Annual Report 2008

Dawood Lawrencepur Limited

The availability on economical, reliable and sustainable energy is the key issue that we face globally today. Countries all over the world are grappling ways in which millions of households, industries and other businesses can be provided with energy that is dependable and does not tax our future generations.

Here in Pakistan we face a slightly different challenge. While the world figures out a way to power the economic growth of the future, we at home are concerned with the issue of inadequate energy today. Demand has outgrown supply massively in the past, the resulting in prolonged power breakdowns and gas load shedding.

It is for these reasons that we at Dawood Lawrencepur have decided to **turn**. We feel that with our technical and financial capabilities within the company and the group, we can play an instrumental role in an effort to reach our national objective of reliable, economical, sustainable energy for sustainable economic development, creating an environment where everyone can grow.

Turn Reach Grow

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Pakistan's energy scarcity is indeed disconcerting. It is seen as the single biggest impediment to the growth for our industrial sector. Frequent power outages render our exports uncompetitive, as idle factories cannot deliver goods so desperately needed to be produce on time. This is the issue of reliable energy.

Why we turn

Our energy mix brings with it another concern. Pakistan dependence on foreign oil makes it venerable to unstable oil price movements, like those we have witnessed in the recent past with crude oil breaching $140 per barrel. Although the prices have come down significantly since, the sensitivity of our currency and foreign reserves to increases in prices of crude oil was made all too clear. This is the issue of cheap energy.

The effects of using coal and oil to generate electricity on a wide scale have been well documented. China now suffers greatly from air pollution caused by the release of aerosols and other toxic gases. The incidents of respiratory diseases have increased dramatically. Over and above these, power generation from these sources is a leading cause of global warming, which is predicted to have a significant change in fresh water distribution at a time when two out of six people do not have access to clean drinking water. This is the issue of sustainable energy.

However, we as a country have been blessed. Not only do we currently generate over 6500 MW from renewable hydel energy, but have the capacity to generate 32000 MW more. According to latest figures we have the potential to generate up to 43,000 MW through wind energy alone, a source already producing electricity at commercially viable levels. Our location in the tropics gives us an added advantage to use the sun to power our homes, with technologies becoming increasingly competitive with conventional methods of power generation.

But there is still more. Pakistan possesses over 180 billion tones of coal. We also have the lowest drilling densities and highest success ratios suggesting tremendous potential in hydrocarbon exploration. On top of that we are located in the region that has provided much of the world with cheap energy and is forecasted to do so for next few decades. All of these factors have coupled together for us to look back and turn.

Why we turn

In 2006 the supply of electricity is 15072 MW against the demand of 15483 MW, resulting in a

411 MW shortage.

In 2007 the supply of electricity is 15091 MW against the demand of 16584 MW, resulting in a

1457 MW shortage.

In 2008 the supply of electricity is 15055 MW against the demand of 17689 MW, resulting in a

2634 MW shortage.

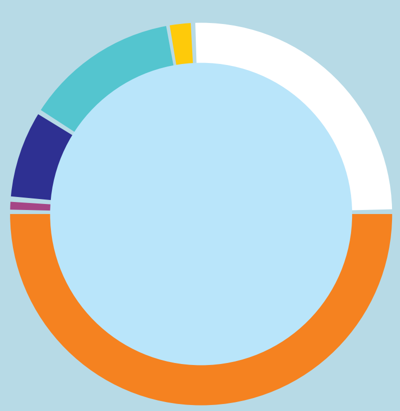
In 2009 the demand is

19080 MW

In 2010 the demand is

20584 MW

Primary Energy Supplies Source (2004-05)



- Gas 50.4%
- LPG 0.4%
- Coal 7.6%
- Hydro Electricity 11.0%
- Nuclear 1.2%
- Oil 29.4%

COMPANY INFORMATION

Board of Directors
Shahzada Dawood (Chairman)
Shafiq Ahmed (Chief Executive)
Aleem A. Dani
Haroon Mahenti
Isar Ahmad
Shahid H. Pracha
S.M. Asghar

Board Audit Committee
Aleem A. Dani (Chairman)
Haroon Mahenti
S.M. Asghar
Shahid H. Pracha

Company Secretary/CFO
Mohsin Raza Khan

Auditors
Moochhala Gangat & Co.
(Chartered Accountants)

Bankers
Bank Al-Habib Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
Meezan Bank Limited
MCB Bank Limited

Registered Office
35-A, Shahrah-e-Abdul
Hameed Bin Baadees
(Empress Road), Lahore.

Karachi Office / Shares Department
Dawood Centre,
M. T. Khan Road, Karachi.

Mills

Landhi
Landhi Industrial Area,
Karachi.
Ph: 021-5018476, 5018751
Fax: 021-5018463, 5024520

Landhi (Synthetic)
Landhi Industrial Area,
Karachi.
Ph: 021-5018668, 5019350
Fax: 021-5019349

Dawoodabad
District Vehari.
Ph: 067-3353347, 3353145, 3353246
Fax: 067-3354679

Dawoodpur
District Attock.
Ph: 0597-2641074-6
Fax: 0597-2641073

Reach

Having understood the issues that the nation faces, we at Dawood Lawrencepur conceptualized on what role a traditionally textile driven company can play in the energy sector. The more we studied the clearer it became that exploring opportunities in the renewable energy sector was indeed not only possible but desirable. We therefore focused on wind power, a global competitive and commercially viable solution to generate power within everyone's reach.

Where we reach

As in Pakistan the production capacity of electricity of both government and private sector is 19,500 MW. 60% from imported oil and domestic natural gas. Due to the oil and gas price some private sector stop to produce electricity. 30% of hydro power generation from the country two major dams. Less than 5% from one nuclear power plant. Coal plant production is even less.

In response to the petroleum crisis, the principles of green energy and sustainable living movements gain popularity. This has led to increasing interest in alternate power/fuel research such as fuel cell technology, liquid nitrogen economy, hydrogen fuel, biomethanol, biodiesel, Karrick process, solar energy, geothermal energy, tidal energy, wave power, and wind energy, and fusion power. To date, only hydroelectricity and nuclear power have been significant alternatives to fossil fuel.

Annual Report 2008 - Operating Highlights

Operating Highlights

Six Year at a Glance

	PARTICULARS	UNIT	2008			2007 (Restated)			2006	2005	2004	2003
			Continuing Operation	Discontinued Operation	Total	Continuing Operation	Discontinued Operation	Total				
A)	INCOME STATEMENT											
1	Sales Value	Rs. In (000)	368,294	321,544	689,838	1,221,322	408,277	1,629,599	1,861,352	1,220,919	1,610,683	647,465
2	Gross Profit / (Loss)	Rs. In (000)	73,921	(240,918)	(166,997)	60,884	(43,275)	17,609	100,210	127,366	145,752	41,183
3	Operating Profit / (Loss)	Rs. In (000)	29,190	(292,087)	(262,897)	(39,056)	(67,849)	(106,905)	(48,502)	24,240	20,483	16,577
4	Profit / (Loss) Before Taxation	Rs. In (000)	113,784	(300,826)	(187,042)	92,456	(72,349)	20,107	241,790	499,801	162,816	82,909
5	Profit / (Loss) After Taxation	Rs. In (000)	105,308	(302,433)	(197,125)	90,120	(74,390)	19,812	227,527	486,766	156,187	76,459
B)	DIVIDEND											
1	Cash Dividend	%	-	-	-	-	-	-	-	-	25	25
2	Bonus Shares	%	10	-	10	10	-	10	10	10	-	50
3	Total Dividend	%	10	-	10	10	-	10	10	10	25	75
C)	BALANCE SHEET											
1	Total Assets Employed	Rs. In (000)	1,032,729	758,367	1,791,096	2,036,424	376,699	2,413,123	4,763,076	4,823,081	4,454,000	1,647,916
2	Current Assets	Rs. In (000)	440,796	-	440,796	807,564	-	807,564	1,366,993	1,541,179	1,643,684	364,609
3	Current Liabilities	Rs. In (000)	170,566	-	170,566	303,431	-	303,431	711,335	874,696	804,590	175,076
4	Paid Up Capital	Rs. In (000)	466,861	-	466,861	424,419	-	424,419	385,835	350,759	350,759	222,708
5	Shareholders Equity	Rs. In (000)	1,582,791	-	1,582,791	2,003,436	-	2,003,436	3,883,528	3,740,376	3,407,256	1,426,200
6	No. of Ordinary Shares	In (000)	46,686	-	46,686	42,442	-	42,442	38,584	35,076	35,076	22,271
D)	RATIO AN ALYSIS											
1	Gross Profit / (Loss)	%	20.07	(74.93)	(24.21)	4.99	(10.60)	1.08	5.38	10.43	9.05	6.36
2	Earning Per Share	Rs.	-	-	(4.22)	-	-	0.42	5.90	13.88	4.45	3.43
3	Dividend Yield	%	-	-	0.71	-	-	1.22	1.30	1.41	2.91	11.72
4	Return on Equity	%	-	-	(12.45)	-	-	0.99	5.86	13.01	4.58	5.36
5	Break-up Value of Shares	Rs.	-	-	33.90	-	-	47.20	100.65	106.63	97.14	64.04
6	Market Value of Shares	Rs.	-	-	141.63	-	-	82.00	76.90	71.00	86.00	64.00
7	Price Earning Ratio	Rs.	-	-	(33.56)	-	-	195.24	13.03	5.12	19.33	18.66
8	Dividend Payout Ratio	%	-	-	(23.70)	-	-	238.10	16.95	7.20	56.18	218.66
E)	PRODUCTION											
1	Capacity											
	Polyester Yarn	Kgs In (000)	-	-	1,400	-	-	1,400	1,400	1,050	1,400	-
	Yarn	Kgs In (000)	-	-	25,619	-	-	25,619	25,619	17,135	22,847	12,355
	Cloth	Mtrs.In (000)	-	-	5,060	-	-	5,060	5,060	6,396	17,179	8,698
2	Actual Production											
	Polyester Yarn	Kgs In (000)	-	-	-	-	-	538	1,351	1,067	1,525	-
	Yarn	Kgs In (000)	-	-	885	-	-	10,341	14,082	11,276	15,789	8,580
	Cloth	Mtrs.In (000)	-	-	805	-	-	1,063	2,035	1,173	3,881	2,668
3	Capacity Utilization - Yarn	%	-	-	3.28	-	-	40.26	57.11	67.88	71.40	69.45
	- Cloth	%	-	-	15.91	-	-	21.01	40.21	16.77	19.53	30.67
F)	OTHERS											
1	Employees	Nos.	548	174	722	1,182	868	2,050	3,399	3,668	3,814	1,105
2	Capital Expenditures	Rs. In (000)	3,037	-	3,037	32,358	-	32,358	414,266	33,557	204,619	1,318

