Subsidiary companies

### 1.5.1 Reon Energy Limited

Reon Energy Limited (REL) was incorporated in Pakistan on September 15, 2014 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) as a public unlisted company to carry out the business of trading and marketing of renewable energy solutions, mainly solar, to commercial and industrial consumers. The registered office of REL is situated at 3rd Floor, Dawood Centre, M.T.Khan Road, Karachi in the province of Sindh. REL is a wholly owned subsidiary of the Holding Company.

(Amounts in thousand)

During the year, the Holding Company subscribed 43,000,000 ordinary shares of REL having face value of Rs. 10 each, against right offer.

### 1.5.2 Tenaga Generasi Limited

Tenaga Generasi Limited (TGL) was incorporated in Pakistan on December 01, 2005 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) as a public unlisted company to primarily carry out the business of power generation as an independent power producer using wind energy. The registered office of TGL is situated at 3rd Floor, Dawood Centre, M.T. Khan Road, Karachi, in the Province of Sindh.

The Company has set up a 49.5 MW wind power plant at Gharo Sindh. The project achieved 'Financial Close' in March 2015 and has received the Government of Pakistan Guarantee. The Plant commenced commercial operations on October 11, 2016. The electricity generated is transmitted to the National Transmission and Dispatch Company (NTDC) under the Energy Purchase Agreement (EPA) dated December 29, 2015. The EPA is for 20 years.

Set out below is summarised financial information for TGL that has Non-Controlling Interests (NCI). The amounts disclosed for TGL are before inter-company eliminations:

| | 2017 | 2016 |
|---|---|---|
| | ------------Rupees------------ | |
| Current assets | 1,568,140 | 1,014,522 |
| Non-current assets | 11,145,980 | 11,299,650 |
| Total assets | 12,714,120 | 12,314,172 |
| Current liabilities | 1,496,195 | 1,092,962 |
| Non-current liabilities | 8,028,804 | 8,473,213 |
| Total liabilities | 9,524,999 | 9,566,175 |
| Revenue | 2,040,853 | 203,359 |
| Total comprehensive income / (loss) for the year | 441,124 | (182,861) |
| Total comprehensive income / (loss) allocated to NCI | 110,281 | (45,715) |
| Accumulated NCI | 818,537 | 708,256 |
| Cash and cash equivalents | 909,353 | 493,283 |
| Net cash generated from / (utilized in): | | |
| - operating activities | 1,057,772 | 139,404 |
| - investing activities | (6,381) | (7,125,752) |
| - financing activities | (635,321) | 6,987,631 |
| | 416,070 | 1,283 |
| Proportion of ownership interest held by non-controlling interest | 25% | 25% |

### 1.5.3 Mozart (Private) Limited

Mozart (Private) Limited (MPL) was incorporated in Pakistan on October 4, 2016 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) as a private limited company to manage investments in associated companies. The registered office of MPL is situated at 3rd Floor, Dawood Centre, M.T.Khan Road, Karachi in the province of Sindh. MPL is a wholly owned subsidiary of the Holding Company. Balances relating to MPL have been incorporated based on unaudited financial statements as the amounts involved were not material (loss after taxation for the year of Rs. 8).

### 1.5.4 Abrax (Private) Limited

Abrax (Private) Limited (APL) was incorporated in Pakistan on October 4, 2016 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) as a private limited company to manage Company's legacy assets located in Burewala. The registered office of APL is situated at 3rd Floor, Dawood Centre, M.T.Khan Road, Karachi in the province of Sindh. APL is a wholly owned subsidiary of the Holding Company. Balances relating to APL have been incorporated based on unaudited financial statements as the amounts involved were not material (loss after taxation for the year of Rs. 1).

### 1.5.5 Greengo (Private) Limited

Greengo (Private) Limited (GPL) was incorporated in Pakistan on October 4, 2016 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) as a private limited company to manage Company's legacy assets located in Attock Mill. The registered office of GPL is situated at 3rd Floor, Dawood Centre, M.T.Khan Road, Karachi in the province of Sindh. GPL is a wholly owned subsidiary of the Holding Company. Balances relating to GPL have been incorporated based on unaudited financial statements as the amounts involved were not material (loss after taxation for the year of Rs. 2).

### 1.5.6 Reon Alpha (Private) Limited

Reon Alpha (Private) Limited (RAPL) was incorporated in Pakistan on October 23, 2017 under the Companies Act, 2017 as a private limited company to carry out business of trading and construction of renewable energy projects. The registered office of RAPL is situated at 3rd Floor, Dawood Centre, M.T.Khan Road, Karachi in the province of Sindh. RAPL is a wholly owned subsidiary of the Holding Company. Balances relating to RAPL have been incorporated based on unaudited financial statements as the amounts involved were not material (loss after taxation for the period of Rs. 46).

### 1.5.7 Associated company - Dawood Hercules Corporation Limited

Dawood Hercules Corporation Limited (DHCL) was incorporated in Pakistan on April 17, 1968 as a public limited company under the Companies Act 1913 (now Companies Act, 2017) and its shares are quoted on Pakistan Stock Exchange Limited. The principal activity of DHCL is to manage investments in its subsidiary and associated companies. The registered office of DHCL is situated at Dawood Center, M.T. Khan Road, Karachi. The Holding Company holds ownership of 16.19% (2016: 16.19%) in DHCL. Summarized financial information of DHCL is disclosed in note 7.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

### 2.1 Basis of preparation

**2.1.1** These consolidated financial statements have been prepared under the historical cost convention, except that obligations under certain staff retirement benefits have been measured at present value, certain investments which have been measured at fair market value and investment in associate is accounted for using equity method.

**2.1.2** These consolidated financial statements have been prepared in accordance with the requirements of the repealed Companies Ordinance, 1984 (the Ordinance), directives issued by the Securities and Exchange Commission of Pakistan (SECP) and approved financial reporting standards as applicable in Pakistan. As per the requirement of Circular No. CLD / CCD/PR (11) / 2017 dated October 4, 2017 issued by SECP, companies whose financial year closes on or before December 31, 2017 are required to prepare their financial statements in accordance with the provisions of the Ordinance. Accordingly, Approved financial reporting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the provisions of the Ordinance. Wherever the requirements of the Ordinance or directives issued by the SECP differ with the requirements of these standards, the requirements of the Ordinance and the said directives have been followed.

**2.1.3** These consolidated financial statements are presented in Pakistani Rupees which is the functional currency of the Group.

**2.1.4** The preparation of consolidated financial statements in conformity with the above requirements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

### 2.1.5 Initial application of Standards, Amendments or an Interpretation to existing Standards

**a) Standards, amendments to published standards and interpretations that are effective in 2017**

The following amendments to published standards are mandatory for the financial year beginning on or after January 1, 2017 and are relevant to the Group:

- Amendment to IAS 7 'Statement of cash flows': This amendment requires disclosure to explain changes in liabilities for which cash flows have been, or will be classified as financing activities in the statement of cash flows. The amendment only covers balance sheet items for which cash flows are classified as financing activities. In case other items are included within the reconciliation, the changes in liabilities arising from financing activities will be identified separately. A reconciliation of the opening to closing balance is not specifically required but instead the information can be provided in other ways. In the first year of adoption, comparative information need not be provided. This amendment has resulted an additional disclosure (i.e. note 20.4) in these consolidated financial statements.

- Amendments to IAS 12, 'Income taxes': These amendments on the recognition of deferred tax assets for unrealized losses clarify how to account for deferred tax assets related to debt instruments measured at fair value. These amendments do not have a significant impact on the Group's consolidated financial statements.

  The other amendments to published standards and interpretations that are mandatory for the financial year beginning on January 1, 2017 are considered not to be relevant or to have any significant effect on the Group's financial reporting and operations and therefore not disclosed in these consolidated financial statements.

**b) Standards, amendments to published standards and interpretations that are not yet effective and have not been early adopted by the Group**

The following new standards, amendments and interpretation are not effective for the financial year that began on January 1, 2017 and have not been early adopted by the Group:

- IFRS 9 'Financial instruments' (effective for annual periods beginning on or after July 1, 2018). IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities and replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually uses for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The Group is yet to assess the full impact of the standard.

- Amendment to IFRS 9, Financial instruments', on prepayment features with negative compensation (effective for periods beginning on or after January 1, 2019). This amendment confirms that when a financial liability measured at amortized cost is modified without this resulting in de-recognition, a gain or loss should be recognized immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39. The Group is yet to assess the full impact of the amendment.

- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after July 1, 2018). This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The Group is yet to assess the full impact of the standard.

- Amendments to IFRS 15, 'Revenue from contracts with customers' (effective for annual periods beginning on or after July 1, 2018). These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licenses of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard. The Group is yet to assess the full impact of the amendments.

- IFRS 16 'Leases' (effective for periods beginning on or after January 1, 2019). This standard is yet to be notified by SECP. This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group is yet to assess the full impact of the standard.

- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for periods beginning on or after January 1, 2018). These amendments clarify the determination of the date of transaction for the exchange rate to be used on initial recognition of a related asset, expense or income where an entity pays or receives consideration in advance for foreign currency-denominated contracts. For a single payment or receipt, the date of the transaction should be the date on which the entity initially recognizes the non-monetary asset or liability arising from the advance consideration (the prepayment or deferred income/contract liability). If there are multiple payments or receipts for one item, a date of transaction should be determined as above for each payment or receipt. The interpretation is not expected to have a significant impact on the Group's consolidated financial statements.

- IFRIC 23, 'Uncertainty over income tax treatments' (effective for periods beginning on or after January 1, 2019). This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRIC had clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. The interpretation is not expected to have a significant impact on the Group's consolidated financial statements.

There are number of other standards and amendments to the published standards that are not yet effective and are also not relevant to the Group's consolidated financial statements and operations and therefore, have not been presented here.

In addition to the foregoing, the Companies Act, 2017 which is not effective on these financial statements, has added certain disclosure requirements which will be applicable in future.

### 2.1.6 Basis of consolidation

#### i) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Further, the Group also considers whether:

- it has power to direct the relevant activities of the subsidiaries;
- is exposed to variable returns from the subsidiaries; and
- decision making power allows the Group to affect its variable returns from the subsidiaries.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-recognized from the date the control ceases. These consolidated financial statements include Dawood Lawrencepur Limited (the Holding Company) and all companies in which it directly or indirectly controls, beneficially owns or holds more than 50% of the voting securities or otherwise has power to elect and appoint more than 50% of its directors (the Subsidiaries).

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities (including contingent liabilities) assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s identifiable net assets.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in consolidated profit and loss account.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized in profit and loss account.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses (unrealized) are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

**ii) Transactions with non-controlling interests**

The Group treats transactions with non-controlling interests that do not result in loss of control as transactions with equity owners of the Group. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

**iii) Disposal of subsidiaries**

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit and loss account. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset depending on the level of influence retained. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed off the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to consolidated profit and loss account.

## 2.2 Property, plant and equipment

### 2.2.1 Recognition and measurement

Property, plant and equipment, except for free hold land, are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset. Capital work-in-progress is stated at cost less impairment, if any.

Disposal of assets is recognized when significant risks and rewards incidental to ownership have been transferred to the buyer. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized in profit and loss.

### 2.2.2 Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognized at the carrying amount of the item, if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day to day servicing of property, plant and equipment are recognized in profit or loss as they are incurred.

### 2.2.3 Depreciation

Depreciation is charged to profit and loss account whereby the cost of an asset is written off over its estimated useful life. Depreciation on additions is charged from the date on which the asset is available for use and on disposals up to the date of disposal. The residual value, depreciation method and the useful lives of each part of property, plant and equipment are reviewed, and adjusted if appropriate, at each reporting date.

### 2.2.4 Impairment

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

### 2.3 Intangible assets

### 2.3.1 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group’s share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiary is included in ‘intangible assets’. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

### 2.3.2 Softwares

These are capitalized on the basis of the costs incurred to acquire and bring the specific software to use. Software is stated at cost less accumulated amortization and accumulated impairment losses, if any. These are amortized using the straight line method from the month the software is available for use up to the month of its disposal. The residual values, useful lives and amortization method are reviewed and adjusted, if appropriate, at each reporting date.

### 2.4 Investments in associates

Associates are all entities over which the Group has significant influence but not control. Investment in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost and subsequently adjusted to Group's share of post-acquisition income less dividends received and Group's share of other comprehensive income and other movements in equity. The Group's investment in associate includes goodwill identified on acquisition. The Group determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case, the Group calculates the impairment loss as the difference between the recoverable amount of associates and its carrying value and recognizes it in the profit and loss account. Other equity transaction of the associates are recognized directly in equity.

## 2.5 Financial instruments

### 2.5.1 Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, held to maturity, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

**a) At fair value through profit or loss**

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets.

**b) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period which are classified as non-current assets. The Company's loans and receivable comprise trade debts, loans, advances, deposits, other receivables and cash and cash equivalents in the balance sheet.

**c) Held to maturity**

Held to maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity with a positive intention and ability to hold to maturity. There were no held to maturity financial assets at the balance sheet date.

**d) Available-for-sale**

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose it off within 12 months of the end of the reporting date.

### 2.5.2 Recognition and measurement

All financial assets are recognised at the time when the Group becomes a party to the contractual provisions of the instrument. Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs except for financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed to profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held to maturity investments are subsequently carried at amortised cost.

Gains or losses arising from changes in the fair value of the ‘financial assets at fair value through profit or loss’ category are recognised in profit and loss.

Gains and losses except impairment losses and foreign exchange gain and losses arising from changes in fair value of assets classified as available-for-sale are recognised in other comprehensive income until the financial asset is derecognised. When securities classified as available-for-sale are sold, the accumulated gain or loss previously recognised in other comprehensive income is reclassified from equity to profit and loss.

Interest on available-for-sale assets calculated using the effective interest method is recognised in profit and loss. Dividends on available for sale equity instruments are recognised in profit and loss when the Group’s right to receive payments is established.

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for assets carried at amortised cost, the loss is recognised in profit and loss. For available-for-sale financial assets, the cumulative loss is reclassified from equity and recognised in profit and loss. Impairment losses recognised in profit or loss on equity instruments classified as available for sale are not reversed through profit and loss.

### 2.5.3 Financial liabilities

Financial liabilities are recognized at the time when the Group becomes a party to the contractual provisions of the instrument. All financial liabilities are recognized initially at fair value less directly attributable transactions costs, if any, and subsequently measured at amortized cost using effective interest rate method.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognized in the profit and loss account.

### 2.5.4 Offsetting of financial assets and liabilities

A financial asset and a financial liability are off set and the net amount is reported in the consolidated balance sheet if the Group has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counter party.

### 2.5.5 Impairment of financial assets

For financial assets the Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The impairment loss is recognized by reducing the carrying amount of the asset and the amount of loss is recognized in income in case of financial assets carried at amortized cost. If in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of previously recognized impairment loss is also recognized in the income.

**2.6 Derivative financial instruments**

Derivatives, except a derivative that is a financial guarantee contract or a designated and effective hedging instrument, are classified as a financial asset or liability measured at fair value through profit or loss. Derivative financial instruments are initially recognised at fair value on the date derivative contract is entered into and subsequently re-measured at their fair value. Derivatives are carried as assets where fair value is positive and as liabilities where fair value is negative.

Fair value of derivatives embedded in financial instruments or non-derivative host contracts are separated from the host contract if the risks and economic characteristics of the embedded derivative are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit or loss.

If the fair value of an embedded derivative that is required to be separated cannot be reliably measured, the entire combined contract is measured at fair value through profit or loss.

Changes in fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss together with any changes in the fair value of the hedged asset or liability.

Changes in fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income to the extent that the hedge is effective. The gain or loss relating to the ineffective portion is recognised in profit or loss on an on going basis. The Group assesses whether each derivative continues to be highly effective in offsetting changes in cash flows of hedged items. If and when a derivative is no longer expected to be highly effective, cash flow hedge accounting is discontinued. Amount recognised in other comprehensive income in relation to cash flow hedge on borrowing repayments is reclassified to profit and loss when the exchange (gain) / loss capitalized in property, plant and equipment affects profit and loss.

However, for the reasons explained in note 5, derivatives embedded in the Energy Purchase Agreement (EPA), have not been separated from the host contract and accordingly have not been recognised in these consolidated financial statements.

**2.7 Stores spares and loose tools**

These are valued at weighted average cost except for items in transit which are stated at invoice value plus other charges paid thereon till the balance sheet date. For items which are slow moving and / or identified as surplus to the Group's requirements, adequate provision is made for any excess book value over estimated residual value.

### 2.8 Stock-in-trade

Stock-in-trade is valued at the lower of cost and net realizable value. Cost is determined using weighted average method except for stock in transit, which is stated at cost. Cost includes applicable purchase cost and manufacturing expenses.

Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

### 2.9 Trade and other receivables

'Trade debts' and 'other receivables' are stated initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. 'Trade debts' and 'other receivables' considered irrecoverable are written off.

### 2.10 Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand, deposits held with banks and highly liquid investments with original maturities of three months or less. Running finance facilities availed by the Group, if any, which are repayable on demand and form an integral part of the Group's cash management are included as part of cash and cash equivalents for the purpose of the statement of cash flows.

### 2.11 Discontinued operations

A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and

(a) represents a separate major line of business or geographical area of operations;
(b) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
(c) is a subsidiary acquired exclusively with a view to resale.

### 2.12 Share capital

Ordinary shares are classified as equity and recognised at their face value. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### 2.13 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is amortised over the period of the borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

**2.14 Trade and other payables**

These are recognised initially at fair value and subsequently measured at amortised cost. Exchange gains and losses arising in respect of liabilities in foreign currency are added to the carrying amount of the respective liabilities.

Trade and other payables are classified as current liabilities if payment is due within one year. If not, they are presented as non-current liabilities.

**2.15 Provisions**

Provisions are recognized when the Group has a legal or constructive obligation as a result of past events and 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. Provisions are reviewed at each reporting date and adjusted to reflect current best estimate.

**2.16 Employees' retirement benefits**

**2.16.1 Defined benefit plan**

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Holding Company's net obligation in respect of defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in current and prior periods, that benefit is discounted to determine its present value. The calculation is performed at least once annually, by a qualified actuary using the projected unit credit method. The Holding Company operates a defined benefit 'Gratuity' plan, for its regular permanent employees who have completed qualifying period of service. A funded gratuity scheme is in place for the Management employees of the Holding Company's 'Lawrencepur Woolen and Textile Mills Unit' and other employees.

Provisions are made in the consolidated financial statements to cover obligations under the scheme. The provisions require assumptions to be made of future outcome which mainly include increase in remuneration, expected return on plan assets and the discount rate used to convert future cash flows to current values. Remeasurement gains and losses arising from the actuarial valuation are recognized immediately in other comprehensive income.

**2.16.2 Defined benefit scheme**

TGL and REL operate unfunded gratuity schemes for its permanent employees. Their net obligation in respect of unfunded gratuity schemes is calculated by estimating the amount of future benefit that employees have earned in return for their service in current and prior periods; that benefit is discounted to determine its present value. The calculation is performed annually by a qualified actuary using the Projected Unit Credit method, related details of which are given in note 18 to the consolidated financial statements.

**2.16.3** All remeasurement gains / losses are recognized in other comprehensive income.

### 2.17 Taxation

#### 2.17.1 Current

Provision for current taxation is based on the taxable income for the year calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date and any adjustment to tax payable in respect of previous years.

#### 2.17.2 Deferred

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and the tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax asset is recognized only when it is probable that future taxable profits and taxable temporary differences will be available against which the deductible temporary differences can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is charged or credited in the profit and loss account, unless it relates to item recognised in equity in which case it is also recognized in equity.