NOTE

1 The figures for the year 2005 are of nine months due to the change in accounting year.

2 The figures of the year 2003 are of the year when the Merger had not taken place with the other three Companies.

How we grow

- We are implementing our vision 2030 strategy to strengthen our ability to deliver sustained, long term results, focused on these areas.
  - Meeting the needs of people today.
  - Bringing secure and reliable energy to our Country.
  - Meeting a growing need for electricity.
  - A culture of continuous improvement.
  - In ways that ensure a sustainable future.

Notice of Annual General Meeting

Notice is hereby given that the fifty-eighth Annual General Meeting of Dawood Lawrencepur Limited will, Insha Allah, be held at the Company's Registered Office at 35-A, Shahrah-e-Abdul Hameed Bin Baadees (Empress Road), Lahore at 1230 hours on Thursday, 30th October 2008, to transact the following business after recitation from the Holy Quran:

<u>ORDINARY BUSINESS:</u>

1. To confirm the Minutes of the Extraordinary General Meeting held on Monday, 28th April 2008.

2. To receive, consider and adopt the Audited Accounts of the Company for the year ended 30th June 2008 together with the Auditors' and Directors' Reports thereon.

3. To approve the issue of Bonus Shares in the ratio of one share for every ten ordinary shares held by the shareholders as recommended by the Board of Directors. To give effect to the above, the Directors have recommended to consider, and if thought fit pass with or without modification the following resolution as an ordinary resolution:

"RESOLVED, that a sum of Rs. 46,686,050 be capitalized out of the free reserves of the Company and applied towards the issue of 4,668,605 ordinary shares of Rs. 10/- each as fully paid bonus shares to be allotted in proportion of one share for every ten existing ordinary shares held by the Members who are registered in the books of the Company on 24th October 2008, and that such new shares shall rank pari passu in all respect with the existing ordinary shares of the Company.

Members entitled to fractions of shares as a result of their holding either being less than 10 Ordinary Shares or in excess of an exact multiple of 10 Ordinary Shares be given the sale proceeds of their fractional entitlements for which purpose the fractions be consolidated and sold in the Stock Exchange.

For the purpose of giving effect to the foregoing, Mr. Shahzada Dawood, Chairman of the Company be and is hereby authorized to take all necessary actions under the law and to settle any questions or difficulties that may arise in the distribution of the said bonus shares or disposal of fractions and payment of proceeds thereof."

4. To appoint Auditors for the year ending 30th June 2009 and to fix their remuneration. The retiring Auditors M/s. Moochhala Gangat & Company, being eligible, offer themselves for re-appointment.

By Order of the Board

Karachi
August 26, 2008

Mohsin Raza Khan
Company Secretary

Notes:

1. Closure of Share Transfer Books:

The share transfer books of the Company will remain closed from 24th October 2008 to 30th October 2008 (both days inclusive). Transfers received in order at the Company's Registered Office in Lahore or Dawood Centre, M.T. Khan Road, Karachi, by the close of business on Thursday, 23rd October 2008 will be treated in time for the entitlement of Bonus Shares to the transferees, if approved by the shareholders.

2. Participation in the Annual General Meeting:

All Members of the Company are entitled to attend the Meeting and vote thereat in person or through Proxy. A Proxy, duly appointed, shall have such rights as respects speaking and voting at the Meeting as are available to a Member. The proxies shall produce their original CNICs or original Passports at the time of the Meeting.

3. Proxy:

A Member of the Company may appoint another Member as his/her Proxy to attend and vote instead of him/her. A Corporation being a Member may appoint any person, whether or not a Member of the Company, as its Proxy. In the case of corporate entities, the Board of Directors' resolution / Power of Attorney with specimen signature of the person nominated to represent and vote on behalf of the corporate entity, unless provided earlier, shall be submitted to the Company along with the Proxy Form.

In order to be effective, Proxy Forms, duly filled and signed, must be received at the Company's Registered Office in Lahore or Dawood Centre, M.T. Khan Road, Karachi, not less than forty eight (48) hours before the Meeting. A blank Proxy Form is attached herewith.

4. Change of Address:

Shareholders are requested to immediately notify the change of address, if any.

How we grow

Meeting the needs of people today.

The acute power shortage has resulted in closure of a large number of industrial units causing large scale joblessness. We need to utilize alternative means of generating electricity to overcome this shortage.

Directors' Report

The Board of Directors of Dawood Lawrencepur Limited is pleased to present their Annual Report together with the audited Financial Statements for the year ended June 30, 2008 before the Fifty Eighth Annual General Meeting of the Company.

OPERATING RESULTS

As reported earlier, the cotton textiles operations having become unsustainable on account of the continuing losses and to arrest the decline in shareholders value, your company has taken steps over the last 18 months to close down these operations in stages. Whereas the textile operations and the polyester staple fiber operations at Landhi were closed down during the year 2006-07, the operations at Burewala had to be closed down in March 2008. Accordingly, all closed down operations are classified under 'discontinued operations', as required under the International Financial Reporting Standard (IFRS) 5 – "Non Current Assets held for sale and Discontinued Operations'.

In line with agreed business strategy, your company in January 2008 acquired 100% shareholding in Tenaga Generasi Limited. This company holds an LOI from the Alternate Energy Development Board and has a Generation License from NEPRA for setting up a 50 MW Wind Energy Farm.

Accordingly, TGL has become a wholly owned subsidiary company of DLL. The financial statements of TGL has been consolidated with DLL accounts in line with the accounting policy relating to "Business Combination and Consolidated Financial Statements" and as such consolidated financial statements are also being presented to the shareholders.

During the year, the company achieved sales of Rs. 689.84 million (inclusive of sales from 'discontinued operations' of Rs. 323.88 million) against the sales of Rs. 1,629.60 million for the previous year. After taking into account the loss from the closed down operations of Rs. 300.83 million (2007: Rs. 72.35 million), the operating loss of the company stood at Rs. 271.64 million as against Rs. 111.41 million for last year. The loss before taxation is Rs. 187.04 million as compared to profit of Rs. 20.11 million of the similar period last year.

DLL Group's turnover for the year was Rs. 689.84 million (inclusive of turnover from 'discontinued operations' of Rs. 323.88 million) as against the turnover of Rs. 1,629.60 million of the previous year. The operating loss of the company stood at Rs. 271.70 million as against loss of Rs. 111.41 million. With the share of profit from associate of Rs. 1,873.60 million (2007: Rs. 223.46 million) the profit before tax was Rs. 1,646.24 million as against profit of Rs. 136.22 million.

Earnings per share of the Group was Rs. 31.36 as compared to Rs. 1.81 per share of the similar period last year.