### 2.18 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable in the normal course of business. Revenue is recognized net of brokerages, commission and trade discounts.

#### 2.18.1 Project revenue

Project revenues and costs relating to projects are recognized by reference to stage of completion of project activity at the reporting date. Stage of completion of a project is determined by applying ‘cost to-cost method’. Under this method stage of completion of a project is determined by reference to the proportion that project cost incurred to date bears to the total estimated contract cost. Expected losses on projects are recognized as an expense immediately.

#### 2.18.2 Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

#### 2.18.3 Revenue recognition on supply of electricity

Revenue from the sale of electricity to National Transmission and Dispatch Company (NTDC), the sole customer of the TGL, is recognised based on the Net Energy Delivered. The Group also recognizes revenue for Non-Project Missed Volume. Revenue is recognised based on the rates determined under the mechanism laid down in the Energy Purchase Agreement.

**2.18.4 Interest on bank deposits and delayed payment income**

Interest income on bank deposits and delayed payment income on overdue trade debts is recognised on accrual basis.

**2.18.5 Dividend income**

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

**2.18.6 Capital gain**

Capital gains / losses arising on sale of investments are included in the income on the date at which the transaction takes place.

**2.19 Borrowing costs**

Borrowing costs are recognised as an expense in the period in which they are incurred except where such costs are directly attributable to the acquisition, construction or production of a qualifying asset in which case such costs are capitalized as part of the cost of that asset. Borrowing costs include exchange differences arising from foreign currency borrowings to the extent these are regarded as an adjustment to borrowing costs.

**2.20 Foreign currency translation**

Transactions in foreign currencies are accounted for in Pakistani Rupees at the exchange rates prevailing at the date of the transactions. Monetary assets and liabilities in foreign currencies are translated into Pakistani Rupees at rates of exchange prevailing at the balance sheet date. Foreign exchange differences are recognized in the profit and loss account.

**2.21 Earnings per share**

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Holding Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders of the Holding Company and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

**2.22 Non-current assets held for sale**

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. The assets are measured at lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognized in profit and loss. Non-current assets classified as held for sale are not depreciated or amortized.

**2.23 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Group that makes the strategic decisions.

Management has disclosed information as required by IFRS - 8 'Operating Segments' in note 38 to these consolidated financial statements.

**2.24 Dividend and appropriation to reserves**

Dividends and appropriations to reserves are recognized in the period in which these are approved.

## 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

**3.1 Property, plant and equipment and intangibles**

The Group reviews appropriateness of the rate of depreciation / amortization, useful lives and residual values used in the calculation of depreciation / amortization. Further where applicable, an estimate of recoverable amount of assets is made for possible impairment on an annual basis.

**3.2 Stock-in-trade**

The Group reviews the net realizable value of stock-in-trade to assess any diminution in the respective carrying values. Net realizable value is determined with reference to estimated selling price less estimated expenditures to make the sales.

**3.3 Provision for retirement and other service benefits obligations**

The present value of these obligations depend on a number of factors that are determined on actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of these obligations.

**3.4 Taxation**

In making the estimates for current income taxes payable by the Group, the management considers the applicable laws and the decisions / judgments of appellate authorities on certain issues in the past. Accordingly, the recognition of deferred tax is also made taking into account these judgments and the best estimates of future results of operations of the Group.

**3.5 Revenue**

Group estimates the cost to complete the projects in order to determine the stage of completion for the purpose of revenue recognition. These costs include the cost of material, infrastructure, labour and the cost of meeting other contractual obligations to the customer.

(Amounts in thousand)

### 3.6 Trade debts

An estimate of the collectible amount of trade debts is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Any difference between the amounts actually collected in future periods and the amounts expected is recognized in the profit and loss account.

### 3.7 Impairment of goodwill

Goodwill acquired on a acquisition of subsidiary is tested for impairment annually or whenever there is an indication of impairment as per the requirements of International Accounting Standard (IAS) 36, 'Impairment of Assets'. Impairment charge in respect of goodwill is recognised in the profit and loss account and is not subsequently reversed.

### 3.8 Provision for warranty claims

The Company recognizes the estimated liability to replace damaged equipment still under warranty at the balance sheet date on the basis of historical claim information. The Company provides manufacturer's warranty on equipment ranging from 1 to 10 years and performance warranty for 25 years. The ratio of warranty claims filed during the year to previous year's cost of sales is taken into account for determining the estimated liability.

| | 2017 | 2016 |
|---|---|---|
| | ------------Rupees------------ | |
| **4. PROPERTY, PLANT AND EQUIPMENT** | | |
| Operating assets, at net book value (note 4.1) | **11,065,489** | 11,268,890 |
| Capital work in progress (note 4.4) | **1,863** | 2,547 |
| Capital spares (note 4.5) | **138,494** | 133,675 |
| | **11,205,846** | 11,405,112 |

(Amounts in thousand)

## 4.1 Operating assets

| | Land | | Building | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Freehold | Leasehold (notes 4.1.3 and 4.1.4) | Freehold | Leasehold | Plant and machinery | Wind measuring equipment | Furniture, fixtures and office equipment | Computers | Tools and equipment | Vehicles | Renewable energy units | Total |
| | ------------------------------ | | | | | | Rupees | ------------------------------ | | | | |
| **As at January 1, 2016** | | | | | | | | | | | | |
| Cost | 3,157 | 38,194 | 70,557 | - | 377,705 | 3,881 | 66,540 | 12,213 | 17,584 | 25,969 | 7,624 | 623,424 |
| Accumulated Depreciation | - | (8,251) | (65,101) | - | (312,401) | (1,818) | (48,814) | (10,115) | (5,809) | (11,422) | (1,354) | (465,085) |
| | 3,157 | 29,943 | 5,456 | - | 65,304 | 2,063 | 17,726 | 2,098 | 11,775 | 14,547 | 6,270 | 158,339 |
| **Year ended December 31, 2016** | | | | | | | | | | | | |
| Opening net book value | 3,157 | 29,943 | 5,456 | - | 65,304 | 2,063 | 17,726 | 2,098 | 11,775 | 14,547 | 6,270 | 158,339 |
| Additions including transfers (note 4.4) | - | - | - | 2,317,437 | 8,937,338 | - | 9,871 | 1,668 | 696 | 9,195 | 33 | 11,276,238 |
| Capitalization adjustment for exchange loss (note 5) | - | - | - | 685 | 2,641 | - | - | - | - | - | - | 3,326 |
| Disposals (note 4.3) | | | | | | | | | | | | |
| Cost | - | - | - | - | - | - | - | (212) | (318) | (8,466) | - | (8,996) |
| Accumulated depreciation | - | - | - | - | - | - | - | 212 | 180 | 1,943 | - | 2,335 |
| | - | - | - | - | - | - | - | - | (138) | (6,523) | - | (6,661) |
| Depreciation charge (note 4.2) | - | (8,413) | (546) | (27,520) | (116,629) | (206) | (2,719) | (855) | (1,094) | (3,749) | (621) | (162,352) |
| Closing net book value | 3,157 | 21,530 | 4,910 | 2,290,602 | 8,888,654 | 1,857 | 24,878 | 2,911 | 11,239 | 13,470 | 5,682 | 11,268,890 |
| **As at December 31, 2016** | | | | | | | | | | | | |
| Cost | 3,157 | 38,194 | 70,557 | 2,318,122 | 9,317,684 | 3,881 | 76,411 | 13,669 | 17,962 | 26,698 | 7,657 | 11,893,992 |
| Accumulated depreciation | - | (16,664) | (65,647) | (27,520) | (429,030) | (2,024) | (51,533) | (10,758) | (6,723) | (13,228) | (1,975) | (625,102) |
| Net book value | 3,157 | 21,530 | 4,910 | 2,290,602 | 8,888,654 | 1,857 | 24,878 | 2,911 | 11,239 | 13,470 | 5,682 | 11,268,890 |
| **Year ended December 31, 2017** | | | | | | | | | | | | |
| Opening net book vaue | **3,157** | **21,530** | **4,910** | **2,290,602** | **8,888,654** | **1,857** | **24,878** | **2,911** | **11,239** | **13,470** | **5,682** | **11,268,890** |
| Additions including transfers (note 4.4) | **-** | **-** | **-** | **6,574** | **6,149** | **-** | **13,736** | **630** | **-** | **-** | **-** | **27,089** |
| Capitalization adjustment for exchange loss (note 5) | **-** | **-** | **-** | **75,021** | **289,323** | **-** | **-** | **-** | **-** | **-** | **-** | **364,344** |
| Transfer to held for sale assets | | | | | | | | | | | | |
| Cost | **-** | **-** | **-** | **-** | **(274,717)** | **-** | **-** | **-** | **(2,893)** | **-** | **-** | **(277,610)** |
| Accumualated depreciation | **-** | **-** | **-** | **-** | **237,765** | **-** | **-** | **-** | **2,607** | **-** | **-** | **240,372** |
| | **-** | **-** | **-** | **-** | **(36,952)** | **-** | **-** | **-** | **(286)** | **-** | **-** | **(37,238)** |
| Disposals (note 4.3) | | | | | | | | | | | | |
| Cost | **-** | **-** | **-** | **-** | **-** | **-** | **(441)** | **-** | **(55)** | **(312)** | **-** | **(808)** |
| Accumulated depreciation | **-** | **-** | **-** | **-** | **-** | **-** | **117** | **-** | **55** | **172** | **-** | **344** |
| | **-** | **-** | **-** | **-** | **-** | **-** | **(324)** | **-** | **-** | **(140)** | **-** | **(464)** |
| Depreciation charge (note 4.2) | **-** | **(8,412)** | **(491)** | **(110,387)** | **(425,672)** | **(186)** | **(8,089)** | **(489)** | **(308)** | **(2,652)** | **(446)** | **(557,132)** |
| Closing net book value | **3,157** | **13,118** | **4,419** | **2,261,810** | **8,721,502** | **1,671** | **30,201** | **3,052** | **10,645** | **10,678** | **5,236** | **11,065,489** |
| **As at December 31, 2017** | | | | | | | | | | | | |
| Cost | **3,157** | **38,194** | **70,557** | **2,399,717** | **9,338,439** | **3,881** | **89,706** | **14,299** | **15,014** | **26,386** | **7,657** | **12,007,007** |
| Accumulated depreciation | **-** | **(25,076)** | **(66,138)** | **(137,907)** | **(616,937)** | **(2,210)** | **(59,505)** | **(11,247)** | **(4,369)** | **(15,708)** | **(2,421)** | **(941,518)** |
| **Net book value** | **3,157** | **13,118** | **4,419** | **2,261,810** | **8,721,502** | **1,671** | **30,201** | **3,052** | **10,645** | **10,678** | **5,236** | **11,065,489** |
| | **0%** | **4% to 33%** | **10%** | **5%** | **5% to 20%** | **10%** | **10% to 35%** | **33%** | **10% to 33%** | **20%** | **10%** | |

(Amounts in thousand)

**4.1.1** The above include assets with an aggregate carrying value of Rs. 18,367 (2016: Rs. 67,303) which relate to discontinued textile unit, LWTM and BTM.

**4.1.2** The Group's assets include demonstration equipments having cost of Rs. 3,370 (2016: Rs. 3,370) which have been installed at The Searle Company Limited and LCC Pakistan (Private) Limited.

**4.1.3** This represents allocation of land by Alternative Energy Development Board (AEDB) for setting up of a Wind Power Farm. Possession of the land and the site sub lease have been obtained by TGL.

**4.1.4** Leasehold land is secured in favor of lenders to secure the various financing arrangements.

**4.2** Depreciation charge for the year has been allocated as under:

| | **2017** | 2016 |
|---|---|---|
| | -------------Rupees------------- | |
| Cost of revenue (note 25) | **525,393** | 131,803 |
| Selling and distribution expenses (note 26) | **1,475** | 1,334 |
| Administrative expenses (note 27) | **30,264** | 29,215 |
| | **557,132** | 162,352 |

**4.3** The details of operating assets disposed during the year are as follows:

| Description | Sold to | Cost | Accumulated depreciation | Net book value | Sale proceeds |
|---|---|---|---|---|---|
| | | ---------- Rupees | ---------- | ---------- | ---------- |
| **Vehicles** | | | | | |
| To employes through bidding | Muhammad Ijaz | 101 | 24 | 77 | 425 |
| By Company policy to existing / separating executives having net book value of less than Rs. 50 | | 211 | 148 | 63 | 42 |
| | | 312 | 172 | 140 | 467 |
| **Tools and equipment** | | | | | |
| By Company policy to existing employees | Executives | 55 | 55 | - | 5 |
| **Furniture, fixtures and office equipment** | | | | | |
| By Company policy to existing / separating executives having net book value of less than Rs. 50 | | 186 | 79 | 107 | 78 |
| Insurance Claim | EFU General Insurance Limited | 255 | 38 | 217 | 188 |
| | | 441 | 117 | 324 | 266 |
| **December 31, 2017** | | **808** | **344** | **464** | **738** |
| December 31, 2016 | | 8,996 | 2,335 | 6,661 | 6,233 |

(Amounts in thousand)

### 4.4 Capital work-in-progress

This represents as follows:

| | 2017 | 2016 |
|---|---|---|
| | ------------Rupees------------ | |
| Cost incurred : | | |
| Engineering, procurement & construction costs (note 4.4.1) | - | 10,100,965 |
| Professional fee | - | 818,453 |
| Borrowing cost | - | 391,342 |
| Exchange loss on borrowing | - | 71,908 |
| Traveling, boarding and lodging | - | 54,902 |
| Advances and others | **12,542** | 2,547 |
| | **12,542** | 11,440,117 |
| Transferred to: | | |
| - operating assets (note 4.1) | **(5,860)** | (11,264,426) |
| - stores and spares (note 10) | - | (39,469) |
| - capital spares assets (note 4.5) | **(4,819)** | (133,675) |
| | **1,863** | 2,547 |

**4.4.1** Includes Nil (2016: Rs. 46,497) against testing / pre commercial operation date revenue.

### 4.5 Capital spares

| | 2017 | 2016 |
|---|---|---|
| Balance at beginning of the year | **133,675** | - |
| Add: Transfers from capital work in progress - Net | **4,819** | 133,675 |
| Balance at end of the year | **138,494** | 133,675 |

### 5. EMBEDDED DERIVATIVES

TGL tariff, like other power companies, comprises of various price components with indexations falling within the ambit of embedded derivatives. Such embedded derivative as per International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' needs to be separated from the host contract and accounted for as a derivative if economic characteristics and risks of the embedded derivative are not closely related to the host contract.

On January 16, 2012, SECP vide SRO 24 (I) 2012 had granted waivers to all IPPs from the requirement of IFRIC 4 “ Determining whether an arrangement contains a lease” and IFRIC 12 “ Service Concession Agreements”. Further, SECP through the aforementioned SRO has also allowed the IPPs to continue capitalising the exchange differences, and not to recognise embedded derivatives under IAS 39 where these are not closely related to the host contract. However, in the case of such derivatives, for periods beginning on or after January 1, 2013, the companies are required to give “Additional Disclosure” as if the accounting for embedded derivatives had been adopted in preparing the financial statements.

In view of the above SRO, TGL has capitalised exchange loss of Rs. 364,344 pertaining to current year (2016: 3,326) in property, plant and equipment (note 4.1).

**5.1** Additional Disclosure under SRO 24 (1) 2012

If TGL were to follow IAS 39 and had accounted for embedded derivatives and had not capitalized exchange loss on translation of foreign currency borrowing, the effect on the consolidated financial statements line items would have been as follows:

(Amounts in thousand)

| | (Increase) / Decrease Accumulated Profit | (Increase) / Decrease Property, plant and equipment | (Increase) / Decrease Derivative financial asset (liability) |
|---|---|---|---|
| | Rupees | | |
| As at January 1, 2016 | - | - | - |
| For the year ended December 31, 2016 | | | |
| - Recognition of exchange loss | 3,326 | (3,326) | - |
| - Change in fair value of derivatives | (59,822) | - | 59,822 |
| | (56,496) | (3,326) | 59,822 |
| As at December 31, 2016 | (56,496) | (3,326) | 59,822 |
| **For the year ended December 31, 2017** | | | |
| - Recognition of exchange loss | **364,374** | **(364,374)** | **-** |
| - Change in fair value of derivatives | **(74,554)** | **-** | **74,554** |
| | **289,820** | **(364,374)** | **74,554** |
| **As at December 31, 2017** | **233,324** | **(367,700)** | **134,376** |

## 6. INTANGIBLE ASSETS

| | 2017 | 2016 |
|---|---|---|
| | Rupees | |
| Goodwill (note 6.1) | **22,834** | 22,834 |
| Computer software (note 6.2) | **1,460** | 6,433 |
| | **24,294** | 29,267 |

### 6.1 Goodwill

In 2008, the Holding Company acquired 100% shareholding of TGL. The business combination with TGL was accounted for by applying the purchase method. The cost of the acquisition was measured at the fair value of equity instruments issued at the date of exchange plus cost directly attributable to acquisition. Identified assets acquired, liabilities (including contingent liabilities) assumed or incurred were measured at fair value at the acquisition date. The excess cost of acquisition over the fair value of identifiable net assets acquired was recognized as goodwill in these consolidated financial statements.

The management uses the Income Approach - Discounted Cash Flow Method (DCF) to determine the NPV of the wind project, covering a twenty-year period. The key assumptions used in the financial projections are discount rates and key commercial assumptions such as revenue growth and contribution margins.

At December 31, 2017, the management of the Group carried out an impairment testing of its goodwill recognized in these consolidated financial statements as a result of acquisition of TGL. Based on the said testing, the NPV of the wind project was in excess of the respective carrying amount of goodwill as at December 31, 2017.

(Amounts in thousand)

| | | 2017 | 2016 |
|---|---|---|---|
| | | ------------Rupees------------ | |
| **6.2** | **Computer software** | | |
| | **Cost** | | |
| | Balance as on January 1 | **21,119** | 20,962 |
| | Addition during the year | **429** | 157 |
| | Balance as on December 31 | **21,548** | 21,119 |
| | **Amortization** | | |
| | Balance as on January 1 | **(14,686)** | (9,228) |
| | Amortization during the year (note 27) | **(5,402)** | (5,458) |
| | Balance as on December 31 | **(20,088)** | (14,686) |
| | **Carrying amount** | **1,460** | 6,433 |

**6.2.1** The cost of above intangible is being amortized over a period of 3 years.

**7. LONG TERM INVESTMENTS**

| | 2017 | 2016 |
|---|---|---|
| Investment in associate (note 7.1) | **8,955,510** | 8,691,306 |
| Other investments (note 7.4) | **14,129** | 17,523 |
| | **8,969,639** | 8,708,829 |

**7.1 Investment in associate**

**Associate - quoted**
Dawood Hercules Corporation Limited (DHCL)

| | 2017 | 2016 |
|---|---|---|
| Opening balance | **8,691,306** | 5,337,092 |
| Add: | | |
| - Share of profit after taxation | **560,026** | 4,138,901 |
| - Share of other comprehensive income | **2,725** | (741) |
| - Other equity transactions | **13,181** | 579,863 |
| | **575,932** | 4,718,023 |
| Less: Dividend received | **(311,728)** | (1,363,809) |
| | **8,955,510** | 8,691,306 |

**7.1.1** The Holding Company has invested in an associate DHCL with ownership of 16.19% (2016: 16.19%), comprising of 77,931,896 (2016: 77,931,896) fully paid ordinary shares of Rs. 10/- each, having market value of Rs. 8,719,021 (2016: Rs. 11,247,910).

(Amounts in thousand)

**7.1.2** The summary of financial information / reconciliation of DHCL is as follows:

| | **2017** | 2016 |
|---|---|---|
| | ------------Rupees------------ | |
| Revenue | **128,592,511** | 157,207,668 |
| Profit after tax | **16,247,161** | 73,438,345 |
| Other comprehensive income | **76,050** | (1,646) |
| Total comprehensive income | **16,323,211** | 73,436,699 |
| Profit attributable to: | | |
| - Owners of DHCL | **3,459,088** | 25,564,552 |
| - Non-controlling interest of DHCL | **12,788,073** | 47,873,793 |
| | **16,247,161** | 73,438,345 |
| Non-current assets | **202,948,201** | 187,372,919 |
| Current assets | **127,627,553** | 113,943,610 |
| Investment held for sale | **6,611,468** | - |
| Total assets | **337,187,222** | 301,316,529 |
| Less: | | |
| Non-current liabilities | **94,410,520** | 72,918,276 |
| Current liabilities | **65,311,814** | 55,435,832 |
| Total liabilities | **159,722,334** | 128,354,108 |
| Net assets | **177,464,888** | 172,962,421 |
| Net assets attributable to: | | |
| - Owners of DHCL | **55,316,613** | 53,684,422 |
| - Non-controlling interest of DHCL | **122,148,275** | 119,277,999 |
| | **177,464,888** | 172,962,421 |
| Group's share in % | **16.19%** | 16.19% |
| Share of net assets | **8,955,760** | 8,691,508 |
| Others | **(250)** | (202) |
| Carrying amount | **8,955,510** | 8,691,306 |

**7.1.3** The Holding Company holds 16.19% of the voting power in DHCL, however due to representation of its Directors on the Board of Directors of DHCL and participation in policy making processes including participation in decisions about dividends or other distributions, it has significant influence over DHCL.

**7.2** The Holding Company has pledged 32,199,737 (2016: 66,262,722) ordinary shares of Rs. 10 each of DHCL and 34,599,995 (2016: 34,599,995) ordinary shares of Rs. 10 each of TGL for financing facilities procured from commercial banks.

(Amounts in thousand)

**7.3** The details of shares pledged as security are as follows:

| Bank | Shares pledged | As at December 31, 2017 Number of shares pledged | As at December 31, 2017 Face value of shares pledged | As at December 31, 2017 Market value of pledged shares | As at December 31, 2016 Number of shares pledged | As at December 31, 2016 Face value of shares pledged | As at December 31, 2016 Market value of pledged shares |
|---|---|---|---|---|---|---|---|
| | | | ------------Rupees------------ | | | ------------Rupees------------ | |
| **Pledged against short term financing and other facilities availed by the Company (notes 21 and 23.1.9)** | | | | | | | |
| Standard Chartered Bank (Pakistan) Limited | Dawood Hercules Corporation Limited | **21,999,737** | **219,997** | **2,461,331** | 57,000,000 | 570,000 | 8,226,810 |
| Bank Al-Habib Limited | | **10,200,000** | **102,000** | **1,141,176** | 9,262,000 | 92,620 | 1,336,784 |
| **Pledged under Sponsor Share Agreement** | | | | | | | |
| Citibank N.A. | Tenaga Generasi Limited | **34,599,995** | **346,000** | **-*** | 34,599,995 | 346,000 | -* |

* Tenaga Generasi Limited is an unlisted company.

## 7.4 Other investments

### - Available for sale investments

| 2017 | 2016 | Name of Investee | 2017 | 2016 |
|---|---|---|---|---|
| Number of Shares / Units | | | ------------Rupees------------ | |
| | | **Listed Securities** | | |
| **200,000** | 200,000 | National Investment (Unit) Trust | **14,114** | 17,508 |
| | | **Un-Listed Securities** | | |
| **1,500** | 1,500 | Asian Co-operative Society Limited | **15** | 15 |
| | | | **14,129** | 17,523 |

## 7.5 Reconciliation between fair value and cost of investments classified as 'available for sale'

| | 2017 | 2016 |
|---|---|---|
| Fair value of investments | **14,129** | 17,523 |
| Surplus on remeasurement of investments as at year end | **(11,674)** | (15,068) |
| Cost of investments | **2,455** | 2,455 |

## 8. LONG TERM DEPOSITS

| | 2017 | 2016 |
|---|---|---|
| Deposits for utilities | **1,718** | 1,718 |
| Others | **2,710** | 1,060 |
| | **4,428** | 2,778 |

(Amounts in thousand)

| | | 2017 | 2016 |
|---|---|---|---|
| | | ------------Rupees------------ | |
| **9.** | **LONG TERM LOANS - Unsecured, considered good** | | |
| | Loans to executives (notes 9.1 and 9.2) | **768** | 550 |
| | Less: Current portion (note 13) | **(460)** | (501) |
| | | **308** | 49 |
| **9.1** | **Reconciliation of the carrying amount of loans to executives** | | |
| | Balance at beginning of the year | **550** | 1,576 |
| | Disbursement | **1,290** | 376 |
| | Repayment | **(1,072)** | (1,402) |
| | Balance at end of the year | **768** | 550 |

**9.2** This represents interest free loan to executives, repayable in equal monthly instalments over a two year period, as per Group's policy and is secured against gratuity balance of employees.

**9.3** The maximum aggregate amount due from executives at the end of any month during the year was Rs. 858 (2016: Rs. 1,461).

| | | 2017 | 2016 |
|---|---|---|---|
| | | ------------Rupees------------ | |
| **10.** | **STORES AND SPARES** | | |
| | Stores | **11,090** | 50,559 |
| | Spares | **4,521** | 4,488 |
| | | **15,611** | 55,047 |
| | Provision for slow moving and obsolete items (note 10.1) | **(7,789)** | (7,789) |
| | | **7,822** | 47,258 |
| **10.1** | The movement in provision during the year is as follows: | | |
| | Balance at the beginning of the year | **(7,789)** | (3,578) |
| | Add: charge for the year | **-** | (4,211) |
| | Balance at the end of the year | **(7,789)** | (7,789) |
| **11.** | **STOCK-IN-TRADE** | | |
| | **Renewable energy** | | |
| | Finished goods (notes 11.1 and 11.2) | **138,858** | 185,486 |
| | Provision for slow moving and obsolete items (note 11.3) | **(83,788)** | (86,265) |
| | | **55,070** | 99,221 |
| | **Textile** | | |
| | Finished goods | **47,418** | 62,077 |
| | Provision for write down to net realizable value (note 11.3) | **(6,310)** | (11,851) |
| | | **41,108** | 50,226 |
| | | **96,178** | 149,447 |

(Amounts in thousand)

**11.1** This includes stock with an aggregate carrying value of Rs. 2,144 (2016: Rs. 406) which is held by third party at reporting date.

**11.2** This includes stock in transit amounting to Rs. Nil (2016: Rs. 7,839).

**11.3** The movement in provision during the year is as follows:

| | 2017 | 2016 |
|---|---|---|
| | ------------Rupees------------ | |
| Balance at the beginning of the year | **98,116** | 23,462 |
| Add: Charge for the year | **8,835** | 74,654 |
| Less: Provision reversed during the year | **(16,853)** | - |
| Balance at the end of the year | **90,098** | 98,116 |

## 12. TRADE DEBTS

| | 2017 | 2016 |
|---|---|---|
| **- Secured, considered good** | | |
| Alternate energy (notes 12.1, 12.2, 12.3 and 12.4) | **579,423** | 180,951 |
| **- Unsecured, considered good** | | |
| Renewable energy - projects (notes 12.3, 12.4 and 12.8) | **69,279** | 109,424 |
| Renewable energy - others | **3,924** | 1,918 |
| Gross amount due from customers (note 12.7) | **86,254** | 33,938 |
| Textile (note 12.8) | **182** | 424 |
| | **159,639** | 145,704 |
| | **739,062** | 326,655 |
| **- Considered doubtful** | | |
| Renewable energy | **5,683** | 3,529 |
| Others | **32** | - |
| | **5,715** | 3,529 |
| | **744,777** | 330,184 |
| Provision for impairment against doubtful debts - net (note 12.5) | **(5,715)** | (3,529) |
| | **739,062** | 326,655 |

**12.1** These debts of TGL including delayed payment charges, are secured by a guarantee from the Government of Pakistan under the Implementation Agreement and as such are considered good.

**12.2** Includes unbilled revenue amounting to Rs. Nil (2016: Rs.11,061) in respect of true-up and indexation of tariff components as defined in Energy Purchase Agreement.

**12.3** As at December 31, 2017, trade debts aggregating to Rs. 361,700 (2016: Rs. 85,189) were past due but not impaired. These relate to various customers which have either been confirmed / acknowledged by the customer or cleared subsequent to the year end. Further, the overdue receivable in respect of TGL carries a markup at the rate of 3 month KIBOR plus 4.5% per annum. The ageing analysis is as under:

| | 2017 | 2016 |
|---|---|---|
| | ------------Rupees------------ | |
| Upto 1 month | **-** | 35,569 |
| More than 1 month | **361,700** | 49,620 |
| | **361,700** | 85,189 |

(Amounts in thousand)

**12.4** Trade debts include Rs. 291,108 (2016: Rs. 207,528) which are neither past due nor impaired. The credit quality of these receivables can be assessed with reference to their historical performance with no defaults ever.

**12.5** As at December 31, 2017, trade debts aggregating to Rs.5,715 (2016: 3,529) were deemed to have been impaired and provided for. These have been outstanding for more than six months.

**12.6** Movement in provision during the year is as follows:

| | **2017** | 2016 |
|---|---|---|
| | ------------Rupees------------ | |
| Opening balance | **3,529** | 2,959 |
| Charge for the year | **5,743** | 570 |
| Provision reversed during the year | **(3,557)** | - |
| Closing balance | **5,715** | 3,529 |

**12.7** Gross amount due from customers:

| | **2017** | 2016 |
|---|---|---|
| Contract costs incurred plus recognized profits less recognized losses | **239,726** | 188,461 |
| Less: Progress billings | **(153,472)** | (154,523) |
| | **86,254** | 33,938 |

**12.8** The amounts due and maximum aggregate amount from related parties at the end of any month during the year is as follows:

| | Amount outstanding | | Maximum month end balance | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| | ------------Rupees------------ | | ------------Rupees------------ | |
| Sach International (Private) Limited | **43** | 150 | **3,946** | 150 |
| Director | **-** | 1,738 | **-** | 1,738 |
| Sponsor | **1,842** | 1,765 | **1,842** | 1,765 |
| | **1,885** | 3,653 | | |

**12.8.1** As at December 31, 2017, receivables aggregating to Rs.1,842 (2016: Rs. 1,888) from related parties were past due but not impaired. The aging analysis of these receivables is as follows:

| | **2017** | 2016 |
|---|---|---|
| | ------------Rupees------------ | |
| More than 3 months | **1,842** | 1,888 |

**12.9** Trade debts include retention of Rs. Nil (2016: Rs. 338) from Engro Vopak Terminal Limited, in relation to project.

(Amounts in thousand)

| | | 2017 | 2016 |
|---|---|---|---|
| | | ------------Rupees------------ | |
| **13.** | **LOANS AND ADVANCES - Unsecured, considered good** | | |
| | Loans and advances to: | | |
| | - Executives (notes 13.1, 13.2 and 13.3) | **1,028** | 1,526 |
| | - Other employees (notes 13.1 and 13.3) | **426** | 757 |
| | | **1,454** | 2,283 |
| | Current portion of long term loan (notes 9 and 13.3) | **460** | 501 |
| | Advance to suppliers | **6,567** | 16,797 |
| | | **8,481** | 19,581 |

**13.1** This represents interest free loan and advances to employees in accordance with the terms of employments.

**13.2** The maximum aggregate amount due from executives at the end of any month during the year was Rs.1,858 (2016: Rs.1,899).

**13.3** The carrying values of these financial assets are neither past due nor impaired. The credit quality of these financial assets can be assessed with reference to no defaults ever.

**13.4** This represents advances for business travelling and expenses as per Group policy.

| | | 2017 | 2016 |
|---|---|---|---|
| | | ------------Rupees------------ | |
| **14.** | **DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES** | | |
| | Security deposits | **18,858** | 12,898 |
| | Prepayments | **6,358** | 3,462 |
| | Delayed payment charges | **19,344** | - |
| | Sales tax refundable | **35,170** | 302,709 |
| | Others (note 14.1 and 22.3) | **36,276** | 19,602 |
| | | **116,006** | 338,671 |

**14.1** The amount due and maximum aggregate amount from related parties at the end of any month during the year is as follows:-

| | **Amount outstanding** | | **Maximum month end balance** | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| | ------------Rupees------------ | | ------------Rupees------------ | |
| Sach International (Private) Limited | **7,006** | 9,605 | **7,006** | 16,779 |
| Dawood Hercules Corporation Limited | **-** | 6,342 | **-** | 6,342 |
| Engro Fertilizer Limited | **1,878** | - | **4,382** | - |
| | **8,884** | 15,947 | | |

(Amounts in thousand)

**14.2** As at December 31, 2017, receivables from related parties aggregating to Rs. Nil (2016: Rs. 16,824) were past due but not impaired. The aging analysis of these receivables is as follows:

| | 2017 | 2016 |
|---|---|---|
| | ------------Rupees------------ | |
| 3 to 6 months | - | 6,342 |
| More than 6 months | - | 9,605 |
| | - | 15,947 |

**14.3** The carrying values of these financial assets are neither past due nor impaired. The credit quality of these financial assets can be assessed with reference to no losses ever.

## 15. CASH AND BANK BALANCES

| | 2017 | 2016 |
|---|---|---|
| | ------------Rupees------------ | |
| Cash in hand | 414 | 462 |
| Cheques in hand | - | 109,500 |
| Cash at banks | | |
| - In current accounts | 10,439 | 10,101 |
| - In deposit accounts - local currency (note 15.1) | 898,568 | 403,661 |
| - In deposit accounts - foreign currency (note 15.2) | 32,012 | 275,130 |
| | 941,019 | 688,892 |
| | 941,433 | 798,854 |

**15.1** This includes deposits with commercial banks and carry profit at the rate ranging from 3.74% to 5.15% (2016: 3.7% to 6.5%) per annum.

**15.2** Foreign currency deposits carry return at the average rate of 0.90% (2016:0.13%) per annum.

## 16. ASSET CLASSIFIED AS HELD FOR SALE

During the year, the shareholders of the Holding Company in their Extraordinary General Meeting held on October 9, 2017 resolved to dispose of certain assets (disposal group) relating to the Holding Company's discontinued unit, BTM (Dawoodabad Burewala). The Holding Company has also entered into a sale agreement during the year for sale of assets mentioned below. The sale transaction is expected to be completed by June 30, 2018. Accordingly, the disposal group has been classified as 'held for sale' in these consolidated financial statements and is being carried at its net book value being lower than fair value less cost to sell. The disposal group comprises of the following:

| Particulars | Cost at January 1,2017 | Transfer from operating assets | Cost at December 31, 2017 | Accumulated depreciation at January 1, 2017 | Transfer from operating assets | Accumulated depreciation at December 31, 2017 | Net book value at December 31, 2017 |
|---|---|---|---|---|---|---|---|
| Plant and machinery | - | 274,717 | 274,717 | - | 237,765 | 237,765 | 36,952 |
| Tools and equipment | - | 2,893 | 2,893 | - | 2,607 | 2,607 | 286 |
| | - | 277,610 | 277,610 | - | 240,372 | 240,372 | 37,238 |

# Notes To The Consolidated Financial Statements
For The Year Ended December 31, 2017
(Amounts in thousand)

## 17. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

### 17.1 Authorized capital

| 2017 | 2016 | | 2017 | 2016 |
|---|---|---|---|---|
| --------Number of shares-------- | | | ------------Rupees------------ | |
| **75,000,000** | 75,000,000 | Ordinary shares of Rs.10/- each | **750,000** | 750,000 |

### 17.2 Issued, subscribed and paid up capital

| 2017 | 2016 | | 2017 | 2016 |
|---|---|---|---|---|
| --------Number of shares-------- | | | ------------Rupees------------ | |
| **2,204,002** | 2,204,002 | Ordinary shares of Rs.10/- each fully paid in cash | **22,040** | 22,040 |
| **12,805,118** | 12,805,118 | Issued for consideration other than cash | **128,051** | 128,051 |
| **44,048,739** | 44,048,739 | Fully paid as bonus | **440,487** | 440,487 |
| **59,057,859** | 59,057,859 | | **590,578** | 590,578 |

**17.2.1** Associates' holding of the Holding Company's share capital are as under:

| | 2017 | 2016 |
|---|---|---|
| | --------Number of shares-------- | |
| Dawood Corporation (Private) Limited | **29,016,622** | 29,016,622 |
| The Dawood Foundation | **2,979,324** | 2,979,324 |
| Patek (Private) Limited | **3,501,884** | 3,501,884 |
| Cyan Limited | **2,965,095** | 2,965,095 |
| Dawood Industries (Private) Limited | **494,921** | 494,921 |
| Sach International (Private) Limited | **3,776** | 3,776 |
| | **38,961,622** | 38,961,622 |

**17.2.2** The Holding Company has one class of ordinary shares which carry no right to fixed income. The holders are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Holding Company. All shares rank equally with regard to the Holding Company's residual assets.