The financial results are as under:

	Rupees 000	
	Year ended June 30, 2008	Year ended June 30,2007 (Restated)
Sales (continuing operations)	**368,294**	**1,221,321**
Gross profit	73,921	60,884
Operating profit/(Loss) before discontinued operations	29,190	(39,056)
Loss from discontinued operations	(300,825)	(72,349)
Operating loss after discontinued operations	(271,635)	111,405
Other Income & charges	84,593	131,512
(Loss)/Profit before taxation	(187,042)	20,107
(Loss)/Profit after taxation	(197,125)	19,812
(Loss)/Profit for the year	(197,125)	19,812
Unappropriated profit brought forward	827,653	850,283
Total amount available for appropriation	630,528	870,095
Your Directors propose the following Appropriations of Profit		
Profit available for appropriation	**630,528**	**870,095**
Appropriations:		
Transfer to Reserve for issue of Bonus Shares 10% or 4,668,606 shares of 10/- (2007: 10% or 4,244,187 ordinary shares of 10/-each fully paid.	(46,686)	(42,442)
Unappropriated profit carried forward	583,842	827,653
Earnings per share – basic and diluted (net)	**Rs. (4.22)**	**Rs. 0.22**

Change in Accounting Policy

During the year, with the acquisition of 100% share holding in TGL, DLL became a holding company of TGL. In line with paragraph 35 of IAS 28, in the separate financial statements of the Holding Company, the investments in associates where significant influence exist are required to be measured under cost or fair value as envisaged in IAS 27. Previously the investments in associates where significant influence exist were measured under equity method of accounting as required under IAS 28. Accordingly, the company has decided to re-measure its investment in associate at Cost. This change has been applied retrospectively.

Had this policy been not changed the investments in associate would be higher by Rs. 3,125.59 million and reserves would be higher by the same amount.

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

The requirements of the Code of Corporate Governance set out by the Karachi Stock Exchange and Lahore Stock Exchange in their Listing Regulations have been duly complied with. A statement to this effect is annexed with the Report.

STATEMENT OF ETHICS AND BUSINESS PRACTICES

The Board has adopted the Statement of Ethics and Business Practices. All employees are informed of this Statement and are required to observe these rules of conduct in relation to business and its regulations.

VISION AND MISSION

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

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

It is certified that:

(i) The financial statements together with notes thereon have been drawn up by the management in conformity with the Companies Ordinance, 1984. These statements present fairly the Company's state of affairs, the result of its operations, cash flows and changes in equity.

(ii) The Company has maintained proper books of accounts.

(iii) Appropriate accounting policies have been consistently applied in the preparation of financial statements, and accounting estimates are based on reasonable and prudent judgment, except for the change in accounting policy in respect of treatment of accounting for investment in associate from Equity method under IAS-28 to cost method of accounting under IAS 27.

(iv) International Financial Reporting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements and there has been no departure there from.

(v) The system of internal control is sound in design and has been effectively implemented and monitored.

(vi) The annual audited financial statements are circulated within four months of the close of the financial year.

(vii) There are no significant doubts about the Company's ability to continue as a going concern.

(viii) There has been no material departure from the best practices of corporate governance, as detailed in the Stock Exchange Listing Regulations.

BOARD AUDIT COMMITTEE

The Board has constituted an Audit Committee which oversees the internal controls and compliance and its members are non executive directors. The Committee has been working efficiently since its inception.

PATTERN OF SHAREHOLDING

The statement reflecting the pattern of shareholding is annexed to the Annual Report.

KEY OPERATING AND FINANCIAL DATA

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

STATUTORY PAYMENTS

As on the date of closing, no government taxes, duties, levies and charges were outstanding or overdue except the routine payments of various levies and the amounts in dispute pending in various appellate forums and have been disclosed in the financial statements.

VALUE OF INVESTMENTS OF GRATUITY FUND AND PROVIDENT FUND

The face value of the investments made out of the Gratuity and Provident Fund of the management cadre staff was Nil on the closing date.

TRADING IN COMPANY SHARES

The Directors, CEO, CFO and Company Secretary have not traded in company's shares during the period under review.

BOARD MEETINGS

During the year ended June 30th 2008, a total of 8 meetings of the Board of Directors were held. The position of attendance during respective tenure was as follows:

Name of Directors	Meetings Held	Meetings Attended
Mr. Hussain Dawood	3	3
Mr. Shahzada Dawood	8	6
Mr. A. Samad Dawood	3	2
Mr. Shafiq Ahmed	8	7
Mr. Isar Ahmad	8	7
Mr. Aleem A. Dani	8	7
Mr. Haroon Mehanti	8	7
Mr. Shahid Hamid Pracha	5	5
Mr. S.M. Asghar	5	4

Leave of absence was granted to the directors who could not attend the meeting being out of station or due to their preoccupation.

CERTIFICATE OF RELATED PARTY TRANSACTIONS

It is confirmed that the transactions entered with related parties have been ratified by the Audit Committee and the Board and provide the information about the amounts due from related parties at the Balance Sheet date.

FUTURE PROSPECTS

With the closure of loss making textile units, your company is very actively pursuing projects in the 'alternate energy' field. Whilst initially a 50 MW Wind Energy Farm is being set up in Sindh Province, this is likely to be scaled up subsequently to a total of 100MW. The Directors believe that these steps should help provide sustainable growth avenues for the business over the coming years.

AUDITORS

The existing auditors, M/s Moochala Gangat & Co, Chartered Accountants retire and have offered themselves for reappointment. The Board recommends that, as suggested by Audit Committee, Moochala Gangat & Co, Chartered Accountants may be appointed auditors for the year ending June 30, 2009.

STAFF RELATIONS

The company continues to benefit from the efforts and dedication of all its employees. The Directors are pleased to record their appreciation.

On behalf of the Board

Karachi
August 26, 2008

Shahzada Dawood
Chairman

How we grow

Bringing secure and reliable energy to our country

In view of the escalating gas and oil prices, we need to employ alternative sources of energy. We are actively pursuing this option.

Vision and Mission Statement

Vision

To pursue sustained growth through a diversified business portfolio for enhancing stakeholder value.

Mission

To be a responsible corporate citizen with respect for the society.

To achieve safe & healthy business environment.

To provide excellent working environment and growth potential for the employees.

To strive for excellence through commitment, integrity, honesty and teamwork.

To make honest and ethical behavior a way of life.

To improve quality of life for the employees.

Statement of Ethics and Business Practices

Dawood Lawrencepur Limited exists on sound principles of development and growth. It makes no compromises in any aspect of good business practices. The Company takes pride in adherence to its principles and continues to serve its customers, stakeholders and society on the following guidelines:

1. The Company strongly believes in free and fair business practices and open competitive markets. Developing any association within the segment, industry or with competitors to distort the pricing and availability is contradictory to our business code of conduct.

2. The Company's financial policies for conducting business are transparency, integrity and following the principles of accounting and finance as approved by regulations and contemporary accounting codes.

3. The Company believes in uprightness of performance and expects it to be a fundamental responsibility of our employees to act in Company's best interest while holding confidential information. We expect our employees neither to solicit internal information from others nor to disclose Company's figures, data or any material information to any unauthorized person/body.

4. The Company believes in encouraging the individuals' respect and growth. Our employment and HR policies develop individuals without any discrimination on the basis of race, religion, gender or any other factor.

5. The Company as a responsible corporate citizen strongly adheres to the principles of corporate governance and complies with regulatory obligations enforced by regulatory bodies for improving corporate performance.

6. The Company anticipates integrity and honesty of employees in doing business for the Company. Any unfair or corrupt practices either to solicit business for the Company or for personal gains of the employee is fundamentally inconsistent with business codes of the Company.

7. The Company believes in community development without political affiliations with any person or group of persons working for gains. We contribute our resources for a better environment with an unprejudiced approach. Within our mills our policies gear towards unbiased and impartial employees betterment.

Statement of Compliance with the Code of Corporate Governance

The statement is being presented to comply with the Code of Corporate Governance contained in the listing regulations of Karachi and Lahore Stock Exchanges 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 Code in the following manner:

1. The Board comprises of seven Directors including the Chief Executive Officer. The Company encourages representation of independent non-executive Directors. At present, the majority of the Directors on the Board are non-executive.

2. The Directors have confirmed that none of them is serving as a Director in more than ten listed companies, including this Company.

3. All the 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 member of a Stock Exchange, has been declared as a defaulter by that Stock Exchange.

4. A causal vacancy occurred in the Board during the year, which was promptly filled.

5. The Company has prepared a "Statement of Ethics and Business Practices", which has been signed by all the Directors and employees of the Company.

6. The Board has developed a vision/mission statement, which is annexed with the report. Significant policies of the Company are revised and updated as and when deemed appropriate.

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 and other Executive Directors, have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and the Board met at least once every quarter. Written notices of the Board meetings, along with agenda and working papers, were normally circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Board arranged an orientation course for its Directors to apprise them of their duties and responsibilities.

10. The Board has approved appointment of CFO and Company Secretary.

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

12. The financial statements of the Company were duly endorsed by the CEO and 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 Code.

15. The Board has formed an Audit Committee. It comprises of four members, who are non-executive Directors.

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

17. The Board has setup an effective internal audit function.

18. 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, 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 Institute of Chartered Accountants of Pakistan.

19. 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.