## 18. STAFF RETIREMENT GRATUITY

The details of staff retirement benefit obligation based on actuarial valuations carried out by independent actuary as at December 31, 2017 under the Projected Unit Credit Method are as follows:

**18.1** Following significant assumptions were used for determining the gratuity liability:

(Amounts in thousand)

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | **Gratuity Fund** | **Un-funded gratuity scheme** | Gratuity Fund | Un-funded gratuity scheme |
| | --------%-------- | | | |
| **Financial assumptions:** | | | | |
| Discount rate | **8.25** | **9.50** | 8.00 | 9.50 |
| Expected rate of salary increase | **7.25** | **8.50** | 7.00 | 8.50 |
| Expected return on plan assets | **8.25** | **-** | 8.00 | - |
| **Demographic assumptions:** | | | | |
| Expected withdrawal rate | **Age-based** | **Age-based** | Age-based | Age-based |
| Retirement assumption note | **Age 60** | **Age 60** | Age 60 | Age 60 |
| Expected mortality rate | **SLIC 2001 - 2005** | **SLIC 2001 - 2005** | SLIC 2001 - 2005 | SLIC 2001 - 2005 |

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | **Gratuity Fund** | **Un-funded gratuity scheme** | Gratuity Fund | Un-funded gratuity scheme |
| **18.2 Balance sheet reconciliation** | --------Rupees-------- | | | |
| Present value of defined benefit obligation (note 18.3) | **5,844** | **28,228** | 8,213 | 23,612 |
| Fair value of plan assets (note 18.4) | **(2,963)** | **-** | (2,928) | - |
| Net Liability at end of the year | **2,881** | **28,228** | 5,285 | 23,612 |
| **18.3 Movement in present value of defined benefit obligation** | | | | |
| Present value of defined benefit obligation at beginning of the year | **8,213** | **23,612** | 9,149 | 22,851 |
| Current service cost | **569** | **8,302** | 1,547 | 3,559 |
| Past service cost | **-** | **-** | (118) | 363 |
| Interest cost | **656** | **1,823** | 361 | 1,693 |
| Benefits paid | **-** | **(5,191)** | (11,081) | (1,456) |
| Gain arising on plan settlements | **(4,533)** | **-** | - | - |
| Benefits due but not paid | **-** | **(1,566)** | - | - |
| Liability transferred from / (to) funded scheme | **731** | **(731)** | 3,220 | (3,220) |
| Remeasurements: experience adjustments | **208** | **1,979** | 5,135 | (178) |
| Present value of defined benefit obligation at end of the year | **5,844** | **28,228** | 8,213 | 23,612 |
| **18.4 Movement in fair value of plan assets** | | | | |
| Fair value of plan assets at beginning of the year | **2,928** | **-** | 2,815 | - |
| Contributions (refunded to) / made by the company | **(144)** | **-** | 11,081 | - |
| Interest income | **228** | **-** | 281 | - |
| Benefits paid | **-** | **-** | (11,081) | - |
| Remeasurement loss on plan assets excluding interest income | **(49)** | **-** | (168) | - |
| Fair value of plan assets at end of the year | **2,963** | **-** | 2,928 | - |

(Amounts in thousand)

| | 2017 Gratuity Fund | 2017 Un-funded gratuity scheme | 2016 Gratuity Fund | 2016 Un-funded gratuity scheme |
|---|---|---|---|---|
| | ----------Rupees---------- | | | |
| **18.5 Expense recognized in profit and loss account** | | | | |
| Current service cost | **569** | **8,302** | 1,547 | 3,559 |
| Past service cost | **-** | **-** | (118) | 363 |
| Gain arising on plan settlements | **(4,533)** | **-** | - | - |
| Interest cost on defined benefit obligation | **656** | **1,823** | 361 | 1,693 |
| Interest income on plan assets | **(228)** | **-** | (281) | - |
| Expense for the year | **(3,536)** | **10,125** | 1,509 | 5,615 |
| **18.6 Remeasurement losses / (gains) recognized in other comprehensive income** | | | | |
| Experience adjustments | **208** | **1,979** | 5,135 | (178) |
| Remeasurement loss on plan assets excluding interest income | **49** | **-** | 168 | - |
| | **257** | **1,979** | 5,303 | (178) |
| **18.7 Net recognized liability** | | | | |
| Net liability at beginning of the year | **5,285** | **23,612** | 6,334 | 22,851 |
| Expense recognized in profit and loss account | **(3,536)** | **10,125** | 1,509 | 5,615 |
| Remeasurement losses recognized in other comprehensive income | **257** | **1,979** | 5,303 | (178) |
| Liability transferred from / (to) subsidiary company | **731** | **(731)** | 3,220 | (3,220) |
| Benefits due but not paid | **-** | **(1,566)** | - | - |
| Contribution refunded / (payments made) during the year | **144** | **(5,191)** | (11,081) | (1,456) |
| Net liability at end of the year | **2,881** | **28,228** | 5,285 | 23,612 |
| **18.8 Plan assets comprise of following:** | | | | |
| Investment in mutual funds | **2,962** | **-** | 2,783 | - |
| Cash at bank | **1** | **-** | 145 | - |
| | **2,963** | **-** | 2,928 | - |

| | 2017 Gratuity Fund | 2017 Un-funded gratuity scheme | 2016 Gratuity Fund | 2016 Un-funded gratuity scheme |
|---|---|---|---|---|
| | ----------%---------- | | | |
| Investment in mutual funds | **99.97** | **-** | 95 | - |
| Cash at bank | **0.03** | **-** | 5 | - |
| | **100.00** | **-** | 100.00 | - |

(Amounts in thousand)

**18.9 Sensitivity analysis for actuarial assumptions**

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | **Gratuity Fund** | **Un-funded gratiuty scheme** | Gratuity Fund | Un-funded gratiuty scheme |
| | ----------Rupees---------- | | | |
| Discount rate (+100 bps) | **5,343** | **23,504** | 7,674 | 19,903 |
| Discount rate (-100 bps) | **6,429** | **29,013** | 8,817 | 24,907 |
| Future salary increase rate (+100 bps) | **6,437** | **29,065** | 8,825 | 24,953 |
| Future salary increase rate (-100 bps) | **5,327** | **23,413** | 7,658 | 19,822 |

The sensitivity analysis is based on a change in assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the liability for gratuity recognized within the balance sheet.

**18.10** The weighted average duration of the defined benefit obligation is 9 - 11 years.

**18.11** Expected future cost for the year ending December 31, 2018 is Rs. 13,064.

**18.12** Historical information of staff retirement benefits:

| | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| | ----------Rupees---------- | | | | |
| **Gratuity Fund** | | | | | |
| Present value of defined benefit obligation | **(5,844)** | (8,213) | (9,149) | (20,370) | (11,711) |
| Fair value of plan assets | **2,963** | 2,928 | 2,815 | 2,622 | 2,292 |
| Deficit | **(2,881)** | (5,285) | (6,334) | (17,748) | (9,419) |
| **Un-funded gratuity scheme** | | | | | |
| Present value of defined benefit obligation | **(28,228)** | (23,612) | (22,851) | (2,581) | - |
| Fair value of plan assets | **-** | - | - | - | - |
| Deficit | **(28,228)** | (23,612) | (22,851) | (2,581) | - |

## 19. DEFERRED TAXATION

| | 2017 | 2016 |
|---|---|---|
| | ------Rupees------ | |
| **19.1** Taxable temporary differences in respect of investments in associate accounted for using equity method | **1,333,533** | 1,078,251 |

**19.2** As at December 31, 2017, deferred tax asset amounting to Rs. 661,418 (2016: Rs. 552,201) has not been recognised in these consolidated financial statements as the Group does not expect to generate future taxable profits against which the related deferred tax asset can be realised.

(Amounts in thousand)

## 20. BORROWINGS - Secured

| | 2017 | 2016 |
|---|---|---|
| | ------------Rupees------------ | |
| Foreign currency borrowings (notes 20.1 and 20.2) | **7,010,761** | 6,635,239 |
| Local currency borrowings (note 20.1) | **2,331,322** | 2,398,838 |
| | **9,342,083** | 9,034,077 |
| Transaction costs | | |
| Transaction cost to date | **(305,947)** | (305,947) |
| Accumulated amortization | **65,449** | 37,155 |
| | **(240,498)** | (268,792) |
| | **9,101,585** | 8,765,285 |
| Less: Current portion shown under current liabilities | **(1,074,976)** | (293,487) |
| | **8,026,609** | 8,471,798 |

**20.1** TGL entered into a financing agreements with two international financial institutions for a total of US Dollars 66,000 and with a consortium comprising of local financial institutions amounting to Rs. 2,400,000. The international finance carries markup at the rate of three months LIBOR plus 5% payable quarterly over a period of ten years, whereas the local finance carries markup at the rate of three months KIBOR plus 3% payable quarterly over the period of ten years. The principal is repayable in twenty semi-annual instalments commencing from July 2017. As at December 31, 2017, the outstanding balance of the borrowing was US Dollar 63,446 (2016: US Dollar 63,313) for international loan.

**20.2** Includes loan from International Finance Corporation (IFC), a related party, amounting to Rs. 2,336,920 (2016: Rs. 2,024,039).

**20.3** The borrowing is secured by an equitable mortgage on the immovable property and the hypothecation of current and future assets of TGL.

**20.4** Following are the changes in the long term borrowings (i.e. for which cash flows have been classified as financing activities in the statement of cash flows).

| | 2017 |
|---|---|
| | ---Rupees--- |
| Balance as at January 1, 2017 | **8,765,286** |
| Amortization of transaction cost | **28,294** |
| Loan disbursed | **280,620** |
| Loan repaid | **(336,959)** |
| Exchange loss | **364,344** |
| Balance as at December 31, 2017 | **9,101,585** |

## 21. SHORT TERM BORROWINGS

**21.1** This includes utilized portion of short-term running finance facility by the Holding Company aggregating to Rs. 1,000,000 (2016: Rs. 650,000) obtained under mark-up arrangements from Bank Al-Habib Limited. Out of the aforementioned facility, the Holding Company has negotiated sub limits with the banks for financing the operations of REL amounting to Rs. 300,000. The running finance under mark-up arrangement is secured by way of deposit of title deeds of the Holding Company's fixed assets, first ranking hypothecation charge over receivables and stocks and pledge over Holding Company's investment in related party, as more fully explained in note 7.3. Rate of mark-up applicable to the facility ranges from three month KIBOR plus 65 basis points to three month KIBOR plus 75 basis points (2016: three month KIBOR plus 65 basis points) per annum. The facility will expire on January 30, 2018.

(Amounts in thousand)

**21.2** This includes utilized portion of short-term running finance facility by the Holding Company aggregating to Rs. 500,000 (2016: Rs 500,000) obtained under mark-up arrangements from Standard Chartered Bank (Pakistan) Limited. The running finance under mark-up arrangement is secured by way of ranking charge over Holding Company's fixed assets and pledge over Holding Company's investment in related party, as more fully explained in note 7.3. Rate of mark-up applicable to the facility is three months KIBOR plus 90 basis points (2016: three months KIBOR plus 90 basis points) per annum. The facility will expire on March 31, 2018.

## 22. TRADE AND OTHER PAYABLES

| | **2017** | 2016 |
|---|---|---|
| | ------------Rupees------------ | |
| Creditors | **91,465** | 542,402 |
| Payable to related parties (note 22.1) | **7,580** | 19,509 |
| Accrued expenses (notes 22.2 and 22.3) | **85,169** | 133,803 |
| Unclaimed dividend | **43,393** | 36,859 |
| Due to Islamic Development Bank (note 22.4) | **25,969** | 25,969 |
| Due to customers of energy projects (note 22.5) | **56,083** | 12,228 |
| Provision for onerous contract | **-** | 2,113 |
| Advance from customers and others | **501** | 24,201 |
| Payable to gratuity fund (notes 18.2 and 18.3) | **4,447** | 5,285 |
| Deposits (note 22.6) | **465** | 377 |
| Warranty provision (note 22.7) | **2,666** | - |
| Withholding tax | **2,392** | 7,346 |
| Others | **1,439** | 938 |
| | **321,569** | 811,030 |

**22.1** This represents amounts due to following related parties:

| | | |
|---|---|---|
| Dawood Hercules Corporation Limited | **5,773** | 5,593 |
| The Dawood Foundation | **509** | - |
| Engro Powergen Limited | **1,298** | 13,916 |
| | **7,580** | 19,509 |

**22.2** This includes Rs. 5,800 (2016: Rs. 5,800) on interest payable to National Investment (Unit) Trust (NIT) in respect of deposit received for subscription of shares in the Holding Company. In previous year, the High Court of Sindh has decided the case in favour of NIT and the Holding Company is negotiating with NIT for amicable settlement.

**22.3** Includes Rs. 22,422 in respect of workers' profits participation fund liability. The Group has also recognised corresponding asset being a pass-through item under EPA.

**22.4** This represents amount payable against the preference shares issued before amalgamation in the year 2004, by one of the merged entity to Islamic Development Bank with a right to redeem. The merged entity had served notice to the Bank for redemption before the scheme of amalgamation and redemption reserve had been created.

(Amounts in thousand)

| | | 2017 | 2016 |
|---|---|---|---|
| | | ------------Rupees------------ | |
| **22.5** | Gross amount due to customers of energy projects: | | |
| | Contract costs incurred plus recognized profits less recognized losses | **122,130** | 54,534 |
| | Less: Progress billings | **(178,213)** | (66,762) |
| | | **(56,083)** | (12,228) |

**22.6** All deposits are interest free and are payable on demand.

| | | 2017 | 2016 |
|---|---|---|---|
| **22.7** | Warranty obligation | | |
| | Opening balance | - | - |
| | Add: Charge for the year (note 26) | **3,979** | - |
| | Less: Utilization during the year | **(1,313)** | - |
| | Closing balance | **2,666** | - |

## 23. CONTINGENCIES AND COMMITMENTS

### 23.1 Contingencies

#### 23.1.1 Disallowances of expenses claimed (Tax year 2003)

The Holding Company had filed an appeal against the order of Commissioner Inland Revenue (Appeals) [CIR(A)] before Appellate Tribunal Inland Revenue (ATIR) on disallowance of expenses of gratuity, lease rentals, employee perquisites and utilities aggregating to Rs. 32,278. The appeal has been heard and the case has been set aside by the Tribunal and remanded back to the Taxation Officer for reconsideration. The tax incidence of above mentioned disallowances is Rs. 11,297. The Taxation Officer has not yet initiated any proceedings.

#### 23.1.2 Expenses not allocated to dividend income (Tax years 2004, 2005 and transition year 2005)

The Additional Commissioner Inland Revenue (ACIR) in his order amended the amount of allocation of expenses from business income to capital gain and dividend income to Rs. 62,500 from the original allocation of Rs. 136,105 resulting in reduction in tax incidence to Rs. 25,762. The Holding Company filed an appeal before CIR (A) on this matter, who upheld the order of ACIR. Thereafter, the Holding Company again filed an appeal before ATIR which is pending hearing.

#### 23.1.3 Losses of amalgamating companies claimed (Tax year 2004)

The ATIR has disallowed adjustment of assessed losses of amalgamating companies amounting to Rs. 20,616 against the income of the Holding Company. The Holding Company has filed an appeal in Lahore High Court on this matter. The tax incidence of above mentioned disallowance is Rs. 7,216. The matter is yet to be decided by the High Court.

#### 23.1.4 Dividend income offset against business losses (Tax years 2008 and 2009)

The CIR (A) in his order did not allow to set off dividend income against business losses of tax years 2008 & 2009 having tax impact of Rs. 13,926. The Holding Company filed an appeal before ATIR for both years which is pending hearing.

(Amounts in thousand)

**23.1.5 Sales tax audit**

Sales tax audit was initiated by the department for the July 2010 to June 2011. The Holding Company received an order from DCIR, raising an erroneous demand of Rs. 5,880 relating mainly to inadmissible input taxes, non-payment of sales tax on scrap scales and non-payment of withholding sales tax. The Holding Company filed an appeal against the order before CIR(A) who upheld the demand of DCIR. Subsequently the Holding Company filed an appeal before ATIR which is pending hearing.

**23.1.6 Tax audit (Tax Year 2014)**

The Holding Company was selected in balloting for audit proceeding u/S 214C read with Section 177 of Income Tax Ordinance, 2001 during October 2015 and the audit has been duly completed. Thereafter a show-cause notice was issued by the department against which the Holding Company filed an application of stay in High Court of Sindh. The matter is yet to be decided by the High Court of Sindh.

**23.1.7** The High Court of Sindh has decided that the Holding Company's Appeal in its case against the National Investment (Unit) Trust (NIT) is devoid of merit and the Company's is negotiating with NIT for an amicable settlement.

**23.1.8** The Holding Company has obtained stay order from the Honorable High Court of Sindh, with regards to the amendment inserted through Finance Act, 2017 relating to the taxation of undistributed profits as stated in section 5A of Income Tax Ordinance, 2001. No provision for tax in accordance with the said provision has been recognised as the Holding Company, based on opinion of its legal advisor, is confident that the matter will be decided in its favor. Had the provision for tax on undistributed reserves be recorded, the profit after tax would have been lower by Rs. 93,168.

**23.1.9** The Holding Company has extended a Corporate Guarantee amounting to USD 10,000 to Standard Chartered Bank (Pakistan) Limited (SCB) against SBLC facility granted to its subsidiary company, Tenaga Generasi Limited. Furthermore, the Holding Company has also pledged shares of DHCL with SCB against the SBLC as more fully explained in note 7.3.

**23.1.10** One of the TGL's contractors has levied late payment charges amounting to US Dollars 111 on payments pertaining to the construction phase of the project. TGL believes that the delay did not occur due to any inadvertence on its part and expects the same will be waived off. Accordingly, no provision has been made in this respect in these consolidated financial statements.

**23.2** The Group is contingently liable against following guarantees and counter guarantees:

- Rupee denominated bank guarantees of Rs. 116,987 (December 2016: Rs. 125,638) favoring Government and other parties. These have been issued against mobilization advances and performance of the goods and services rendered for a tenure varying from three months to three years.

- The Holding Company is contingently liable to provide support to its subsidiary, TGL, for an amount of Nil (2016: Rs. 3,240) to finance project cost overruns.

(Amounts in thousand)

## 23.3 Commitments

**23.3.1** The Holding Company is committed, as Sponsor, to purchase shares of TGL from International Finance Corporation (IFC) on exercise of put option by IFC under the Shareholders' Agreement under conditions (i) at any time during the period beginning on the seventh anniversary of the first subscription until Liquidity date; or (ii) in the event that TGL and the Holding Company breach any of the obligation set out in the shareholders' agreement.

| | 2017 | 2016 |
|---|---|---|
| | ------------Rupees------------ | |
| **23.3.2** Commitment in respect of: | | |
| Purchase orders | **11,369** | 65,840 |
| Letter of credit | **67,010** | - |
| Operating lease arrangements - Not later than one year (note 23.3.2.1) | **459** | 7,551 |
| | **78,838** | 73,391 |

**23.3.2** The Holding Company has signed lease agreements for premises on rent from the Dawood Foundation, a related party. The same is revocable by either party through prior notice of at least 3 months.

## 24. REVENUE - NET

| | 2017 | 2016 |
|---|---|---|
| | ------------Rupees------------ | |
| **Renewable and Alternate energy** | | |
| Project revenue (note 24.1) | **527,710** | 299,588 |
| Solar lights | **-** | 15,221 |
| Alternate energy (note 24.2) | **2,387,798** | 203,359 |
| Others | **13** | 16,334 |
| | **2,915,521** | 534,502 |
| Less: Return and discount | **(1,738)** | - |
| Less: Sales tax | **(376,406)** | (14,863) |
| | **2,537,377** | 519,639 |
| **Textile** | | |
| Fabric | **14,001** | 22,270 |
| Less: Sales tax | **(1,410)** | (1,070) |
| | **12,591** | 21,200 |
| | **2,549,968** | 540,839 |
| Related to discontinued operations (note 32) | **(12,591)** | (21,200) |
| | **2,537,377** | 519,639 |

**24.1** This includes Rs. 253,388 (2016: Rs. 74,240) relating to projects in progress at reporting date.

**24.2** This includes unbilled revenue amount to Nil (2016: Rs. 11,061).

(Amounts in thousand)

| | 2017 | 2016 |
|---|---|---|
| | -------------Rupees------------- | |
| **25. COST OF REVENUE** | | |
| **Renewable energy** | | |
| Opening stock | **185,486** | 146,929 |
| Purchases and related expenses (note 25.3) | **315,481** | 319,329 |
| Salaries and allowances | **7,042** | 1,619 |
| Contracted services | **59,728** | 14,775 |
| Travelling expenses | **4,528** | 1,158 |
| Miscellaneous expenses (note 25.2) | **3,334** | 3,560 |
| Provision for slow moving and obsolete items - net | **(2,477)** | 4,873 |
| Closing stock | **(138,858)** | (185,486) |
| | **434,264** | 306,757 |
| **Alternate energy** | | |
| Salaries, allowances and benefits | **9,297** | 1,085 |
| Depreciation (note 4.2) | **525,393** | 131,803 |
| Insurance | **38,850** | 9,201 |
| Travelling expenses | **2,920** | 526 |
| Fuel | **135** | - |
| Repair and maintenance | **430** | 2 |
| Operations and maintenance cost | **236,584** | 62,385 |
| Energy import charges | **9,621** | - |
| Others | **4,668** | 723 |
| | **827,898** | 205,725 |
| **Textile - Finished goods** | | |
| Opening balance | **62,077** | 86,840 |
| Provision for slow moving and obsolete stores and spares and other adjustments - net | **(5,541)** | 4,197 |
| Donations / other expenses | **64** | (1,461) |
| Closing balance | **(47,418)** | (62,077) |
| | **9,182** | 27,499 |
| Related to discontinued operations (note 32) | **(9,182)** | (27,499) |
| | **1,262,162** | 512,482 |

**25.1** Cost of revenue of renewable energy includes Rs. 203,568 (2016: Rs. 72,705) relating to projects in progress at reporting date.