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

Karachi: August 26, 2008

Shafiq Ahmed
Chief Executive

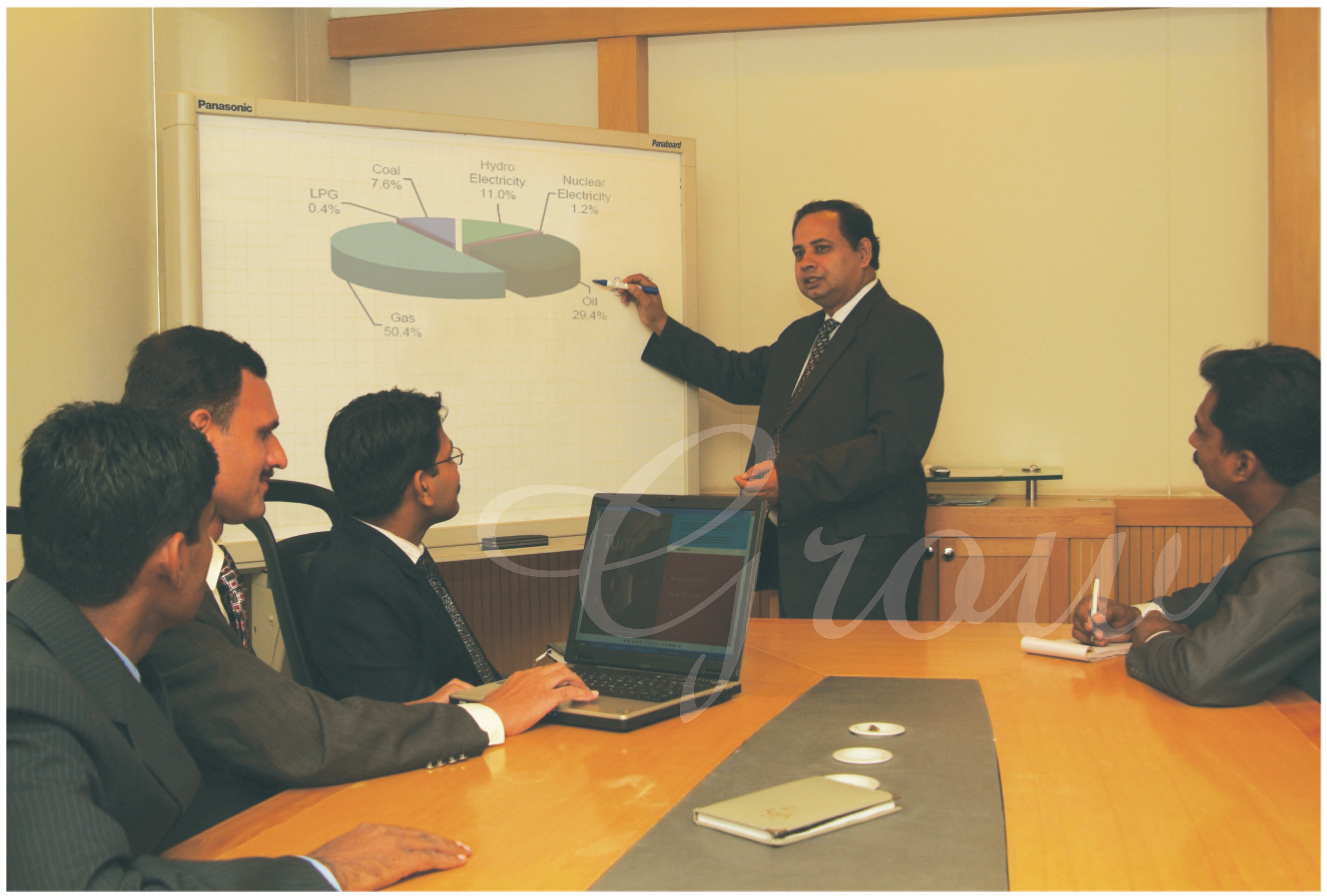
How we grow

Meeting a growing need for electricity

We are conscious of the growing energy demand in the country and striving to make full use of the energy resources. Wind being the cheapest source, we are trying to build an infrastructure for its utilization.

A culture of continuous improvement

How we grow



Review Report to the Members on Statement of Compliance with best Practices of the Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of DAWOOD LAWRENCEPUR LIMITED, to comply with the Listing Regulation No. 37 (Chapter XI) of the Karachi Stock Exchange and clause 49 (Chapter XIII) of Lahore Stock Exchange where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance 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 of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

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 of Corporate Governance as applicable to the Company for the year ended June 30, 2008.

Dated: August 27, 2008

GANGAT & CO.

Place: Karachi

Chartered Accountants

How we grow

Financial Statements

In ways that ensure a sustainable future

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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of DAWOOD LAWRENCEPUR LIMITED as at June 30, 2008 and the related Profit and Loss Account, Cash Flow Statement, and Statement of Changes in Equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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 accounts have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion :

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for a change in accounting policy, as referred in note 4.3.1 with which we concur;

(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 balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the 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 June 30, 2008 and of the loss, its cash flows and changes in equity for the year then ended; and

d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Date: 26 August 2008
Place: Karachi

MOOCHHALA GANGAT & CO.
Chartered Accountants

BALANCE SHEET AS AT JUNE 30, 2008

	NOTE	2008 RUPEES	2007 RUPEES Restated
NON CURRENT ASSETS			
Fixed Assets			
Property, plant and equipment	5	76,286,430	543,766,550
Intangible assets	6	1,987,421	6,900
		78,273,851	543,773,450
Long Term Investments	7	492,725,446	664,264,484
Long Term Deposits	8	20,937,427	20,822,339
CURRENT ASSETS			
Stores and spares	9	44,953,229	94,339,565
Stock-in-trade	10	196,083,900	365,792,225
Trade debtors	11	46,916,659	184,145,547
Short term investments	12	4,330,260	5,252,445
Loans and advances	13	565,433	3,924,264
Deposits, prepayments and other receivables	14	85,910,716	111,541,740
Cash and bank balances	15	62,035,776	42,567,777
		440,795,973	807,563,563
Assets of disposal group classified as held for sale	16.2	758,363,668	376,699,002
		1,791,096,365	2,413,122,838
SHARE CAPITAL AND RESERVES			
Share Capital			
Authorised: 55,000,000 (2007: 55,000,000) Ordinary shares of Rs.10/- each		550,000,000	550,000,000
Issued, subscribed & paid up	17	466,860,550	424,418,680
Reserves		1,115,930,070	1,579,017,144
		1,582,790,620	2,003,435,824
NON CURRENT LIABILITIES			
Liabilities against assets subject to finance lease	18	-	23,520,113
Deferred Liabilities	19	37,740,094	82,735,535
CURRENT LIABILITIES			
Trade and other payable	20	136,692,220	124,618,976
Short term bank finances-secured	21	-	135,253,162
Current portion of lease liabilities	18	23,667,949	22,614,052
Interest / markup on short term bank finances		-	5,945,176
Provision for taxation		10,205,482	15,000,000
		170,565,651	303,431,366
CONTINGENCIES AND COMMITMENTS	22	-	-
		1,791,096,365	2,413,122,838

The annexed notes from 1 to 38 form an integral part of these financial statements.

SHAFIQ AHMED
Chief Executive

SHAHID H. PRACHA
Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2008

	NOTE	2008 RUPEES	2007 RUPEES Restated
Sales - net	23	368,294,009	1,221,321,736
Cost of goods sold	24	(294,373,417)	(1,160,437,308)
Gross profit		73,920,592	60,884,428
Operating expenses			
Administrative and general	25	23,807,009	54,599,981
Selling and distribution	26	20,923,124	45,340,442
		(44,730,133)	(99,940,423)
		29,190,459	(39,055,995)
Loss from discontinued operations	16.1	(300,825,659)	(72,349,185)
Operating (loss)		(271,635,200)	(111,405,180)
Finance cost	27	(332,926)	(35,115,712)
Other income	28	84,925,949	166,628,090
		84,593,023	131,512,378
(Loss) / Profit before tax		(187,042,177)	20,107,198
Taxation			
- Current		(10,083,104)	(15,000,000)
- Deferred		-	14,704,844
		(10,083,104)	(295,156)
(Loss)/Profit for the year after tax		(197,125,281)	19,812,042
Earnings per share-basic and diluted - continued operations	30.1	2.22	1.97
Earnings per share-basic and diluted - discontinued operations	30.2	(6.44)	(1.55)

The annexed notes from 1 to 38 forms an integral part of these financial statements.