**25.2** Include Rs. Nil (2016: Rs. 2,113) in respect of onerous contract.

# Notes To The Consolidated Financial Statements
For The Year Ended December 31, 2017

(Amounts in thousand)

| | | 2017 | 2016 |
|---|---|---|---|
| | | ------------Rupees------------ | |
| **26.** | **SELLING AND DISTRIBUTION EXPENSES** | | |
| | Salaries and allowances (note 26.1) | **96,416** | 68,430 |
| | Sales promotion | **-** | 2,246 |
| | Storage and forwarding | **6** | 361 |
| | Depreciation (note 4.2) | **1,475** | 1,334 |
| | Conveyance and travelling | **15,185** | 7,829 |
| | Fees and subscription | **3,973** | 12,507 |
| | Postage and telephone | **1,204** | 1,145 |
| | Electricity, gas and water | **986** | 1,062 |
| | Rent, rates and taxes | **12,688** | 8,098 |
| | Printing and stationery | **4,363** | 449 |
| | Repairs and maintenance | **1,329** | 1,632 |
| | Freight and insurance | **389** | 1,898 |
| | Advertisement | **6,259** | 6,266 |
| | Warranty obligation- net (notes 22.7 and 26.2) | **2,679** | - |
| | Entertainment | **1,222** | - |
| | Miscellaneous | **6,079** | 5,606 |
| | | **154,253** | 118,863 |
| | Related to discontinued operations (note 32) | **(142)** | (273) |
| | | **154,111** | 118,590 |

**26.1** Salaries and allowances include Rs. 5,392 (2016: Rs. 4,277) in respect of staff retirement benefits.

**26.2** Includes Rs. 1,300 (2016: Nil) in respect of income on warranty claims.

| | | 2017 | 2016 |
|---|---|---|---|
| **27.** | **ADMINISTRATIVE EXPENSES** | ------------Rupees------------ | |
| | Salaries and allowances (note 27.1) | **151,577** | 124,987 |
| | Legal and professional | **21,737** | 17,282 |
| | Rent, rates and taxes | **15,481** | 8,980 |
| | Electricity and gas | **10,921** | 8,931 |
| | Depreciation (note 4.2) | **30,264** | 29,215 |
| | Amortization (note 6.2) | **5,402** | 5,458 |
| | Printing and stationery | **3,078** | 3,877 |
| | Fees and subscription | **40,114** | 29,314 |
| | Insurance | **2,600** | 4,771 |
| | Conveyance and travelling | **9,068** | 5,689 |
| | Repairs and maintenance | **5,941** | 2,881 |
| | Postage and telephone | **4,437** | 2,332 |
| | Entertainment | **4,084** | 2,054 |
| | Auditors' remuneration (note 27.2) | **5,665** | 6,952 |
| | Miscellaneous (note 27.3) | **6,082** | 7,675 |
| | | **316,451** | 260,398 |
| | Related to discontinued operations (note 32) | **(63,513)** | (70,134) |
| | | **253,298** | 190,264 |

**27.1** Salaries and allowances include Rs. 4,735 (2016: Rs. 6,435) in respect of staff retirement benefits.

(Amounts in thousand)

**27.2 Auditors' remuneration**

The aggregate amount charged in respect of auditors' remuneration is as follows:

| | 2017 | 2016 |
|---|---|---|
| | ------------Rupees------------ | |
| Fee for: | | |
| - annual audit | **1,425** | 1,325 |
| - half yearly review | **574** | 350 |
| - certification and other advisory services | **2,863** | 4,892 |
| - taxation services | **500** | 200 |
| - other assurance services | **100** | - |
| Reimbursement of expenses | **203** | 185 |
| | **5,665** | 6,952 |

**27.3** This includes exchange loss amounting to Rs. 12 (2016: Rs. 10).

**28. OTHER OPERATING EXPENSES**

| | 2017 | 2016 |
|---|---|---|
| Loss on disposal of property, plant and equipment | **-** | 428 |
| Provision for impairment against doubtful debts - net | **2,186** | 570 |
| Exchange loss | **4,369** | - |
| Provision for impairment of stock-in-trade | **-** | 69,781 |
| | **6,555** | 70,779 |

**29. OTHER INCOME**

| | 2017 | 2016 |
|---|---|---|
| **Income from financial assets** | | |
| Dividend income National Investment (Unit) Trust | **900** | 900 |
| Profit on deposits | **27,725** | 3,575 |
| Exchange gain | **1,990** | 1 |
| Capital gain on sale of investments - held for trading | **-** | 9,501 |
| | **30,615** | 13,977 |
| **Income from non-financial assets and others** | | |
| Liability no longer payable written back | **-** | 98 |
| Refund of insurance premium | **5,134** | - |
| Royalty income | **14,461** | 15,903 |
| Warehouse rental | **37,565** | 23,854 |
| Gain on disposal of property, plant and equipment | **274** | - |
| Others | **7,336** | 16,853 |
| | **64,770** | 56,708 |
| | **95,385** | 70,685 |
| Related to discontinued operations (note 32) | **(39,215)** | (35,365) |
| | **56,170** | 35,320 |

(Amounts in thousand)

## 30. FINANCE COST

| | 2017 | 2016 |
|---|---|---|
| | ------------Rupees------------ | |
| Markup on long term borrowings | **644,751** | 131,733 |
| Amortisation of transaction cost | **28,293** | 5,965 |
| Commitment fee | **-** | 492 |
| Markup on short term borrowings | **35,500** | 30,523 |
| Other financial and bank charges | **47,686** | 1,312 |
| | **756,230** | 170,025 |
| Less: Delayed payment charges of overdue trade debts | **(19,344)** | - |
| Related to discontinued operations (note 32) | **(4)** | (21) |
| | **736,882** | 170,004 |

## 31. TAXATION

| | 2017 | 2016 |
|---|---|---|
| Current | | |
| - for the year (notes 31.1, 31.2 and 31.3) | **61,171** | 174,151 |
| - for prior year - net (note 31.4) | **37,404** | (44,570) |
| | **98,575** | 129,581 |
| Deferred | **219,506** | 346,887 |
| | **318,081** | 476,468 |

**31.1** Income of TGL derived from Electric Power Generation Project is exempt from the levy of tax under clause 132 of the Second Schedule to Income Tax, Ordinance, 2001. The income is also exempt from minimum tax on turnover under clause 11 A of part IV of the Second Schedule to the Income Tax Ordinance, 2001.

**31.2** Charge for the year includes tax at the rate of 30% (2016: 31%) on profit on deposits as per the requirements of Income Tax Ordinance 2001.

**31.3** Includes REL's tax expense which consists of minimum tax charged under section 153(1)(b) of the Income Tax, Ordinance, 2001 on the company's services component of turnover for the year.

**31.4** Includes 'Super Tax for rehabilitation of temporary displaced persons' at the rate of 3% on specified income for the tax year 2017 (i.e. for the year ended December 31, 2016) levied through Finance Act, 2017.

### 31.5 Relationship between tax expense and accounting profit

The relationship between tax expense and accounting profit has not been presented in these consolidated financial statements as the majority of taxable income falls under final tax regime whereas other income is separately taxed under respective sections of the Income Tax Ordinance, 2001.

(Amounts in thousand)

## 32. LOSS FROM DISCONTINUED OPERATIONS

| | 2017 | 2016 |
|---|---|---|
| | ------------Rupees------------ | |
| Revenue - net (note 24) | **12,591** | 21,200 |
| Cost of revenue (note 25) | **(9,182)** | (27,499) |
| Gross profit / (loss) | **3,409** | (6,299) |
| Selling and distribution expenses (note 26) | **(142)** | (273) |
| Administrative expenses (note 27) | **(63,153)** | (70,134) |
| Other income (note 29) | **39,215** | 35,365 |
| Finance cost (note 30) | **(4)** | (21) |
| Net loss from discontinued operations | **(20,675)** | (41,362) |

## 33. EARNINGS / (LOSS) PER SHARE - BASIC AND DILUTED

### 33.1 Continuing operations

| | 2017 | 2016 |
|---|---|---|
| Profit for the year (attributable to the owners of the Holding Company) | **312,203** | 3,200,988 |
| Weighted average number of ordinary shares (in thousands) | **59,058** | 59,058 |
| Earnings per share | **5.29** | 54.20 |

### 33.2 Discontinued operations

| | 2017 | 2016 |
|---|---|---|
| Loss for the year (attributable to the owners of the Holding Company) | **(20,675)** | (41,362) |
| Weighted average number of ordinary shares (in thousands) | **59,058** | 59,058 |
| Loss per share | **(0.35)** | (0.70) |

## 34. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

**34.1** The aggregate amounts charged during the year in respect of remuneration, including all benefits, to the chief executive, directors and executives of the Holding Company are as follows:

(Amounts in thousand)

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | Directors | | Executives | Directors | | Executives |
| | Chief Executive | Others | | Chief Executive | Others | |
| | ---Rupees--- | | | | | |
| Managerial remuneration | **12,083** | **4,059** | **105,863** | 9,272 | - | 68,952 |
| Bonus | **-** | **-** | **10,799** | 5,713 | - | 3,384 |
| House rent allowance | **-** | **-** | **-** | 2,330 | - | 1,426 |
| Utilities | **-** | **-** | **-** | 1,150 | - | 317 |
| Retirement benefits | **-** | **-** | **980** | 2,167 | - | 5,104 |
| Fees | **-** | **1,800** | **900** | - | 1,800 | - |
| Other benefits | **911** | **-** | **31,518** | 3,499 | - | 24,050 |
| Total | **12,994** | **5,859** | **150,060** | 24,131 | 1,800 | 103,233 |
| Number of persons, including those who worked part of the year | **1** | **5** | **88** | 2 | 4 | 41 |

## 35. FINANCIAL INSTRUMENTS BY CATEGORY

### 35.1 Financial assets as per balance sheet

| | 2017 | 2016 |
|---|---|---|
| | ---Rupees--- | |
| **- Loans and receivables** | | |
| Long term deposits | **4,428** | 2,778 |
| Trade debts | **739,062** | 326,655 |
| Loans and advances | **2,222** | 2,833 |
| Accrued Interest | **11,333** | - |
| Deposits and other receivables | **74,478** | 32,500 |
| Cash and bank balances | **941,433** | 798,854 |
| | **1,772,956** | 1,163,620 |
| **- Available for sale** | | |
| Long term investments | **14,129** | 17,523 |

### 35.2 Financial liabilities as per balance sheet

| | 2017 | 2016 |
|---|---|---|
| **- At amortized cost** | | |
| Borrowings | **9,101,585** | 8,765,285 |
| Short term borrowings | **561,820** | 466,487 |
| Trade and other payables | **255,480** | 761,970 |
| Accrued markup | **158,517** | 140,870 |
| | **10,077,402** | 10,134,612 |

### 35.3 Fair values of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction. The carrying values of all financial assets and liabilities reflected in the consolidated financial statements approximate their fair values.

(Amounts in thousand)

## 36. FINANCIAL RISK MANAGEMENT

### 36.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Group's risk management program focuses on unpredictability of the financial markets for having cost effective funding as well as to manage financial risk to minimize earnings volatility and provide maximum return to the shareholders. Risk management is carried out by the Group's finance department under the policies approved by the Holding Company's Board of Directors of the Holding Company.

**a) Market risk**

**i) Currency risk**

Currency risk represents the risk that the fair values or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to payables to foreign suppliers of goods in foreign currency. The Group primarily deals in local sales and does not have any foreign currency exports or foreign debtors. The Group's exposure in alternate energy business to currency risk is limited as the fluctuation in foreign exchange risks are recovered through adjustment in tariff as per Energy Purchase Agreement.

**ii) Interest rate risk**

Interest rate risk represents the risk that the fair values or future cash flows of financial instruments will fluctuate because of changes in market interest rates.

The Group's interest rate risk arises primarily from borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk. As there are no borrowings at fixed rates, the Group is not exposed to fair value interest rate risk.

The Group analyses its interest rate exposure on a regular basis by monitoring existing facilities against prevailing market interest rates and taking into account various other financing options available. For borrowing at variable rates, the rates are determined in advance for stipulated periods with reference to KIBOR and LIBOR.

The Group's exposure to interest rate risk in alternate energy business is limited as the unfavorable fluctuation in interest rate of long term borrowings are recovered through adjustment in tariff as per the Energy Purchase Agrement.

At December 31, 2017, if interest rates on the Group's borrowings had been 1% higher / lower with all other variables held constant, post-tax profit for the year would have been lower / higher by Rs. 5,618 (2016: lower / higher by Rs. 4,665).

**iii) Other price risk**

Price risk represents the risk that the fair values or future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Group is not materially exposed to price risk in its financial instruments as at December 31, 2017.

**b) Credit risk**

Credit risk represents the risk of financial loss being caused if counter parties fail to discharge their obligations.

Credit risk arises from deposits with banks and financial institutions, trade debts, loans, advances, deposits and other receivables. The maximum exposure to credit risk is equal to the carrying amount of financial assets.

As at December 31, 2017, the Company has deposits with banks and financial institutions amounting to Rs. 941,019 (2016: Rs. 688,892). The credit risk on liquid funds is limited because the counter parties are banks with reasonably highly credit ratings as follows:

| **Banks / Investments** | Rating agency | Rating | |
|---|---|---|---|
| | | Short-term | Long-term |
| Bank Al-Habib Limited | PACRA | A1+ | AA+ |
| Habib Bank Limited | JCR-VIS | A-1+ | AAA |
| MCB Bank Limited | PACRA | A1+ | AAA |
| National Bank of Pakistan | PACRA | A1+ | AAA |
| Citibank N.A. | Moody's | P1 | A1 |
| Standard Chartered Bank Pakistan Limited | PACRA | A1+ | AAA |
| National Investment Trust | PACRA | - | AM2+ |

**c) Liquidity risk**

Liquidity risk represents the risk that the Group will encounter difficulties in meeting obligations associated with its financial liabilities. The Group's liquidity management involves projecting cash flows and consider the level of liquid funds necessary to meet these, monitoring balance sheet liquidity ratios against external regulatory requirements and maintaining debt financing plans. These objectives are achieved by maintaining sufficient cash and readily marketable securities and availability of funding through committed credit facilities. Due to dynamic nature of the business, the Group maintains flexibility in funding by maintaining committed credit lines available.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to contractual maturity dates. The amounts disclosed in the table are the contractual cash flows.

(Amounts in thousand)

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | **Maturity upto one year** | **Maturity after one year** | **Total** | Maturity upto one year | Maturity after one year | Total |
| | -----Rupees----- | | | | | |
| **Financial liabilities** | | | | | | |
| Borrowings | **1,074,976** | **8,267,107** | **9,342,083** | 293,487 | 8,740,590 | 9,034,077 |
| Short term borrowings | **561,820** | **-** | **561,820** | 466,487 | - | 466,487 |
| Trade and other payables | **255,480** | **-** | **255,480** | 761,970 | - | 761,970 |
| Accrued markup | **158,517** | **-** | **158,517** | 140,870 | - | 140,870 |
| | **2,050,793** | **8,267,107** | **10,317,900** | 1,662,814 | 8,740,590 | 10,403,404 |

### 36.2 Fair value estimation

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (level 3).

| | 2017 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| | -----Rupees----- | | | |
| Long term investments | **14,114** | **-** | **15** | **14,129** |

| | 2016 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| | -----Rupees----- | | | |
| Long term investments | 17,508 | - | 15 | 17,523 |

**36.3** There were no changes in valuation techniques during the year.

### 37. CAPITAL RISK MANAGEMENT

The objective of the Group when managing capital, i.e. its shareholders' equity is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its businesses.

The Group manages its capital structure by monitoring return on net assets and makes adjustments to it in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders or issue new shares.

The Group manages its capital by maintaining gearing ratio at certain level. The ratio is calculated as total borrowings divided by total capital. Total capital is calculated as 'equity' in the balance sheet plus total borrowings. The gearing ratio as at December 31 is at follows:

(Amounts in thousand)

| | 2017 | 2016 |
|---|---|---|
| | ------------Rupees------------ | |
| Borrowings | **9,663,405** | 9,231,772 |
| Equity | **10,684,452** | 10,603,431 |
| | **20,347,857** | 19,835,203 |
| Gearing ratio | **47.49%** | 46.54% |

The Group finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk.

## 38. SEGMENT REPORTING

**38.1** A business segment is a group of assets and operations engaged in providing products that are subject to risks and returns that are different from those of other business segments. The management has determined the operating segments based on the information that is presented to the Board of Directors of the Group for allocation of resources and assessment of performance. Based on internal management reporting structure and products produced and sold, the Group is organized into the following operating segments:

- Renewable energy solutions;

- Textile - discontinued operations; and

- Alternate Energy.

Management monitors the operating results of the abovementioned segments separately for the purpose of making decisions about resources to be allocated and of assessing performance. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in table below, is measured differently from profit and loss in the financial statements. Segment results and assets include items directly attributable to a segment.

**38.2** Segment analysis is as under:

| | Renewable energy | | Textile - discontinued | | Alternate Energy | | Unallocated | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 |
| | ----------Rupees---------- | | | | | | | | | |
| Revenue | **496,524** | 316,280 | **12,591** | 21,200 | **2,040,853** | 203,359 | **-** | - | **2,549,968** | 540,839 |
| Cost of revenue | **(434,264)** | (306,757) | **(9,182)** | (27,499) | **(827,898)** | (205,725) | **-** | - | **(1,271,344)** | (539,981) |
| Segment gross profit / (loss) | **62,260** | 9,523 | **3,409** | (6,299) | **1,212,955** | (2,366) | **-** | - | **1,278,264** | 858 |
| Selling and distribution expenses | **(154,111)** | (118,590) | **(142)** | (273) | **-** | - | **-** | - | **(154,253)** | (118,863) |
| Administrative expenses | **(172,607)** | (142,729) | **(63,153)** | (70,134) | **(80,640)** | (47,535) | **(51)** | - | **(316,451)** | (260,398) |
| Other operating expenses | **(2,186)** | (70,779) | **-** | - | **(4,369)** | - | **-** | - | **(6,555)** | (70,779) |
| Diveidend income | **-** | - | **-** | - | **-** | - | **900** | 900 | **900** | 900 |
| Other income | **-** | - | **39,215** | 35,365 | **31,504** | 6,103 | **23,766** | 28,317 | **94,485** | 69,785 |
| Finance cost | **-** | - | **(4)** | (21) | **(699,636)** | (138,201) | **(37,246)** | (31,803) | **(736,886)** | (170,025) |
| Share of profit from associate | **-** | - | **-** | - | **-** | - | **560,026** | 4,138,901 | **560,026** | 4,138,901 |
| Taxation | **-** | - | **-** | - | **(7,314)** | (863) | **(310,767)** | (475,605) | **(318,081)** | (476,468) |
| **Segment net profit** | **(266,644)** | (322,575) | **(20,675)** | (41,362) | **452,500** | (182,862) | **236,628** | 3,660,710 | **401,809** | 3,113,911 |

(Amounts in thousand)

| | Renewable energy | | Textile - discontinued | | Alternate Energy | | Unallocated | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 |
| | Rupees | | | | | | | | | |
| **Segment assets** | | | | | | | | | | |
| Property, plant and equipment | **43,149** | 38,159 | **18,367** | 67,303 | **11,144,330** | 11,299,650 | **-** | - | **11,205,846** | 11,405,112 |
| Asset classified as held for sale | **-** | - | **37,238** | - | **-** | - | **-** | - | **37,238** | - |
| Intangible assets | **-** | - | **-** | - | **-** | - | **24,294** | 29,267 | **24,294** | 29,267 |
| Long term investments | **-** | - | **-** | - | **-** | - | **8,969,639** | 8,708,829 | **8,969,639** | 8,708,829 |
| Long term deposits | **-** | - | **2,778** | 2,778 | **1,650** | - | **-** | - | **4,428** | 2,778 |
| Long term loans | **308** | 49 | **-** | - | **-** | - | **-** | - | **308** | 49 |
| Stores and spares | **-** | - | **7,789** | 7,789 | **33** | 39,469 | **-** | - | **7,822** | 47,258 |
| Stock-in-trade | **55,070** | 99,221 | **41,108** | 50,226 | **-** | - | **-** | - | **96,178** | 149,447 |
| Trade debts | **159,457** | 145,280 | **182** | 424 | **579,423** | 180,951 | **-** | - | **739,062** | 326,655 |
| Loans and advances | **4,671** | 19,346 | **75** | 235 | **3,735** | - | **-** | - | **8,481** | 19,581 |
| Deposits, prepayments and other receivables | **78,359** | 330,150 | **11,604** | 8,521 | **26,043** | - | **-** | - | **116,006** | 338,671 |
| Accrued Interest | **-** | - | **-** | - | **11,333** | - | **-** | - | **11,333** | - |
| Taxes recoverable | **-** | - | **-** | - | **-** | - | **27,636** | 62,465 | **27,636** | 62,465 |
| Cash and bank balances | **21,838** | - | **-** | - | **909,353** | 493,283 | **10,242** | 305,571 | **941,433** | 798,854 |
| **Total segment assets** | **362,852** | 632,205 | **119,141** | 137,276 | **12,675,900** | 12,013,353 | **9,031,811** | 9,106,132 | **22,189,704** | 21,888,966 |
| **Segment liabilities** | | | | | | | | | | |
| Borrowings | **-** | - | **-** | - | **9,101,585** | 8,765,285 | **-** | - | **9,101,585** | 8,765,285 |
| Staff retirement gratuity | **26,032** | 22,197 | **-** | - | **2,196** | 1,415 | **-** | - | **28,228** | 23,612 |
| Deferred taxation | **-** | - | **-** | - | **-** | - | **1,333,533** | 1,078,251 | **1,333,533** | 1,078,251 |
| Short term borrowings | **-** | - | **-** | - | **-** | - | **561,820** | 466,487 | **561,820** | 466,487 |
| Trade and other payables | **111,751** | 154,316 | **74,622** | 12,965 | **128,704** | 643,749 | **6,492** | - | **321,569** | 811,030 |
| Accrued markup | **-** | - | **-** | - | **148,687** | 130,593 | **9,830** | 10,277 | **158,517** | 140,870 |
| **Total segment liabilities** | **137,783** | 176,513 | **74,622** | 12,965 | **9,381,172** | 9,541,042 | **1,911,675** | 1,555,015 | **11,505,252** | 11,285,535 |

**38.3** Included in the gross revenue arising from energy projects of Rs. 527,710 (2016: Rs. 299,588) is revenue of approximately Rs. 428,780 (2016: Rs. 113,694) which arose from sales to the Group's major customers. No other single customer contributed 10% or more to Group's revenues from energy projects. The breakup of major customers is as follows:

| | **2017** | 2016 |
|---|---|---|
| | Rupees | |
| Nobel Energy Limited | **-** | 72,617 |
| LCC Pakistan (Private) Limited | **170,788** | 16,726 |
| Unilever Pakistan Foods Limited | **2,752** | 24,351 |
| Basic Health Unit | **58,268** | - |
| Abbott Laboratory | **47,411** | - |
| RVFC- Renala | **29,410** | - |
| Eastern Products | **17,993** | - |
| Fazaia Housing Scheme | **16,658** | - |
| Servis Indutries Limited | **85,500** | - |
| | **428,780** | 113,694 |

(Amounts in thousand)

**38.4** The revenue from alternate energy comprises of sale to only one customer i.e. National Transmission and Despatch Company.

## 39. TRANSACTIONS AND OTHER BALANCES WITH RELATED PARTIES

The Group in the normal course of business carries out transactions with various related parties. Related parties comprise of subsidiary companies, associated undertakings, directors, key management personnel, retirement benefit funds and others. Amounts due from and to other related parties, directors, retirement benefit fund and key management personnel are shown under respective notes. Transaction with related parties are carried out at agreed terms. Remuneration of key management personnel are as per terms of employment. Remuneration of directors and key management personnel is disclosed in note 34. Transactions and balances with related parties other than those disclosed elsewhere in these consolidated financial statements are as follows:

| Relationship | Nature of transaction | 2017 | 2016 |
|---|---|---|---|
| | | ------------Rupees------------ | |
| **Associated companies** | | | |
| Dawood Hercules Corporation Limited | Reimbursable expenses by the Group | **11,113** | 7,640 |
| | Reimbursable expenses to the Group | **8,437** | 557 |
| | Dividend income | **311,728** | 1,363,809 |
| | Sale of fixed assets | **-** | 5,785 |
| Sach International (Private) Limited | Sale of fabric | **477** | 150 |
| | Reimbursable expenses to the Group | **1,970** | 250 |
| | Reimbursable expenses incurred by the Group | **123** | - |
| | Royalty charged | **14,461** | 15,903 |
| | Penalty charged | **5** | 304 |
| Cyan Limited | Reimbursable expenses to the Company | **-** | 145 |
| The Dawood Foundation | Rental charges | **5,440** | 6,803 |
| | Reimbursable expenses by the Group | **1,955** | 1,511 |
| | Maintenance and utility payable | **1,573** | - |
| | Security deposits | **-** | 1,550 |
| Engro Fertilizer Limited | Rental income | **7,691** | - |
| Engro Energy Limited (formerly Engro Powergen Limited) | Project management fee | **4,800** | 12,733 |
| | Reimbursable expenses by the Group | **9,875** | 54,909 |
| Sponsor | Project revenue | **-** | 1,765 |
| **Other related parties** | | | |
| Directors | Sale of solar solutions | **-** | 10 |
| International Finance Corporation | Borrowing cost charged to the Group | **140,070** | 89,286 |
| | Issuance of share capital | **-** | 452,535 |
| | Loan repayment | **89,814** | - |
| | Loan received | **280,620** | 1,408,008 |
| | Supervision fees | **3,736** | - |
| | Commitment fee | **434** | 6,145 |
| | Accrued markup | **37,011** | 30,489 |

**39.1** Except as stated above, the related party status of outstanding balances as at December 31, 2017 are disclosed in the respective notes.

(Amounts in thousand)

**40. CAPACITY AND PRODUCTION**

| | 2017 | 2016 |
|---|---|---|
| | (MWH) | |
| Maximum generation possible | **127,109** | 20,650 |
| Net electrical output | **115,379** | 18,082 |

**40.1** Output produced by the plant is dependent on the load demanded by NTDC and plant availability.

**41. NUMBER OF EMPLOYEES**

The total average number of employees during the year and as at December 31, are as follows:

| | 2017 | 2016 |
|---|---|---|
| | ------------Rupees------------ | |
| Number of employees as at December 31 | **104** | 78 |
| Average number of employees during the year | **94** | 48 |

**42 SEASONALITY OF OPERATIONS**

The energy generation of TGL is subject to seasonal fluctuations because of weather conditions in the region. Energy generation is at peak during the high wind season, which primarily occurs between April to August. In the remaining period, TGL gets generally lower wind potential.

**43. CORRESPONDING FIGURES**

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of better presentation and comparison, the effects of which are not material.

**44. NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE**

The Board of Directors of the Holding Company in its meeting held on March 20, 2018 has proposed a final cash dividend of Rs. 1 (2016: cash dividend of Rs. 5) per share for the year ended December 31, 2017 amounting to Rs. 59,058 (2016: Rs. 295,289), for approval of the members at the Annual General Meeting to be held on April 25, 2018. The amount of total dividend is calculated at the number of shares outstanding as at December 31, 2017.

**45. DATE OF AUTHORIZATION FOR ISSUE**

These consolidated financial statements were authorized for issue on March 20, 2018 by the Board of Directors of the Holding Company.

| Mujtaba Haider Khan | Shahid Hamid Pracha | Shafiq Ahmed |
|---|---|---|
| Chief Executive Officer | Director | Chief Financial Officer |

# Pattern of Shareholding

As At December 31, 2017

| Size of HoldingRs. 10 Shares | | Number of Shareholders | Total Shares held |
|---|---|---|---|
| 1 | 100 | 2,779 | 113,376 |
| 101 | 500 | 1,733 | 436,924 |
| 501 | 1,000 | 500 | 372,916 |
| 1,001 | 5,000 | 595 | 1,338,079 |
| 5,001 | 10,000 | 81 | 556,608 |
| 10,001 | 15,000 | 28 | 333,992 |
| 15,001 | 20,000 | 22 | 384,854 |
| 20,001 | 25,000 | 11 | 247,148 |
| 25,001 | 30,000 | 2 | 58,669 |
| 30,001 | 35,000 | 2 | 63,445 |
| 35,001 | 40,000 | 5 | 188,977 |
| 40,001 | 45,000 | 5 | 212,937 |
| 45,001 | 50,000 | 3 | 145,110 |
| 60,001 | 65,000 | 1 | 62,159 |
| 70,001 | 75,000 | 1 | 73,000 |
| 80,001 | 85,000 | 1 | 84,608 |
| 85,001 | 90,000 | 2 | 171,402 |
| 115,001 | 120,000 | 1 | 116,000 |
| 120,001 | 125,000 | 1 | 122,200 |
| 125,001 | 130,000 | 1 | 129,200 |
| 170,001 | 175,000 | 1 | 174,900 |
| 195,001 | 200,000 | 1 | 200,000 |
| 275,001 | 280,000 | 1 | 275,595 |
| 280,001 | 285,000 | 1 | 282,000 |
| 345,001 | 350,000 | 1 | 350,000 |
| 490,001 | 495,000 | 1 | 494,921 |
| 555,001 | 560,000 | 1 | 556,639 |
| 570,001 | 575,000 | 1 | 575,000 |
| 675,001 | 680,000 | 1 | 677,177 |
| 715,001 | 720,000 | 1 | 719,808 |
| 1,015,001 | 1,020,000 | 2 | 2,032,393 |
| 1,045,001 | 1,050,000 | 1 | 1,046,843 |
| 1,080,001 | 1,085,000 | 1 | 1,081,357 |
| 1,175,001 | 1,180,000 | 2 | 2,353,492 |
| 2,965,001 | 2,970,000 | 1 | 2,965,095 |
| 2,975,001 | 2,980,000 | 1 | 2,979,324 |
| 3,500,001 | 3,505,000 | 1 | 3,501,884 |
| 4,560,001 | 4,565,000 | 1 | 4,563,205 |
| 29,015,001 | 29,020,000 | 1 | 29,016,622 |
| | | **5,795** | **59,057,859** |

# Pattern of Shareholding

As At December 31, 2017

| Catagories of Shareholders | Number of Shareholders | Total Shares held | Total Shares held |
|---|---|---|---|
| Directors, CEO and their spouse and minor children | 8 | 1,759,553 | 2.98% |
| Associated companies, undertakings and related parties | 6 | 38,961,622 | 65.97% |
| NIT and ICP | 8 | 804 | * |
| Banks, Development Financial Institutions, Non-Banking Financial Institutions | 31 | 403,289 | 0.68% |
| Insurance Companies | 4 | 557,415 | 0.94% |
| Modarabas and Mutual Funds | 3 | 523,495 | 0.89% |
| Shareholders holding 10% or more | 1 | 29,016,622 | 49.13% |
| General Public | | | |
| Residents | 5,174 | 11,909,609 | 20.17% |
| Non-residnets | 26 | 27,433 | 0.05% |
| Others | | | |
| Foreign Companies | 4 | 4,154,657 | 7.03% |
| Others | 531 | 759,982 | 1.29% |
| **Total (Excluding: Shareholder holding 10% or more)** | **5,795** | **59,057,859** | **100.00%** |

*Negligible

# Pattern of Shareholding
As At December 31, 2017

### Additional Information

Information on shareholding required under reporting framework of the Code of Corporate Governance is as follows:

| Shareholders' Catagories | Number of Shareholders | No. of Shares held |
|---|---|---|
| **Associated Companies, undertakings and related parties** | | |
| Sach International (Pvt.) Ltd. | 1 | 3,776 |
| Dawood Industries (Pvt.) Ltd. | 1 | 494,921 |
| Patek (Pvt.) Ltd. | 1 | 3,501,884 |
| Dawood Corporation (Pvt.) Ltd. | 1 | 29,016,622 |
| Cyan Limited | 1 | 2,965,095 |
| Dawood Foundation | 1 | 2,979,324 |
| **Mutual Funds** | | |
| CDC - Trutsee NAFA Asset Allocation Fund | 1 | 73,000 |
| CDC - Trustee National Investment (Unit) Trust | 1 | 275,595 |
| CDC - Trustee NAFA Islamic Stock Fund | 1 | 174,900 |
| **Directors and their spouses and minor children** | | |
| Mr. Shahid Hamid Pracha | 1 | 1,000 |
| Mr. Shahzada Dawood | 1 | 1,046,843 |
| Mr. Abdul Samad Dawood | 1 | 677,177 |
| Mrs. Ayesha Dawood (w/o Mr. Abdul Samad Dawood) | 1 | 30,000 |
| Mr. Mujtaba Haider Khan | 1 | 1,150 |
| Mr. Shafiq Ahmed | 1 | 1,154 |
| Mr. Hasan Reza ur Rahim | 1 | 1,079 |
| Mr. Shabbir Hussain Hashmi | 1 | 1,150 |
| **Executives** | - | - |
| **Public Sector Companies & Corporation** | 14 | 598,032 |
| **Banks, DFIs, NBFIs, Insurance Companies Takaful, Modarabas & Pension Funds** | 35 | 471,087 |
| **Shareholders holding five percent or more voting rights** | | |
| Dawood Corporation (Pvt.) Ltd. | 1 | 29,016,622 |
| Hussain Dawood | 1 | 4,563,205 |
| Patek (Pvt.) Ltd. | 1 | 3,501,884 |
| Dawood Foundation | 1 | 2,979,324 |
| Cyan Limited | 1 | 2,965,095 |

**Trade in the shares of the Company by Directors, Executives, their spouses and minor children**

| | Date | Sold | Rate per share |
|---|---|---|---|
| Mr. Abdul Samad Dawood | May 05, 2017 | 1,000,000 | 199.8757 |

**E-اظہار تشکر**

کمپنی کا بورڈ اپنے حصص یافتگان کے اعتماد اور تعاون کے لئے ان کا انتہائی مشکور ہے۔ ہم اپنے تمام حصہ داران، بشمول ہمارے ساتھ شریک مالیاتی اداروں کا ان کی مدد اور تعاون کے لئے شکریہ ادا کرنا چاہتے ہیں اور انہیں یقین دہانی کروانا چاہتے ہیں کہ ہم ان کے متعلقہ مفادات کے تحفظ کے عزم پر کاربند ہیں۔

ہم اپنی انتظامیہ اور ملازمین کا کمپنی کی ترقی اور خوشحالی میں معاونت کے لئے شکریہ ادا کرتے ہیں۔

| | |
|---|---|
| شاہد حامد پراچہ | مجتبیٰ حیدر خان |
| چیئرمین | چیف ایگزیکٹو |

کراچی: 20 مارچ 2018

f- کمپنی کی فعال انداز سے کارگزار ہونے کی صلاحیت پر کسی قسم کے کوئی شکوک وشبہات نہیں ہیں۔

g- کارپوریٹ گورننس کے معیاری طریق عمل سے کسی قسم کا مادی انحراف موجود نہیں ہے، جیسا کہ لسٹنگ ریگولیشنز میں بیان کیا گیا ہے۔

h- گزشتہ چھ سال کے عمل کاری اور مالیاتی اعداد وشمار مختصر صورت میں رپورٹ کے ساتھ منسلک ہیں۔

**ڈائریکٹرز کی تربیت کا پروگرام**

جناب مجتبیٰ حیدر خان، ڈائریکٹرز ٹریننگ پروگرام کی سرٹیفکیشن CCG کے تحت متعین کردہ مدت میں مکمل کر لیں گے۔

**متعلقہ فریقین سے لین دین**

کمپنی، کوڈ آف کارپوریٹ گورننس کے تقاضوں کے عین مطابق متعلقہ فریقین سے کئے گئے تمام لین دین کی تفصیلات بوڈ آف آڈٹ کمیٹی کو جائزے اور بورڈ کو منظوری کے لئے پیش کرتی ہے۔

## D- مستقبل کے آثار

**شمسی توانائی**

شمسی توانائی سورج کی لامحدود مخفی توانائی استعمال کرتے ہوئے طلب کے مقام کے قریب بجلی کی پیداوار کا سب سے مؤثر طریقہ ہے، جبکہ اس سے روایتی، فوسل فیول سے حاصل کردہ توانائی پر انحصار بھی نمایاں حد تک کم ہو جاتا ہے۔ چونکہ اس میں کسی دیگر فیول کی ضرورت پیش نہیں آتی لہٰذا اس کا سسٹم برائے نام تغیر پذیر قیمت میں آتا ہے۔ معاشی فوائد کی حامل ہونے کے ساتھ ساتھ شمسی توانائی بے شمار ماحولیاتی فوائد بھی پیش کرتی ہے اور 5MW کا مطلب اندازاً 220,000 درخت لگانے کے برابر ہے۔ گزشتہ سال ملک میں شمسی توانائی کی طلب کے حوالے سے نقطۂ آغاز ثابت ہوا جب نجی اور حکومتی شعبے کے اداروں نے اپنے ترقیاتی کیپیٹل اخراجات کا نمایاں حصہ شمسی توانائی کے لئے مختص کیا۔ ہمیں توقع ہے کہ آئندہ سالوں میں اس رجحان میں مزید اضافہ ہوگا کیونکہ روایتی ایندھن کے مقابلے میں شمسی توانائی کی قیمت میں کمی اور استعداد میں اضافہ کا سلسلہ جاری ہے اور متعلقہ سائٹس کی تعداد میں بھی مسلسل اضافہ ہو رہا ہے۔ مقامی صنعتیں سستی شمسی توانائی میں سرمایہ کاری کر کے اپنی مجموعی پیداواری لاگت میں کمی لا سکتی ہیں۔ شمسی توانائی پر سرمایہ کاری مؤثر ڈیزائن اور فوٹو وولٹک کی قیمتوں میں مسلسل کمی کے باعث پانچ سال سے کم مدت میں منافع بخش ہو جاتی ہے۔ توانائی کی قیمتوں میں کمی، فیول کی مؤثر کھپت، ڈیزل/ پیٹرول جنریٹرز کے چلانے کے وقت میں کمی، دیکھ بھال کی کم لاگت، آپریشنل اخراجات میں بچت اور ماحول دوست فضا جو آپریشنل خطرات میں کمی کا باعث ہوتی ہے، یہ تمام عوامل شمسی توانائی کے لئے صورت حال کو مزید سازگار اور مستحکم بناتے ہیں۔ سستی فنانسنگ کی دستیابی کی صورت میں ریگیولیٹری سپورٹ، کم ہوتے ہوئے اخراجات اور نیٹ میٹرنگ پالیسی کی راہ ہموار ہونے کی وجہ سے شمسی توانائی کی مارکیٹ زبردست ترقی کے لئے تیار ہے۔