SHAFIQ AHMED
Chief Executive

SHAHID H. PRACHA
Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2008

	Continuing Operations 2008	Discontinued Operations 2008	Total 2008	Continuing Operations 2007	Discontinued Operations 2007	Total 2007 Restated
Cash Flow from Operating Activities:						
(Loss) / Profi before taxation	113,783,482	(300,825,659)	(187,042,177)	92,456,381	(72,349,184)	20,107,197
Adjustment for:						
Depreciation	8,263,536	15,970,349	24,233,885	64,548,226	10,807,129	75,355,355
Amortization	130,908	268,716	399,624	-	-	-
Profit on sale of fixed assets	(177,516)	(146,355)	(323,871)	(303,558)	(1,203)	(304,761)
Provision for gratuity	3,879,048	35,433,525	39,312,573	11,609,904	1,534,193	13,144,097
Gain on sale of investments	-	-	-	(1,417,769)	-	(1,417,769)
Income from investments	(392,522)	(69,032,347)	(69,424,869)	(131,037,637)	(891,609)	(131,929,246)
Provision against stocks	12,449,887	19,193,130	31,643,017	-	-	-
Provision against stores and spares	3,469,744	-	3,469,744	-	-	-
Provision for doubtful debts	-	7,174,376	7,174,376	-	-	-
Insurance claim received	-	-	-	(817,803)	-	(817,803)
Financial charges	332,926	8,738,427	9,071,353	35,115,712	15,186,464	50,302,176
Operating profit before working capital changes	141,739,493	(283,225,838)	(141,486,345)	70,153,456	(45,714,210)	24,439,246
Net Decrease in Working Capital	41,019,684	370,192,396	411,212,080	226,923,015	63,852,570	290,775,585
Cash generated from operations	182,759,177	86,966,558	269,725,735	297,076,471	18,138,360	315,214,831
Payments for:						
Gratuity	(2,946,854)	(81,361,160)	(84,308,014)	(34,386,928)	(3,781,760)	(38,168,688)
Tax	(3,631,090)	(5,853,654)	(9,484,744)	38,939,232	-	38,939,232
Financial charges	(332,926)	(14,683,603)	(15,016,529)	(35,115,712)	(15,186,464)	(50,302,176)
Net cash inflow from Operating Activities (A)	175,848,307	(14,931,859)	160,916,448	266,513,063	(829,864)	265,683,199
Cash Flow from Investing Activities						
Sale proceeds of fixed assets	822,618	160,569	983,187	1,706,221	163,673	1,869,894
Sale of shares	-	-	-	4,372,651	-	4,372,651
Advance for issue of capital	(20,408,675)	-	(20,408,675)	-	-	-
Investments in subsidiary	(30,527,648)	-	(30,527,648)	-	-	-
Income from investments	392,522	69,032,347	69,424,869	131,037,638	891,609	131,929,247
Long term deposits	(121,100)	6,012	(115,088)	6,568,955	-	6,568,955
Fixed capital expenditure	(963,382)	(2,073,309)	(3,036,691)	(32,358,170)	-	(32,358,170)
Net cash (outflow) / inflow from Investing Activities (B)	(50,805,665)	67,125,619	16,319,954	111,327,295	1,055,282	112,382,577
Cash Flow from Financing Activities						
Dividend paid	(48,806)	(219)	(49,025)	(30,994)	-	(30,994)
Finance Lease	-	(22,466,216)	(22,466,216)	(38,341,622)	-	(38,341,622)
Net cash outflow from Financing Activities (C)	(48,806)	(22,466,435)	(22,515,241)	(38,372,616)	-	(38,372,616)
Net increase/(decrease) in cash and cash equivalents (A+B+C)	124,993,836	29,727,325	154,721,161	339,467,742	225,418	339,693,160
Cash and cash equivalents at the beginning of the year	(92,910,803)	225,418	(92,685,385)	(432,378,545)	-	(432,378,545)
Cash and cash equivalents at the end of the year	32,083,033	29,952,743	62,035,776	(92,910,803)	225,418	(92,685,385)
Movement in Working Capital						
(Increase) / Decrease in Current Assets						
Stores and spares	8,601,310	(2,744,611)	5,856,699	6,303,337	3,237,609	9,540,946
Stock-in-trade	(11,771,504)	251,475,642	239,704,138	128,028,044	58,191,727	186,219,771
Trade debts	(2,094,614)	132,149,126	130,054,512	128,938,334	14,439,322	143,377,656
Loans and advances	312,185	3,046,646	3,358,831	1,534,319	1,226,751	2,761,070
Deposits, prepayments and other receivables	16,226,863	3,937,791	20,164,654	(536,792)	2,567,638	2,030,846
	11,274,240	387,864,594	399,138,834	264,267,242	79,663,047	343,930,289
Increase / (Decrease) in Current Liabilities						
Trade debts and other payable	29,745,444	(17,672,198)	12,073,246	(37,344,227)	(15,810,477)	(53,154,704)
Net Decrease in Working Capital	41,019,684	370,192,396	411,212,080	226,923,015	63,852,570	290,775,585
Cash and Cash Equivalents						
Cash and bank balances	32,083,033	29,952,743	62,035,776	42,342,359	225,418	42,567,777
Short term bank finances	-	-	-	(135,253,162)	-	(135,253,162)
Cash and Cash Equivalents at the end of the year	32,083,033	29,952,743	62,035,776	(92,910,803)	225,418	(92,685,385)

The annexed notes from 1 to 38 form an integral part of these financial statements.

SHAFIQ AHMED
Chief Executive

SHAHID H. PRACHA
Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2008

	Share Capital	Capital Reserve				Total Capital Reserve	Revenue Reserve	Unappropriated Profit	Fair Value Reserve on other Invetsments	Total
		Merger Reserve	Right Shares	Capital	Capital Redemption					
	RUPEES									
Balance July o1, 2006	385,835,160	10,520,929	136,865,545	33,310,918	25,969,000	206,666,392	395,354,584	2,622,690,000	272,991,632	3,883,537,768
Bonus Shares issued for the year ended June 30, 2006 in the ratio of 1:10	38,583,520							(38,583,520)		
Reversal of prior year share of profit from associate measured under equity method of accounting upon remeasurement under cost method under IAS 27								(1,733,823,015)		(1,733,823,015)
Profit for the year (restated)								19,812,041		19,812,041
Reversal of fair value of investment in other securities									(166,090,970)	(166,090,970)
Balance June 30, 2007 (restated)	424,418,680	10,520,929	136,865,545	33,310,918	25,969,000	206,666,392	395,354,584	870,095,506	106,900,662	2,003,435,824
Balance July 01, 2007 (restated)	424,418,680	10,520,929	136,865,545	33,310,918	25,969,000	206,666,392	395,354,584	870,095,506	106,900,662	2,003,435,824
Bonus shares issued for the year ended June 30, 2007 in the ratio 1:10	42,441,870							(42,441,870)		-
Profit for the year from continuing operations								103,700,378		103,700,378
Loss for the year from discontinued operations								(300,825,659)		(300,825,659)
Reversal of fair value on invetsment in other securities									(223,519,923)	(223,519,923)
Balance June 30, 2008	466,860,550	10,520,929	136,865,545	33,310,918	25,969,000	206,666,392	395,354,584	630,528,355	(116,619,261)	1,582,790,620

The annexed notes from 1 to 38 form an integral part of these financial statements.

SHAFIQ AHMED
Chief Executive

SHAHID H. PRACHA
Director

Notes to the Financial Statements
For the Year Ended June 30, 2008

1 LEGAL STATUS AND OPERATIONS

Dawood Lawrencepur Limited, "The Company" is a duly incorporated public limited company formed as a result of scheme of arrangement for amalgamation in terms of provisions of section 284 to 287 of the Companies Ordinance, 1984 between Dawood Cotton Mills Limited, Dilon Limited, Burewala Textile Mills Limited, Lawrencepur Woollen and Textile Mills Limited and members of the said companies. The shares of the Company are listed on the Karachi and Lahore Stock Exchanges. The Company is principally engaged in the business of manufacture and sale of yarns and fabrics made from natural and man-made fibers and blends thereof. The registered office of the Company is situated at 35-A, Shahrah-e-Abdul Hameed Bin Baadees (Empress Road), Lahore.

During the year the Company, due to continuous losses of its Dawoodabad unit located at Burewala, District Vehari, has also suspended its operations of the said unit effective March 2008. Accordingly in line with IFRS-5 Non current assets held for sale and Discontinued Operations, the operations relating to the closed down plant and machinery have been classified as discontinued operations. The assets and liabilities related to discontinued operations have been transferred to assets held for disposal and liabilities directly associated with the assets classified as held for sale.

Based on the above, following operations of the Company are now classified under discontinued operations:

- Landhi Mills - Karachi
- Dilon Mills - Karachi (Landhi Synthetic)
- Dawoodabad Mills - Burewala

2 STATEMENT OF COMPLIANCE AND SIGNIFICANT ESTIMATES

2.1 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984, and Approved Accounting and Financial Reporting Standards as applicable in Pakistan, unless otherwise disclosed. Approved Accounting and Financial Reporting Standards comprise of such International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the SECP differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives shall take precedence.

2.2 SIGNIFICANT ESTIMATES

The preparation of financial statements in conformity with approved accounting standards require management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are discussed in the ensuing paragraphs.

2.2.1 Property, plant and equipment

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

2.2.2 Intangible assets

The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at each financial year end.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

2.2.3 Stock in trade and stores and spares

The Company reviews the net realizable value of stock in trade and stores and spares 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.

2.2.4 Employee benefits

Defined benefits plans are provided for permanent employees of the Company. The plans are structured as separate legal entities managed by trustees. These calculations require assumptions to be made of future outcomes, the principal ones being in respect of increases in remuneration, the expected long term return on plan assets and the discount rate used to convert future cash flows to current values, The assumptions used vary for the different plans as they are determined by independent actuaries.

The amount of the expected return on plan assets is calculated using the expected rate of return for the year and the market related value at the beginning of the year.

2.2.5 Taxation

In making the estimates for income taxes payable by the Company, the management looks at the applicable taxation laws.

3 ACCOUNTING CONVENTION

These financial statements have been prepared under the historical cost convention, except that obligations under certain staff retirement benefits have been measured at present value and investments available for sale have been measured at fair market value.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

4.1 Property, plant and equipment

4.1.1 Owned

Operating fixed assets, except for free hold land, are stated at cost less accumulated depreciation. Depreciation is provided on a diminishing balance method at the rate mentioned in the relevant note except for lease hold land which is amortized on straight line method. Depreciation is charged from the date the asset is put into operation and discontinued from the date the asset is retired.

Gain and loss on disposal of assets are included in the income currently.

4.1.2 Subsequent costs

The costs of replacing part of an item of property, plant and equipment is recognized in 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 or loss as they are incurred.

4.1.3 Leased

Leases that transfer substantially all the risks and rewards incidental to ownership of an asset is classified as finance lease. Assets held under finance lease are stated at the lower of present value of minimum lease payments under the lease agreement and the fair value of assets acquired on lease. The aggregate amount of obligations relating to assets subject to finance lease is accounted for at the net present value of liabilities. Value of leased assets is depreciated over the useful lives of the assets using the same rates applicable to owned assets. Depreciation of leased assets is charged to income. The related obligations of leased assets are accounted for as liabilities.

The finance cost under lease agreements are allocated to the periods during the lease term so as to produce a constant periodic rate of finance cost on the remaining balance of principal liability for each period.

4.1.4 Non current assets held for sale

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. The assets (or disposal group) 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 re-measurement are recognised in profit or loss.

4.1.5 Impairment of assets

The carrying amount of the Company's assets are reviewed at each balance sheet date to identify circumstances indicating concurrence of impairment loss or reversal of previous impairment losses. If any such indications exist, the recoverable amounts of such assets are estimated and impairment losses or reversal of impairment losses are recognized in the profit and loss account. Reversal of impairment loss is restricted to the original cost of the asset.

4.2 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, are not capitalized and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization expense on intangible assets with finite lives is recognized in the income statement in the expense category consistent with the function of the intangible asset.

4.3 Investments

4.3.1 Investments in subsidiaries and associated companies

Investments, in subsidiaries where control and associates where significant influence can be established, are stated at cost and the carrying amount is adjusted for impairment, if any, in the recoverable amounts of such investments.

Subsidiaries are those enterprises in which the Company directly or indirectly controls, beneficially owns or holds more than 50% of the voting securities or otherwise has power to elect and/or appoint more than 50% of its directors.

Associates are those entities in which the Company has significant influence and which is neither a subsidiary nor a joint venture of the Company.

During the year the Company has changed its accounting policy relating to the measurement of investments in associates as required under IAS-27. The investments in associates are now measured at cost. This change is brought due to the acquisition of a wholly owned subsidiary, Tenaga Generasi Limited. Previously the investments in associates were measured under equity method of accounting.

Had there been no change, there would be a profit of Rs. 1,462.97 million, the investment would be higher by Rs. 3,125.59 million and reserve would be higher by the same amount.

4.3.2 Investments available for sale

These are initially recognized at fair value plus directly attributable acquisition cost and at subsequent reporting dates measured at fair values. Gains or losses from changes in fair values are taken to equity until disposal at which time these are included in profit and loss account.

Except for the investment in Karnaphuli Paper Mills Limited, which is stated at nominal value, all other investments in unquoted securities are stated at cost, less provision for impairment, if any.

4.4 Stores and Spares

Stores, spares and loose tools are valued at average cost except for items in transit which are stated at cost incurred upto 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 realizable value. The Company reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence.

4.5 Stock in Trade

Stock in trade is valued at the lower of cost and net realisable value

Cost incurred in bringing each product to its present location and condition are accounted for as follows.

Raw and packing material except in transit/bond	at purchase cost on an average basis
Finished goods and work in progress	average production cost which includes cost of:
	Direct material
	Direct wages
	Direct expenses
	Overheads

Items in transit/bond are valued at cost comprising invoice values plus other charges incurred thereon upto the balance sheet date.

Net realizable value signifies the estimated selling price in the ordinary course of business less cost necessary to be incurred to make the sale.

Trading goods are accounted for on cost which is the invoice value plus other expenses incurred to bring them to the point of sale.

4.6 Trade Debts

Trade debts are carried at original invoice amount less provision for impairment. Known bad debts are written off, while provisions are made against debts considered doubtful based on review of outstanding amount at the end of the year.

4.7 Trade and Other Payable

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

Annual Report 2008 - Financial Statements

4.8 Taxation

i Current

Provision for current taxation is based on taxable income for the year at the current rates of taxation after taking into account tax credits and rebates available, if any, or one half of one percent of turnover, whichever is higher.

ii Deferred

Deferred tax is recognized using the balance sheet liability method, providing for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

4.9 Staff Retirement Benefits

4.9.1 Defined contribution plans

A defined contribution plan is the post- employment benefits plan under which an entity pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an employees benefit expense in profit or loss when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

- The Company operates defined contribution provident fund for its permanent employees at its Burewala unit. Monthly contributions are made both by the Group and employees to the Fund at the rate of 8.33% of basic salary.

4.9.2 Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than the 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 period, that benefit is discounted to determine its present value. The calculation is performed by a qualified actuary using the projected unit credit method, Actuarial gains/losses in excess of corridor limit (10% of the higher of fair value of assets and present value of obligation) are recognised over the average remaining services life of the employees.

Contributions require assumptions to be made of future outcome which mainly includes increase in remuneration, expected long term on plan assets and the discount rate used to convert future cash flows to current values. Calculations are sensitive to changes in the underlying assumptions.

- The Company operates defined benefit funded gratuity scheme for its management employees.

- The Company operates defined benefit non-funded gratuity scheme for its non-management employees.

As per actuarial valuation carried out as at June 30, 2007 the following significant assumptions were used for determining the gratuity liability.

Discount rate	10%	
Expected rate of salary increase	9%	
Expected rate of return on plan assets	8%	
Average expected remaining life of employees	8 - 10	years

Actuarial gain and losses are recognized as per the recommendation in actuarial valuation report.

4.9.3 Employees's compensated absences

The Company accounts for these benefits in the period in which the absences are earned.

4.10 Provisions

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

4.11 Foreign Currencies

Pakistan rupee is the functional currency of the Company. Transaction in foreign currencies are recorded in Pakistan rupees at the exchange rate approximating those prevailing on the date of the transaction. Monetary assets and liabilities in foreign currencies are reported in Pak. Rupees at the exchange rate approximating those prevalent at the balance sheet date. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in foreign currencies, are translated using the exchange rates at the date when the fair value was determined.

4.12 Revenue Recognition

Revenue is recognised to the extent that it is probable that the future economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is measured at the fair value of consideration received or receivable on the following basis:

Sales are recorded as revenue when the title of the goods is transferred to the customer which normally corresponds with the dispatch of goods to customers.

Income from investments/deposits is recognized on accrual basis.

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

4.13 Borrowing Cost

Borrowing Costs are recognized as an expense in the period they are incurred.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as a part of the asset.

4.14 Related Party Transactions

Transactions with related parties are carried out on commercial terms and conditions.

4.15 Cash and Cash Equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents include cash in hand and with banks and short term bank finances. The fair value of cash and cash equivalents approximate their carrying amount.

4.16 Financial Assets and Liabilities

All financial assets and liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Any gain or loss on the recognition and de-recognition of the financial assets and financial liabilities is taken to the profit and loss account currently. Financial assets and liabilities, other than specifically mentioned in these policies, are carried at amortized cost. The fair value of these approximate their carrying value.

4.17 Off-setting of Financial Assets and Financial Liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set-off the recognized amounts and the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously and the same is required or permitted by IAS/IFRS or interpretations thereof.

4.18 Standards, Interpretations and amendments to published approved accounting standards that are not yet effective

The following amendments to existing standards have been published that are mandatory and relevant for the company accounting periods beginning on the dates mentioned below:

i) IAS 1 Presentation of Financial Statements (Revised September 2007)	effective from January 1, 2009
ii) IAS 27 (Revised) - Consolidated and Separate Financial Statements	effective from accounting periods beginning on or after July 1, 2009
iii) IFRS 3(Revised) - Business Combinations	effective from accounting periods beginning on or after July 1, 2009

5 PROPERTY, PLANT AND EQUIPMENT

	Note	2008 RUPEES	2007 RUPEES
Operating assets	5.1	76,286,430	543,766,550
		76,286,430	543,766,550
Book value as at June 30		543,766,550	543,766,550
Less: Transfer to non-current assets held for sale		(443,243,465)	-
Adjustments (charge for the year & addition/deletion)		(24,236,655)	-
Net operating assets		76,286,430	543,766,550

During the year, the company due to continuous losses of its Dawoodabad Unit, situated at Burewala, District Vehari suspended its operation effective 31 March 2008. Accordingly in accordance with IFRS-5, Non current assets held for sale and Discontinued Operation, the operations has been classified as discontinued operation. The assets relating to discontinued operations have been transferred to assets held for disposal and liabilities directly associated with the assets are classified as held for sale.