**پن بجلی کے منصوبے**

حکومت نے پن بجلی کے شعبے کو ادائیگیوں کا تسلسل بڑی حد تک برقرار رکھا ہے اور یہ شعبہ اب بھی، بڑی حد تک گردشی قرضوں کے شدید خدشات سے محفوظ ہے۔ حتیٰ کہ اس شعبے میں آپ کے پروجیکٹ کا کلیکشن ریکارڈ دوسروں سے کافی بہتر ہے۔ تاہم خطرات ظاہر ہونا شروع ہو گئے ہیں کیونکہ پاور پرچیزر (CPPA)، NPMV ادائیگیوں کے شمار کے لئے آپریٹنگ پروسیجر میں تبدیلی کی کوشش کر رہے ہیں اور رقوم کی کمی کا نتیجے میں جنوری 2018 میں کوئی ادائیگی نہیں کی گئی۔

ٹیرف بڈنگ کا طریقہ کار ابھی مکمل طور پر وضع نہیں کیا جا سکا ہے اور یہی یقیناً تشکیل کاروں کے لئے لمحہ فکریہ ہے۔ حکومت نے ونڈ۔ سولر ہائبرڈ انسٹالیشنز کے لئے لیٹر آف انٹینٹ جاری کر دیا ہے، تاہم یہ بھی ٹیرف کی دستیابی کی مبہم صورت حال کے باعث متاثر ہو رہا ہے۔ مختصر مدت کے لوڈ سولیوشنز پر توجہ دی جا رہی ہے جس سے قابل تجدید توانائی کے ذرائع نظرانداز ہو رہے ہیں، تاہم ہمیں توقع ہے کہ یہ ایک عارضی رجحان ہے اور 2018 کے وسط میں ہونے والے عام انتخابات کے بعد اس کا حل ضرور نکل آئے گا۔

### بورڈ آڈٹ کمیٹی کے اجلاس

بورڈ آف ڈائریکٹرز نے کوڈ آف کارپوریٹ گورننس کی تعمیل میں ایک آڈٹ کمیٹی قائم کی ہے جو انٹرنل کنٹرول اور تعمیل کے امور کی نگرانی کرتی ہے اور اپنی تشکیل سے ہی مؤثر انداز سے کارگزار ہے۔ آڈٹ کمیٹی نے سہ ماہی، ششماہی اور سالانہ مالیاتی نکات بورڈ کو پیش کرنے اور ان کی اشاعت سے قبل ان کا جائزہ لیا ہے۔ آڈٹ کمیٹی نے ایکسٹرنل آڈیٹرز سے متعدد امور بشمول انتظامیہ کو ان کے لیٹر پر تفصیلی تبادلہ خیال کیا ہے۔ آڈٹ کمیٹی نے انٹرنل آڈیٹرز کے تحقیقاتی نتائج کا بھی جائزہ لیا ہے اور کوڈ آف کارپوریٹ گورننس کے تقاضوں کے تحت انٹرنل اور ایکسٹرنل آڈیٹرز کے ساتھ علیحدہ علیحدہ میٹنگز منعقد کی ہیں۔

31 دسمبر 2017 کو ختم ہونے والے سال کے دوران بورڈ آڈٹ کمیٹی کے کل چار اجلاس منعقد ہوئے۔ متعلقہ مدت کے دوران حاضری کی تفصیل درج ذیل کے مطابق ہے:

| ڈائریکٹرز کا نام | منعقدہ اجلاس | حاضری کی تعداد |
|---|---|---|
| جناب شبیر حسین ہاشمی | 4 | 4 |
| جناب شہزادہ داؤد | 4 | 1 |
| جناب حسن رضا الرحیم | 4 | 4 |

### ہیومن ریسورس اور مشاہرہ کمیٹی کے اجلاس

31 دسمبر، 2017 کے دوران ہیومن ریسورس اور مشاہرہ کمیٹی (HR&RC) کے دو اجلاس منعقد ہوئے۔ متعلقہ مدت کے دوران حاضری کی تفصیل درج ذیل کے مطابق ہے:

| ڈائریکٹرز کا نام | منعقدہ اجلاس | حاضری کی تعداد |
|---|---|---|
| جناب شاہد حامد پراچہ | 2 | 2 |
| جناب عبد الصمد داؤد | 2 | 1 |
| جناب حسن رضا الرحیم | 2 | 2 |

### ڈائریکٹرز کی ذمہ داریوں کا بیان

ڈائریکٹرز پاکستان اسٹاک ایکسچینج کی لسٹنگ ریگیولیشنز کے مطابق کاروباری اور مالیاتی رپورٹنگ کی ساخت پر عمل درآمد کو درج ذیل انداز سے یقینی بناتے ہیں:

a- کمپنی کی انتظامیہ کی جانب سے تیار کردہ مالیاتی نکات کمپنی کے معاملات، عمل کاری کے نتائج، کیش فلو اور ایکویٹی کی تبدیلی کو راست انداز میں پیش کرتے ہیں۔

b- کمپنی کے کھاتوں کے درست حسابات مرتب کئے گئے ہیں۔

c- مالیاتی نکات کی تیاری میں مستقلاً مناسب اکاؤنٹنگ پالیسیوں کا اطلاق کیا گیا ہے۔ اکاؤنٹنگ کے تخمینے مناسب عاقلانہ فیصلوں پر مبنی ہیں۔

d- مالیاتی نکات کی تیاری میں پاکستان میں قابل اطلاق بین الاقوامی مالیاتی رپورٹنگ کے معیارات پر عمل کیا گیا ہے اور ان سے کسی بھی قسم کے انحراف کو مناسب انداز سے ظاہر کیا گیا ہے۔

e- انٹرنل کنٹرول کا نظام ساخت کے اعتبار سے مستحکم ہے اور اس پر مؤثر انداز سے عمل درآمد اور نگرانی کی جاتی ہے۔

### نظریہ اور مقصد

کمپنی کے نظریے اور مقصد کی عکاسی پر مشتمل بیان رپورٹ کے ساتھ منسلک ہے۔

### بورڈ آف ڈائریکٹرز

کمپنی کا بورڈ سات ڈائریکٹرز پر مشتمل ہے۔ بورڈ ممبران کی ترکیب درج ذیل کے مطابق ہے:

| | |
|---|---|
| آزاد ڈائریکٹر | 1 |
| نان ایگزیکٹو ڈائریکٹرز | 4 |
| ایگزیکٹیو ڈائریکٹرز | 2 |

### بورڈ آف ڈائریکٹرز کے اجلاس

31 دسمبر 2017 کو ختم ہونے والے سال کے دوران بورڈ آف ڈائریکٹرز کے کل آٹھ اجلاس منعقد ہوئے۔ متعلقہ مدت کے دوران حاضری کی صورت حال درج ذیل ہے:

| ڈائریکٹر کا نام | منعقدہ اجلاس | حاضری کی تعداد |
|---|---|---|
| جناب شاہد حامد پراچہ | 8 | 7 |
| جناب مجتبیٰ حیدر خان | 8 | 8 |
| جناب شہزادہ داؤد | 8 | 1 |
| جناب عبدالصمد داؤد | 8 | 3 |
| جناب شفیق احمد | 8 | 7 |
| جناب حسن رضا الرحیم | 8 | 7 |
| جناب شبیر حسین ہاشمی | 8 | 8 |
| جناب انعام الرحمٰن | 1 | - |
| جناب غیاث الدین خان | 1 | - |

جناب انعام الرحمٰن اور جناب غیاث الدین خان 20 جنوری 2017 کو اپنی مدت پوری ہونے کے بعد ریٹائر ہو گئے اور 21 جنوری 2017 کو ڈائریکٹرز کے انتخابات منعقد ہوئے جن میں سات ڈائریکٹرز پر مشتمل بورڈ تشکیل دیا گیا۔

## کمپنی کے حصص کی تجارت

زیرجائزہ سال کے دوران جناب عبدالصمد داؤد نے کمپنی کے 1,000,000 حصص پاکستان اسٹاک ایکسچینج کے اسٹاک بروکر کے توسط سے جناب حسین داؤد کوفروخت کئے، جس کا بیان حصص یافتگی کی ساخت میں موجود ہے۔ کسی اور ڈائریکٹر، سی ای او، سی ایف او اور کمپنی سیکریٹری نے دوران سال کمپنی کے حصص کی تجارت نہیں کی۔

## حصص یافتگی کی ساخت

31 دسمبر 2017 تک کمپنی کی حصص یافتگی کی ساخت، مع دیگر ضروری معلومات، اس رپورٹ کے اختتام پر نامزدگی فارم کے ہمراہ دستیاب ہے۔

## مارکیٹ کیپٹلائزیشن اور بک ویلیو

اختتام سال پر کمپنی کی مارکیٹ کیپٹلائزیشن 11.1 بلین روپے (2016: 14.94 بلین روپے) تھی جبکہ مارکیٹ ویلیو 188 روپے فی حصص (2016: 253 روپے) اور بریک اپ ویلیو 45.81 روپے فی حصص تھی (2016: 48.46 روپے فی حصص)۔

## اہم عمل کاری اور مالیاتی اعداد وشمار

گزشتہ چھ مالی سالوں کے اہم عمل کاری اور مالیاتی اعداد وشمار کا مختصر بیان اس رپوٹ کے ساتھ منسلک ہے۔

## گریجویٹی فنڈ

کمپنی کے ملازمین کو ریٹائرمنٹ پر ملنے والے فوائد کی رقوم کا آڈٹ سال میں ایک مرتبہ کیا جاتا ہے اور اسے مناسب سرمایہ کاریوں کے ذریعے محفوظ کیا جاتا ہے۔ 31 دسمبر 2017 تک گریجویٹی پلان کے لئے متعین کردہ رقوم 2.963 ملین روپے تھیں (2016: 2.928 ملین روپے)۔

## رسک مینجمنٹ

کمپنی کی رسک مینجمنٹ کی پالیسیاں کمپنی کو درپیش رسک کی شناخت اور تجزیے، موزوں رسک لمٹس کی تشکیل اور کنٹرول، اور لمٹس سے مطابقت کی نگرانی کے لئے تشکیل دی جاتی ہیں۔ مارکیٹ کے حالات اور کمپنی کی سرگرمیوں میں تبدیلیوں کی مناسبت سے رسک مینجمنٹ کی پالیسیاں اور نظام کا باقاعدگی سے جائزہ لیا جاتا ہے۔

## کاروباری انتظام کاری

کمپنی کی انتظامیہ بہتر کاروباری انتظام کاری پر کاربند ہے اور بہترین طریق عمل سے مطابقت پر یقین رکھتی ہے۔ پاکستان اسٹاک ایکسچینج کے دستور اور لسٹنگ ریگولیشنز میں موجود کوڈ آف کارپوریٹ گورننس کے تقاضوں پر باقاعدہ طور پر عمل کیا جاتا ہے۔ اس سلسلے میں ایک بیان رپورٹ کے ساتھ منسلک ہے۔

## ضابطہ اخلاق

بورڈ نے ایک کاروباری ضابطۂ اخلاق اختیار کیا ہے اور کمپنی کے تمام ملازمین نے اس پر دستخط کئے ہیں۔ پورے ادارے میں ضابطہ اخلاق پر سختی سے عمل کیا جاتا ہے کیونکہ تمام ملازمین اس میں بیان کردہ کاروباری اخلاقیات کے اصولوں کی پابندی کرتے ہیں۔

### لارنس پور برانڈ

وولن اور ٹیکسٹائل یونٹ کی بندش کے بعد ٹیکسٹائل کے شعبے پر عدم توجہ کے باعث کمپنی نے اپنا کاروبار ٹیکسٹائل سے قابل تجدید توانائی کی جانب منتقل کر دیا ہے۔ اس کے بعد سے ''لارنس پور'' برانڈ کی اہمیت مسلسل کم ہو رہی ہے۔ حصص یافتگان کے مفادات کے تحفظ کے لئے کمپنی کے بورڈ آف ڈائریکٹرز نے اپنے اجلاس منعقدہ 20 مارچ 2018 میں باقاعدہ غور و خوض کے بعد کمپنی کے ''لارنس پور'' برانڈ کو فروخت کرنے کا فیصلہ کیا ہے۔ ''لارنس پور'' برانڈ کی فروخت سے حاصل ہونے والی آمدنی کو کمپنی کے قابل تجدید توانائی اور دیگر کاروبار میں لگایا جائے گا تاکہ حصص یافتگان کو زیادہ سے زیادہ منافع فراہم کیا جائے۔

### ٹیکسٹائل کی متروکہ املاک

زیر جائزہ سال کے دوران کمپنی کا اپنے موقوف کاروباری یونٹ ''بورے والا ٹیکسٹائل ملز'' بمقام بورے والا، ضلع وہاڑی کا پلانٹ اور مشینری فروخت کرنے کا معاہدہ طے پایا۔

### C-مالیاتی رپورٹ

### مالیاتی کارکردگی

گروپ کی مجموعی آمدنی گزشتہ سال کی اسی مدت کے 519.6 ملین روپے کے مقابلے میں 2,537.4 ملین روپے رہی۔ گروپ کا مجموعی منافع گزشتہ سال کی اسی مدت کے 7.2 ملین روپے کے مقابلے میں سال 2017 میں 1,275.2 ملین روپے رہا۔ شریک کار کمپنی کی جانب سے 560.0 ملین روپے منافع کا حصہ، اس کمپنی کی کم کارکردگی کے باعث 3,578.9 ملین روپے کم رہا۔ 318.1 ملین روپے ٹیکس کی ادائیگی کے بعد جاری کاروبار سے 422.5 ملین روپے بعد از ٹیکس منافع حاصل ہوا جو سال 2016 کے مقابلے میں 2,732.8 ملین روپے کم تھا۔

انفرادی طور پر، زیر جائزہ سال میں کمپنی کی آمدنی گزشتہ سال کی اسی مدت کے 161.2 ملین روپے کے مقابلے میں 59.0 ملین روپے رہی جو کہ 102.2 ملین روپے کم ہے اور اس کی بنیادی وجہ قابل تجدید توانائی کے کاروبار کی کل ملکیتی ذیلی کمپنی کو منتقلی تھی۔

### فی حصص آمدنی

سال 2017 کے دوران کمپنی کی غیر انضمامی فی حصص آمدنی 2.43 روپے فی حصص رہی جبکہ سال 2016 کے دوران فی حصص آمدنی 18.88 روپے فی حصص تھی۔ انضمامی فی حصص آمدنی برائے سال 2017، 4.94 روپے فی حصص تھی۔ (2016: 53.5 روپے فی حصص)۔

### آڈیٹرز

موجودہ آڈیٹرز، میسرز اے ایف فرگوسن اینڈ کمپنی، چارٹرڈ اکاؤنٹینٹس، آئندہ سالانہ اجلاس عام کے اختتام پر ریٹائر ہو رہے ہیں اور بطور اہلیت، دوبارہ تقرری کے لئے اپنی خدمات پیش کی ہیں۔ آڈٹ کمیٹی نے میسرز اے ایف فرگوسن اینڈ کمپنی، چارٹرڈ اکاؤنٹینٹس کی 31 دسمبر 2018 کو ختم ہونے والے سال کے لئے کمپنی کے قانونی آڈیٹرز کے طور پر دوبارہ تقرری کی تجویز دی ہے اور بورڈ نے اس تجویز کی تائید کی ہے۔

### حصص کی تجارت، اوسط قیمت اور پاکستان اسٹاک ایکسچینج

زیر جائزہ سال کے دوران پاکستان اسٹاک ایکسچینج میں کمپنی کے 1.22 ملین حصص کی تجارت کی گئی۔ روزانہ اوسط قیمت کے اعتبار سے کمپنی کے حصص کی اوسط قیمت 211.66 روپے رہی جبکہ سال 2017 کے دوران 52 ہفتوں کی سب سے کم اور زیادہ شرح بالترتیب 158.84 روپے اور 257.90 روپے رہی۔

پاکستان کی موجودہ بجلی کی پیداوار میں 64فیصد حصہ تھرمل، 30فیصد ہائڈل، 3فیصد نیوکلیئر اور باقی حصہ پن بجلی، شمسی توانائی اور کوئلے سے بجلی کی پیداوار کا ہے۔ اس میں ایک بڑی تبدیلی اس وقت آئے گی جب LNG اور کوئلے کے نئے پیداواری ادارے میدانِ عمل میں آئیں گے جس سے ممکنہ طور پر موجودہ گردشی قرضوں کا بحران شدید ہوگا اور ملک کی ادائیگیوں کے توازن، قرض کے معاہدوں پر دباؤ مزید بڑھے گا۔

اس صورتِ حال میں پن بجلی اور شمسی توانائی کی دستیاب گنجائش یعنی 640 میگاواٹ اور 400 میگاواٹ کو مکمل طور پر استعمال نہیں کیا جارہا اور پالیسی سازی میں عدم دلچسپی اور غیر یقینی ضابطے مستقبل میں اس کی گنجائش میں مزید توسیع کی حوصلہ شکنی کا باعث ہیں۔ لہٰذا تزویراتی توانائی پالیسی اور توانائی کی صنعت کی قانونی ضروریات پر مکمل نظرثانی کرنے کی ضرورت ہے تاکہ قابل تجدید توانائی کے لئے ہموار مثبت ماحول سے فائدہ اٹھایا جاسکے۔ بصورت دیگر، ہم ماحولیاتی انحطاط سے دوچار ہیں اور آگے بھی رہیں گے اور ہم اور ہمارا ملک درآمد شدہ فوسل فیول کی تغیر پذیر قیمتوں کا یرغمال بنا رہے گا۔

## B- کاروباری جائزہ

### قابل تجدید توانائی کا کاروبار

داؤدلارنس پور لمیٹڈ کی کُل ملکیتی ذیلی کمپنی ریون انرجی لمیٹڈ (REL) خطے کے کاروباری اور صنعتی اداروں کو مستقبل میں سستی اور پائیدار توانائی کی فراہمی کے لئے شمسی توانائی کے حل فراہم کررہی ہے۔ REL نے لیدر گڈز، ٹیکسٹائلز اور حکومتی شعبے سمیت متعدد اعلیٰ سطح کی کمپنیوں اور صنعتی اداروں سے معاہدے کئے ہیں۔ REL کی ٹیم فعال انداز سے بیرونی سرمایہ کاران اور ڈویلپمنٹ پارٹنرز کی شمولیت کے ذریعے اپنی پیشکش کی ساخت میں جدت پیدا کررہی ہے اور بہترین کریڈٹ ہسٹری کے حامل AAA ریٹنگ صارفین سے طویل المیعاد بجلی کی خریداری کے معاہدے کررہی ہے۔ رواں سال کی پہلی سہ ماہی کے آغاز میں بجلی کی خریداری کا پہلا معاہدہ (PPA) سندھ اینگرو کول مائننگ کمپنی کے ساتھ 5 میگاواٹ کے BOT (Build, Operate, Transfer) پروجیکٹ کے لئے ہوا جو 15 سال تک بجلی کی خریداری کا معاہدہ ہے۔ مزید برآں، یونی لیور والز سے لاہور فیکٹری کی سائٹ کے لئے 2.68 میگاواٹ کے کیپٹیو (Captive) پلانٹ کے لئے لیٹر آف انٹینٹ بھی حاصل کیا گیا ہے۔ ملکی سطح پر نجی شعبے میں بجلی کی خریداری کے یہ دو سب سے بڑے معاہدے ہیں جس سے مستقبل میں REL کے لئے نجی شعبے کو توانائی کی فراہمی کے دروازے کھل جائیں گے۔ گزشتہ سال REL نے ENI اور اینگرو انرجی لمیٹڈ کے ساتھ پرائیویٹ اور پبلک آئی پی پی پروجیکٹس کے مشترکہ قیام کے لئے شراکت داری کے بڑے معاہدے کئے ہیں۔ شراکت داری کے ایسے ہی دیگر کئی معاہدے بین الاقوامی اداروں کے ساتھ بھی زیرِ تکمیل نہیں۔ REL نے کاروباری اور صنعتی شعبے میں سب سے بڑی تنصیبات کے ساتھ ملک کی سب سے بڑی شمسی توانائی کی کمپنی ہونے کی حیثیت سے اعلیٰ معیار کی انجینئرنگ اور اثاثوں کے انصرام کی مہارتوں کے ذریعے اپنے صارفین کو امتیازی پروڈکٹ کی فراہمی پر توجہ مرکوز رکھی ہے۔