Based on the above, following units are now classified under discontinued operations:

- Landhi Unit
- Dilon Unit (Landhi-Synthetic)
- Dawoodabad Unit- Burewala

5.1 Operating Assets

Description	Owned Assets: Freehold land	Leasehold land	Building on freehold land	Building on lease holdland	Plant & machinery	Furniture & fixtures and office equipment	Electric Installations	Tools & equipment	Vehicles	Leased Assets: Plant & machinery	Vehicles	Total
COST												
Balance as at 01 July 2006	3,156,616	1,080,702	69,744,006	43,065,885	1,347,045,638	28,165,392	36,712,468	2,808,041	21,678,455	220,962,301	828,190	1,775,247,694
Additions	-	-	813,500	11,348,281	13,148,108	1,587,511	-	429,000	5,031,770	-	-	32,358,170
Disposals	-	-	-	-	(385,000)	-	-	(343,542)	(3,374,337)	-	-	(4,102,879)
Transfer from leased to owned	-	-	-	-	102,084,510	-	-	-	828,190	(102,084,510)	(828,190)	-
Transfer to held for sale	-	-	-	-	(672,702,439)	(1,169,029)	(1,049,267)	-	-	-	-	(674,920,735)
Balance as at 30 June 2007	**3,156,616**	**1,080,702**	**70,557,506**	**54,414,166**	**789,190,817**	**28,583,874**	**35,663,201**	**2,893,499**	**24,164,078**	**118,877,791**	**-**	**1,128,582,250**
Balance as at 01 July 2007	3,156,616	1,080,702	70,557,506	54,414,166	789,190,817	28,583,874	35,663,201	2,893,499	24,164,078	118,877,791	-	1,128,582,250
Additions	-	-	-	-	474,246	182,300	-	-	-	-	-	656,546
Disposals	-	-	-	-	-	-	-	-	(2,331,190)	-	-	(2,331,190)
Transfer to held for sale	-	-	-	-	(504,871,010)	-	(35,663,201)	(2,893,499)	-	(118,877,791)	-	(662,305,501)
Balance as at 30 June 2008	**3,156,616**	**1,080,702**	**70,557,506**	**54,414,166**	**284,794,053**	**28,766,174**	**-**	**-**	**21,832,888**	**-**	**-**	**464,602,105**
DEPRECIATION												
Balance as at 01 July 2006	-	454,620	56,221,277	32,376,785	786,725,553	14,286,719	30,685,905	2,366,209	13,129,760	45,030,986	554,264	981,832,078
Charge for the year	-	8,770	1,563,932	1,523,173	57,041,143	1,872,688	598,216	45,300	2,886,155	9,815,978	-	75,355,355
On disposals	-	-	-	-	(160,060)	-	-	(294,355)	(2,083,331)	-	-	(2,537,746)
Transfer from leased to owned	-	-	-	-	24,312,974	-	-	-	554,264	(24,312,974)	(554,264)	-
Transfer to held for sale	-	-	-	-	(467,806,126)	(1,062,966)	(964,895)	-	-	-	-	(469,833,987)
Balance as at 30 June 2007	**-**	**463,390**	**57,785,209**	**33,899,958**	**400,113,484**	**15,096,441**	**30,319,226**	**2,117,154**	**14,486,848**	**30,533,990**	**-**	**584,815,700**
Balance as at 01 July 2007	-	463,390	57,785,209	33,899,958	400,113,484	15,096,441	30,319,226	2,117,154	14,486,848	30,533,990	-	584,815,700
Charge for the year	-	6,143	1,140,943	2,019,817	16,920,835	1,659,856	400,798	30,200	2,055,293	-	-	24,233,885
On disposals	-	-	-	-	-	-	-	-	(1,671,874)	-	-	(1,671,874)
Transfer to held for sale	-	-	-	-	(155,660,668)	-	(30,720,024)	(2,147,354)	-	(30,533,990)	-	(219,062,036)
Balance as at 30 June 2008	**-**	**469,533**	**58,926,152**	**35,919,775**	**261,373,651**	**16,756,297**	**-**	**-**	**14,870,267**	**-**	**-**	**388,315,675**
CARRYING AMOUNT - 2007 RUPEES	**3,156,616**	**617,312**	**12,772,297**	**20,514,208**	**389,077,333**	**13,487,433**	**5,343,975**	**776,345**	**9,677,230**	**88,343,801**	**-**	**543,766,550**
CARRYING AMOUNT - 2008 RUPEES	**3,156,616**	**611,169**	**11,631,354**	**18,494,391**	**23,420,402**	**12,009,877**	**-**	**-**	**6,962,621**	**-**	**-**	**76,286,430**
RATE OF DEPRECIATION	-	1%	5-10%	10%	10-20%	10-15%	10%	10%	25%	10%	10%	

5.2 Non-current Assets held for sale

	2008 RUPEES	2007 RUPEES
Cost	662,305,501	674,920,735
Less: Accumulated Depreciation	(219,062,036)	(469,833,987)
	443,243,465	205,086,748

5.3 The Parent Company is in the process of transferring Land and other assets in its own name which is being currently held in the name of the merged entities.

5.4 Depreciation/Amortization has been charged to:

	2008 RUPEES	2007 RUPEES
Cost of goods sold	22,120,006	73,103,635
Administrative and general expenses	1,421,418	1,403,863
Selling and distribution expenses	692,461	847,857
	24,233,885	75,355,355

5.5 DETAILS OF FIXED ASSETS SOLD DURING THE YEAR

Particulars	Original Cost	Accumulated Depreciation	Written Down Value	Sales Proceeds	Profit	Mode of disposal	Sold to
Vehicle	830,500	330,493	500,007	500,007	-	Transferred	Dawood Hercules Chemicals Ltd
Vehicle	679,845	626,111	53,734	200,000	146,266	As per Company Policy (Employee)	Mr. Sadiq Vakeel
Vehicle	313,500	243,251	70,249	101,599	31,350	As per Company Policy (Employee)	Ch. Tahir Mehmood
Vehicle	57,000	35,988	21,012	21,012	-	As per Company Policy (Employee)	Mr. M. Younas Butt
Vehicle	65,000	54,681	10,319	11,351	1,032	As per Company Policy (Employee)	Mr. Tahir Mehmood
Vehicle	15,000	14,882	118	130	12	As per Company Policy (Employee)	Mr. M. Saleem A Teyyab
Vehicle	132,845	129,777	3,068	61,000	57,932	Based on best competitive quotes	Mr. Asad Khan Abbasi
Vehicle	22,500	22,430	70	88	18	As per Company Policy (Employee)	Mr. Rafique Hussain
Vehicle	15,000	14,978	22	25,000	24,978	Based on best competitive quotes	Mr. Sh. Rehman
Vehicle	57,000	56,953	47	45,000	44,953	Based on best competitive quotes	Mr. Sherdil Khan
Vehicle	143,000	142,330	670	18,000	17,330	Based on best competitive quotes	Mr. Shoaib Gul
2008	2,331,190	1,671,874	659,316	983,187	323,871		
2007	4,102,879	2,537,746	1,565,133	1,869,894	304,761		

6 INTANGIBLE ASSETS

	Note	2008 RUPEES	2007 RUPEES
Trademarks	6.1	-	6,900
Computer software	6.2	1,987,421	-
		1,987,421	6,900

6.1 Trademarks

	2008	2007
Cost		
Balance as at 01 July	24,190	24,190
Additions	-	-
Balance as at 30 June	24,190	24,190
Amortization		
Balance as at 01 July	17,290	17,290
Charge for the year	6,900	-
Balance as at 30 June	24,190	17,290
Carrying amount	-	6,900

6.2 Computer software

	2008	2007
Cost		
Balance as at 01 July	-	-
Additions	2,380,145	-
Balance as at 30 June	2,380,145	-
Amortization		
Balance as at 01 July	-	-
Charge for the year	392,724	-
Balance as at 30 June	392,724	-
Carrying amount	1,987,421	-

7 LONG TERM INVESTMENTS

	Note	2008	2007
Investments in related parties	7.1	116,230,553	65,294,230
Other investments	7.2	376,494,893	598,970,254
		492,725,446	664,264,484

7.1 Investments in related parties

	Note	2008	2007
Wholly owned subsidiary - unquoted			
Tenaga Generasi Limited	7.1.1	30,527,648	-
Percentage holding 100%			
600,000 fully paid Ordinary shares of Rs.10 each			
Advance for issue of capital		20,408,675	-
		50,936,323	-
Associated Company - quoted			
Dawood Hercules Chemicals Limited		65,294,230	65,294,230
Percentage holding 16.19% (2007: 16.19%)			
16,101,632 (2007: 13,418,027) fully paid Ordinary shares of Rs. 10 each Market value **Rs.6,272 million** (2007: Rs.3,742 million)			
		116,230,553	65,294,230

7.1.1 During the year the company has acquired 100% shareholding of Tenaga Generasi Limited (TGL) and as of that date TGL became wholly owned subsidiary company of DLL. TGL was incorporated in 2005 as a special purpose company for setting up a wind energy farm. TGL has been granted a letter of intent for 50 MW wind power plant. TGL has also been granted generation license by NEPRA.