### پن بجلی کے منصوبے

پن بجلی کا پلانٹ تسلی بخش رفتار سے کام جاری رکھے ہوئے ہے اور دستیابی اور بیلنس آف پیمنٹ (BOP) خسارے کے متوقع اہداف حاصل کررہا ہے۔ گزشتہ سال BOP خسارہ 3.0 فیصد کے متوقع ہدف کے مقابلے میں 1.13 فیصد جبکہ دستیابی 97 فیصد کے متوقع ہدف کے مقابلے میں 98.9 فیصد رہی۔ صحت، تحفظ اور ماحول (HSE) بدستور ترجیح رہی اور کمرشل آپریشن کے آغاز کی تاریخ سے اب تک 119,505 محفوظ انداز سے کام کے گھنٹے بغیر کسی حادثہ کے مکمل کئے گئے۔

جنوری تا دسمبر کی مدت کے دوران ہوا کی اوسط رفتار P90 سطح کے برابر ریکارڈ کی گئی۔ تاہم گرڈ آؤٹیج اور پاور پرچیزرز کی جانب سے بجلی کی تخفیف بھی بلاتعطل جاری رہی جو 84 فیصد NPMV (Non-Project Missed Volume) کا باعث بنی۔ نئی لائن کی تنصیب کا کام تیزی سے جاری ہے اور اس سلسلے میں کمپنی NDTC کے ساتھ مسلسل رابطہ قائم رکھے ہوئے ہے۔ 132Kv کے اس کنکشن کو 2018 کی پہلی سہ ماہی تک مکمل کرنے کا منصوبہ بنایا گیا ہے۔ نئے جھمپیر-2 گرڈ اسٹیشن کی تنصیب مکمل ہوگئی ہے اور امید کی جارہی ہے کہ تنا گا جز اسی لمیٹڈ کو اس کے نتیجے میں اس سرکٹ سے نکلنے میں کسی رکاوٹ کا سامنا نہیں کرنا پڑے گا۔

زیرجائزہ مدت میں توانائی کی کل پیداوار 115.4 گیگاواٹ رہی جو P90 فیکٹر پر توانائی کی متوقع پیداوار یعنی 126.9 گیگاواٹ سے نمایاں حد تک کم تھی۔ تخفیف کے بغیر 127.1 گیگاواٹ پیداوار حاصل کی جاسکتی تھی۔

# ڈائریکٹرز رپورٹ

داؤد لارنس پور لمیٹڈ کے ڈائریکٹرز مسرت کے ساتھ 31 دسمبر 2017 کو ختم ہونے والے سال کے لئے جائزہ رپورٹ مع آڈٹ شدہ مالیاتی گوشوارے پیش کرتے ہیں۔

**A- کاروباری معلومات**

**عالمی قابل تجدید توانائی:**

گزشتہ سال دنیا بھر کی مشترکہ قابل تجدید توانائی کی استعداد بڑھائی گئی تھی جو برطانیہ، جرمنی، فرانس اور اٹلی کی توانائی کی ضروریات پورا کرنے کے لئے کافی تھی۔ 187 ارب پاؤنڈ کی لاگت آئی جو پچھلے سال کی قیمت سے 23 فیصد کی حیرت انگیز حد تک کم تھی۔ کم کاربن (Low-Carbon) بجلی کی مزید کم ہوتی ہوئی قیمتوں کے تناظر میں ڈنمارک، مصر، ہندوستان، میکسیکو، پیرو اور متحدہ عرب امارات پانچ امریکی سینٹ سے بھی کم (تقریباً 4 پیسے) فی کلوواٹ فی گھنٹہ کے نرخ پر توانائی کی اجازت دے رہے ہیں، جو فوسل فیول (Fossil Fuel) اور نیوکلیئر توانائی کے نرخوں سے کافی حد تک کم ہے۔

بین الاقوامی قابل تجدید توانائی کے ادارے Ren21 کی شائع کردہ قابل تجدید توانائی کی گلوبل اسٹیٹس رپورٹ 2017 کے مطابق سولر پینلز کے ذریعے تقریباً نصف، یا 47 فیصد جبکہ پن بجلی سے 34 فیصد اور ہائیڈرو۔ الیکٹرک اسکیمز سے 15.5 فیصد اضافی استعداد شامل کی گئی۔ قابل تجدید توانائی کے ذرائع کم لاگت کے باعث بہتر انتخاب بنتے جارہے ہیں۔ ڈنمارک، مصر، ہندوستان، میکسیکو، پیرو اور متحدہ عرب امارات میں کئے گئے حالیہ معاہدوں میں قابل تجدید توانائی سے 0.05 ڈالر فی کلوواٹ فی گھنٹہ کی لاگت پر بجلی فراہم کی جارہی ہے۔ یہ لاگت ان تمام ممالک میں فوسل فیول اور نیوکلیئر توانائی کی استعداد پر آنے والی لاگت سے کافی حد تک کم ہے۔ جرمنی میں حال ہی میں غیر ملکی کمپنی نے پن بجلی کے منصوبوں کے لئے کامیاب بولی دی ہے اور اس کے لئے انہوں نے حکومتی اعانت کے بغیر محض بجلی کی ہول سیل قیمت پر انحصار کیا ہے، جو اس بات کی عکاسی کرتا ہے کہ قابل تجدید توانائی سب سے کم لاگت انتخاب ہوسکتی ہے۔

نئی شمسی توانائی زبردست اضافے کا باعث بنی، جو نئی پیداواری استعداد کا نصف حصہ تھی، جبکہ پن بجلی ایک تہائی اور ہائیڈرو پاور 15 فیصد تھی۔ یہ پہلا سال تھا کہ بجلی پیدا کرنے والی کسی اور ٹیکنالوجی کے مقابلے میں شامل کی گئی شمسی توانائی کی استعداد زیادہ تھی۔

**مقامی قابل تجدید توانائی:**

پاکستان توانائی کی حکمت عملی کی تشکیل میں ماحولیاتی اہمیت کے علاوہ دوسری جگہوں پر ٹیکنالوجی، لاگت اور فنانسنگ کے آپشنز میں ہونے والی پیش رفت کو سمجھنے میں بھی بہت پیچھے ہے۔ ایک ایسے وقت میں جب پوری دنیا پن بجلی اور شمسی توانائی کو تیزی سے قبول کر رہی ہے، ہمارے پالیسی ساز اس کے برعکس بڑے پیمانے کی تھرمل پیداوار کے لئے پُرعزم ہیں۔ اس کے نتیجے میں سال 2017 میں نئی قابل تجدید توانائی کی پیداوار (پانی سے بجلی کی پیداوار کے روایتی ذرائع کے علاوہ) کافی کم یعنی کل پیداوار کے 1 فیصد سے بھی کم رہی۔ اس کے برعکس جرمنی اور ڈنمارک جیسے ترقی یافتہ صنعتی ممالک نے اپنی بجلی کی کل پیداوار کا بالترتیب 42 فیصد اور 14 فیصد حصہ صرف پن بجلی سے حاصل کیا۔

امریکہ میں قومی گرڈ میں پن بجلی کا حصہ 82,183 میگاواٹ ہے جو ملک کی بجلی کی کل پیداوار کا تقریباً 6 فیصد ہے۔ چین میں دنیا کی سب سے بڑی پانی، پن بجلی اور شمسی توانائی کی نصب شدہ پیداواری گنجائش ہے جو اس کی بجلی کی کل پیداوار کا 24 فیصد حصہ پیدا کرتی ہے۔ دنیا بھر میں فوٹو وولٹک سیلز کی کل پیداوار کا 63 فیصد حصہ چین تیار کرتا ہے۔

یہ تمام پیش رفت محض ترقی یافتہ ممالک تک محدود نہیں ہے۔ ہندوستان نے 2022 تک 100,000 میگاواٹ شمسی اور 60,000 میگاواٹ پن بجلی کی پیداوار کا منصوبہ بنایا ہے۔ ہندوستان نے اس بات کو بخوبی سمجھ لیا ہے کہ اس کی توانائی کی ضروریات میں شمسی اور پن بجلی کی پیداوار ایک واضح صنعتی درجہ اختیار کر چکی ہے جس میں فیول کا استعمال نہ ہونے کی وجہ سے طویل مدت تک ممکنہ قیمتوں کے اندازے اور آپریشن اور مینٹی نینس کی انتہائی کم لاگت جیسے اضافی فوائد بھی شامل ہیں۔

استعداد میں حالیہ اضافے کے باوجود پاکستان کی فی کس بجلی کی کھپت 540 کلوواٹ ہے جو دنیا کی کم ترین کھپت میں سے ایک ہے جبکہ ملک کا بڑا حصہ ایسا ہے جہاں گرڈ سے بجلی کی فراہمی تک رسائی موجود نہیں ہے۔

PHYSICAL SHAREHOLDERS
Bank Account Details for Payment of Cash Dividend
(Mandatory Requirement as per the Companies Act, 2017)

**Dear Shareholder,**

This is to inform you that in accordance with the Section 242 of the Companies Act, 2017, any dividend payable in cash shall only be paid through electronic mode directly into the bank account designated by the entitled shareholder. Please note that giving bank mandate for dividend payments is mandatory and in order to comply with this regulatory requirement and to avail the facility of direct credit of dividend amount in your bank account, you are requested to please provide the following information:

| **Details of Shareholder** | |
|---|---|
| Name of shareholder | |
| Folio No. | |
| CNIC No. | |
| Cell number of shareholder | |
| Landline number of shareholder, if any | |
| | |
| Title of Bank Account | **Details of Bank Account** |
| International Bank Account Number (IBAN) **"Mandatory"** | **PK** ______________________ **(24 digits)**<br>(Kindly provide your accurate IBAN number after consulting with your respective bank branch since in case of any error or omission in given IBAN, the company will not be held responsible in any manner for any loss or delay in your cash dividend payment). |
| Bank's name | |
| Branch name and address | |
| It is stated that the above-mentioned information is correct and in case of any change therein, I / we will immediately intimate Participant / Share Registrar accordingly.<br><br>______________________<br>Signature of shareholder | |

You are requested to kindly send photocopy of this letter immediately duly filled in and signed by you along with legible photocopy of your valid CNIC at the Company's Share Registrar Office, **Central Depository Company of Pakistan Limited, Share Registrar Services, CDC House, 99-B, Block B, Main Shahrah-e-Faisal, Karachi. 74400, Pakistan.**

CDS SHAREHOLDERS
Bank Account Details for Payment of Cash Dividend
(Mandatory Requirement as per the Companies Act, 2017)

**Dear Shareholder,**

This is to inform you that in accordance with the Section 242 of the Companies Act, 2017, any dividend payable in cash shall only be paid through electronic mode directly into the bank accounts of entitled shareholder as designated by them. In pursuance of the direction given by Securities and Exchange Commission of Pakistan (SECP), kindly immediately contact your relevant CDC Participant/CDC Investor Account Services Department and provide them your bank mandate information including International Bank Account Number (IBAN) which is now mandatory for all cash dividend payments.

In order to comply with regulatory requirement and to avail the facility of direct credit of dividend amount in your bank account, you are requested to please provide requisite bank mandate information to your respective Participant/CDC Investor Account Services Department immediately.

# ELECTRONIC TRANSMISSION CONSENT FORM

The Securities & Exchange Commission of Pakistan through SRO 787(I)/2014 of September 8, 2014 allowed the Company to circulate its annual balance sheet and profit & loss accounts, auditor's report and directors' report etc. (Audited Financial Statements) along with the Company's Notice of Annual General Meeting to its shareholders through email. Those shareholders who wish to receive the Company's Annual Report through email are requested to complete the requisite form below.

CDC shareholders are requested to submit their Electronic Transmission Consent Form along with their CNIC directly to their broker (participant)/CDC; while shareholders having physical shares are to send the forms and a copy of their CNIC to the Company's Share Registrar, Messrs. Central Depository Company of Pakistan Limited, CDC House, 99-B, Block "B", S.M.C.H.S., Main Shahra-e-Faisal, Karachi.

**Electronic Transmission Consent Form**

Pursuant to the directions given by the Securities & Exchange Commission of Pakistan through its SRO 787(I)/2014 of September 8, 2014, I Mr. / Ms. ____________________________________________
S/o, D/o, W/o ______________________________________________ hereby consent to have the Dawood Lawrencepur Limited Audited Financial Statements and Notice of Annual General Meeting delivered to me via email on my email address provided below:

| | |
|---|---|
| Folio /CDC Account No. | |
| Postal Address: | |
| Email Address: | |
| Contact No: | |
| CNIC No.: | |

It is stated that the above mentioned information is true and correct and that I shall notify the Company and its Share Registrar in writing of any change in my email address or withdrawal of my consent to email delivery of the Company's Audited Financial Statements and Notice of the Meeting.

**Dear Shareholder,**

REQUEST FORM FOR HARD COPY OF
ANNUAL AUDITED ACCOUNTS

The Securities and Exchange Commission of Pakistan, vide S.R.O 470(I)/2016 dated May 31, 2016, has allowed companies to circulate their annual balance sheet, profit and loss account, auditor's report, directors' report and ancillary statements/notes/documents ("Annual Audited Accounts") along with notice of general meeting to the registered addresses of its shareholders in electronic form through CD/DVD/USB.

However, Shareholders may request a hard copy of the Annual Audited Accounts along with notice of general meetings to be sent to their registered address instead of receiving the same in electronic form on CD/DVD/USB. If you require a hard copy of the Annual Audited Accounts, please fill the following form and send it to our Share Registrar or Company Secretary at the address given below.

---

Date:______________

I/We ____________________________________ request that a hard copy of the Annual Audited Accounts along with notice of general meetings be sent to me through post. My/our particulars in this respect are as follows:

| | |
|---|---|
| Folio /CDC A/c No. | |
| Postal Address: | |
| Email Address: | |
| Contact No: | |
| CNIC No. | |
| Signature | |

The form may be sent directly to Dawood Lawrencepur Limited Share Registrar or Company Secretary at the following address:

**Central Depository Company of Pakistan Limited**
**CDC House, 99-B, Block "B", S.M.C.H.S**
**Main Shahra-e-Faisal, Karachi, Pakistan**
**Tel: +92 (21) 111-111-500**
**Website: http://cdcpakistan.com**

**Dawood Lawrencepur Limited**
**Dawood Centre, M.T. Khan Road**
**Karachi -75530, Pakistan**
**Tel: +92 (21) 35632200**
**Email: info.reon@dawoodhercules.com**
**Website: www.dawoodlawrencepur.com**

If you are a CDC Account Holder, you should submit your request directly to your CDC Participant through which you maintain your CDC account.

# Proxy Form

I/We ______________________________ of ______________
being a member of Dawood Lawrencepur Limited and holder of ______________
Ordinary Shares, as per:

Share Register Folio No.__________ and/or
CDC Participant ID No. __________ Sub A/c No. __________

hereby appoint ______________________ of __________, or failing him/her ______________________ of __________, as my/our proxy to attend, speak and vote for me/us and on my/our behalf, at the Annual General Meeting (AGM) of the Company to be held at The Dawood Foundation Business Hub, Ground Floor, Dawood Centre, M.T. Khan Road, Karachi on Wednesday, April 25, 2018 at 9:30 a.m. and at any adjournment thereof.

Signed this __________ day of ______________ 2018.

**WITNESSES:**

1. Signature: ______________
   Name: ______________
   Address: ______________
   ______________
   CNIC No. or ______________
   Passport No. ______________

2. Signature: ______________
   Name: ______________
   Address: ______________

   CNIC No. or ______________
   Passport No. ______________

| |
|---|
| Signature on<br>Revenue Stamps<br>of Rupees Five |

Signature should agree with the specimen signature with the Company

**IMPORTANT:**

1. This Proxy Form, duly completed, must be deposited at the Company's Registered Office, not less than forty eight hours before the meeting.
2. CDC shareholders and their proxies are each requested to attach an attested photocopy of their Computerized National Identity Card (CNIC) or Passport with this proxy form before submission to the Company.
3. All proxies attending the AGM are requested to bring their original CNIC/Passport for identification.

AFFIX
CORRECT
POSTAGE

The Company Secretary
Dawood Lawrencepur Limited
3rd Floor, Dawood Centre, M.T. Khan Road,
Karachi-75530
Tel: +92 21 35632200 Fax: +92 21 35633970
www.dawoodlawrencepur.com

# نمائندگی کا فارم

میں/ہم ______________ ساکن ______________

بحیثیت ممبر داؤدلارنس پورلمیٹڈ کے رکن وحامل ______________ عام حصص بمطابق شیئر رجسٹرڈ فولیو نمبر ______________ اور/ یا سی ڈی سی

کے شراکتی آئی ڈی نمبر ______________ اور ذیلی کھاتہ نمبر ______________ محترم/محترمہ ______________

______________ ساکن ______________ یا بصورتِ دیگر محترم/محترمہ

______________ ساکن ______________ کو اپنی جگہ بروز پیر

مورخہ ۲۵ اپریل ۲۰۱۸ بوقت ۹:۳۰ بجے صبح بمقام داؤد فاؤنڈیشن بزنز حب، گراؤنڈ فلور، داؤد سینٹر، ایم ٹی خان روڈ، کراچی میں منعقد یا ملتوی ہونے والے کمپنی کے سالانہ اجلاسِ عام میں رائے دہندگی کے لئے اپنا نمائندہ مقرر کرتا/کرتی ہوں۔

دستخط ______________ بروز ______________ ۲۰۱۸

مطلوبہ (پانچ روپے کا)
ریوینیو ٹکٹ چسپاں کریں اور دستخط کریں

گواہ (۱)

دستخط گواہ: ______________

نام: ______________

پتہ: ______________

قومی شناختی کارڈ نمبر یا: ______________

پاسپورٹ نمبر: ______________

دستخط کمپنی کے پاس پہلے سے محفوظ دستخطی نمونہ کے مطابق ہونے ضروری ہیں

گواہ (۲)

دستخط گواہ: ______________

نام: ______________

پتہ: ______________

قومی شناختی کارڈ نمبر یا: ______________

پاسپورٹ نمبر: ______________

**نوٹ:**

- تمام نامزدگیاں اسی صورت میں موثر ہوں گی جب پراکسی فارم بنام کمپنی کے رجسٹرڈ آفس میں اجلاس کے مقررہ وقت سے ۴۸ گھنٹے قبل موصول ہوں۔
- سی ڈی سی شیئر ہولڈرز اوران کے نمائندوں سے فرداً فرداً درخواست ہے کہ وہ اپنے کمپیوٹرائزڈ قومی شناختی کارڈ کی تصدیق شدہ نقل یا پاسپورٹ، نمائندگی فارم داخل کرنے سے قبل اس کے ساتھ منسلک کریں۔ تمام پراکسی ہولڈرز اپنی شناخت کے لئے اجلاس کے وقت اپنا اصل شناختی کارڈ یا پاسپورٹ ضرور پیش کریں۔

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Jama Punji is an Investor Education Initiative of Securites and Exchange Commission of Pakistan
SECP
*Mobile apps are also available for download for android and ios devices

Dawood
Lawrencepur
Limited

Registered Office:
3rd Floor, Dawood Center, M.T. Khan Road, Karachi- 75530, Pakistan.

UAN: (021) 111 736 611
Tel: (92 21) 3563 2200-09
Fax: (92 21) 3563 3970

info.reon@dawoodhercules.com
www.dawoodlawrencepur.com