7.2 Other Investments

	2008 RUPEES	2007 RUPEES
Available for sale		
Listed Companies		
Related Parties		
Sui Northern Gas Pipelines Ltd.		
8,272,470(2007 : 8,272,470) Ordinary shares of Rs.10/- each		
Equity held 1.52% (2007 : 1.52 %)		
Cost **Rs. 480,238,817/-** (2007 : Rs.480,238,817/-)	364,071,405	585,277,253
Others		
Sui Southern Gas Company Ltd.		
55,310 (2007 : 55,310) Ordinary shares of Rs.10/- each		
Cost **Rs. 698,313/-** (2007 : Rs. 698,313/-)	1,567,485	1,426,998
National Investment Trust		
Units **200,000** (2007 : 200,000) of Rs. 10/- each		
Cost **Rs.2,440,000/-** (2007 : Rs.2,440,000/-)	10,840,000	12,250,000
	376,478,890	598,954,251
Other entities		
Karnaphuli Paper Mills Ltd.		
795,000 (2007 : 795,000) Ordinary shares of Rs.10/- each	3	3
Mianwali Central Co-operative Bank Ltd		
100 (2007 : 100) Ordinary shares of Rs.10/- each	1,000	1,000
Asian Co-operative Society Ltd.		
1500 (2007 : 1,500) Ordinary shares of Rs.10/- each	15,000	15,000
	376,494,893	598,970,254

8 LONG TERM DEPOSITS

	2008 RUPEES	2007 RUPEES
Security deposit against finance lease	11,313,283	11,313,283
Electricity and gas deposit	8,561,478	8,561,478
Others	1,062,666	947,578
	20,937,427	20,822,339

9 STORES AND SPARES

	2008 RUPEES	2007 RUPEES
Stores	47,254,971	41,331,048
Spares	41,227,895	53,008,517
	88,482,866	94,339,565
Provision for obsolescence	(3,469,744)	-
Transferred to non- current assets held for disposal	(40,059,893)	-
	44,953,229	94,339,565

10 STOCK IN TRADE

	Note	2008 RUPEES	2007 RUPEES
Raw materials		45,110,668	94,205,330
Work in process		135,198,426	105,117,156
Finished goods		103,184,271	334,501,259
Trading goods		4,547,699	3,580,733
		288,041,064	537,404,478
Raw materials in transit		9,659,276	-
		297,700,340	537,404,478
Less:			
Transferred to discontinued operations		89,166,553	171,612,253
Provision for slow moving / obsolescence		12,449,887	-
		101,616,440	171,612,253
		196,083,900	365,792,225

11 TRADE DEBTORS - unsecured considered good

	Note	2008 RUPEES	2007 RUPEES
Trade debtors		66,965,735	197,020,247
Less: Provision for doubtful debts	11.1	(20,049,076)	(12,874,700)
		46,916,659	184,145,547

11.1 PROVISION FOR DOUBTFUL DEBTS - MOVEMENT

	2008 RUPEES	2007 RUPEES
Opening Balance	12,874,700	1,923,965
Add : Provided during the year	7,174,376	10,950,735
	20,049,076	12,874,700

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

	Amount outstanding	Maximum month end balance
2008		
Sach International (Pvt) Limited	-	11,041,978
2007		
Sach International (Pvt) Limited	753,948	21,734,910
Dawood Hercules Chemicals Limited	412,584	8,671,287

12 SHORT TERM INVESTMENTS - Available for sale

	2008 RUPEES	2007 RUPEES
Southern Electric Co. Ltd		
801,900 (2007 : 801,900) Ordinary shares of Rs.10/- each		
Cost **Rs. 13,912,050/-** (2007 : Rs. 13,912,050/-)	4,330,260	5,252,445

13 LOANS AND ADVANCES

	2008 RUPEES	2007 RUPEES
Unsecured- considered good		
Loans and advances due from employees	316,504	1,628,776
Advances to suppliers and others	248,929	2,295,488
	565,433	3,924,264

		Note	2008 RUPEES	2007 RUPEES
14	DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
	Security deposits		2,615,350	3,344,665
	Prepayments		572,468	688,107
	Letters of credit		26,073	4,115,544
	Income tax		69,469,397	74,935,767
	Sales tax		12,387,432	23,450,642
	Insurance claim		-	2,900,000
	Others	14.1	839,996	2,107,015
			85,910,716	111,541,740

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

	Amount outstanding	Maximum month end balance
2008		
Central Insurance Company Limited	-	2,834,165
2007		
Central Insurance Company Limited	3,464,590	3,739,324

		Note	2008 RUPEES	2007 RUPEES
15	CASH AND BANK BALANCES			
	In hand		674,492	446,510
	At bank			
	- in current accounts		31,985,941	22,814,488
	- in deposit accounts	15.1	29,375,343	19,306,779
			61,361,284	42,121,267
			62,035,776	42,567,777

15.1 These represent deposits with commercial banks and carry profit rates of 3.5% to 5.5%(2007: Nil) per annum.

16 DISCONTINUED OPERATIONS

		Note	2008 RUPEES	2007 RUPEES
16.1	Sales - net		321,543,892	408,277,089
	Cost of goods sold	16.4	(562,462,126)	(451,552,487)
	Gross (Loss)		(240,918,234)	(43,275,398)
	Operating expenses			
	Administrative and general		(39,752,876)	(17,001,552)
	Selling and distribution		(11,416,122)	(7,571,705)
	Operating (Loss)		(292,087,232)	(67,848,655)
	Finance cost		(8,738,427)	(15,186,464)
	Other income		-	10,685,934
	(Loss) before tax		(300,825,659)	(72,349,185)

		Note	2008 RUPEES	2007 RUPEES
16.2	Assets of disposal group classified as held for sale			
	Property, plant and equipment	16.3	648,330,213	205,086,748
	Stock in trade		89,166,553	171,612,254
	Stock in spares		40,059,893	-
			777,556,659	376,699,002
	Less: Provision for slow moving/obsolescence on stock & trade		(19,192,991)	-
			758,363,668	376,699,002
16.3	**Property, plant and equipment**			
	Opening balance		205,086,748	-
	Add: Transferred during the year		443,243,465	205,086,748
			648,330,213	205,086,748
16.4	**Cost of Goods Sold**			
	Raw Material			
	Opening inventory		71,146,092	27,475,469
	Purchases		40,427,208	236,025,909
	Less: Closing inventory		(28,921,869)	(32,607,892)
	Raw materials consumed		82,651,431	230,893,486
	Other Cost			
	Salaries, wages and allowances	16.5	181,577,896	58,354,709
	Stores and spares consumed		2,069,114	18,540,657
	Electricity, gas and water consumed		31,083,345	61,400,293
	Yarn conversion cost		107,706	-
	Depreciation		15,249,405	10,807,129
	Insurance		4,785,570	3,540,536
	Repairs and maintenance		499,314	1,074,914
	Rent, rates and taxes		1,967,319	1,057,915
	Workers' welfare		1,576,589	2,024,610
	Other expenses		-	534,088
			238,916,258	157,334,851
			321,567,689	388,228,337
	Add: Opening work in process		17,693,299	23,631,327
	Less: Closing work in process		-	(1,434,638)
	Cost of production		339,260,988	410,425,026
	Add: Opening inventory of finished goods		264,252,692	178,697,184
	Less: Closing inventory of finished goods		(41,051,554)	(137,569,723)
	Cost of goods Sold		562,462,126	451,552,487

16.5 Salaries & wages includes Rs.81.41 million paid as exgratia to employees opted for voluntraly separation scheme announced by the company

17 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2008 Number	2007 Number		Note	2008 RUPEES	2007 RUPEES
2,204,002	2,204,002	Ordinary shares of Rs.10/- each fully paid in cash.		22,040,020	22,040,020
12,805,118	12,805,118	Ordinary shares of Rs.10/- each issued for consideration other than cash		128,051,180	128,051,180
31,676,935	27,432,748	Ordinary shares of Rs.10/- each fully paid as bonus shares		316,769,350	274,327,480
46,686,055	42,441,868		17.1	466,860,550	424,418,680

17.1 Movement in share capital during the year

	Note	2008 RUPEES	2007 RUPEES
42,441,868 Ordinary shares of Rs.10/- each fully paid up		424,418,680	385,835,160
Issued **4,244,187** (2007:3,858,352) Ordinary shares of Rs.10/- each as fully paid bonus shares		42,441,870	38,583,520
Closing balance		466,860,550	424,418,680

18 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2008	2007
Opening balance	46,134,165	84,475,787
Less : Repayments during the year	22,466,216	38,341,622
	23,667,949	46,134,165
Less: Current maturity	23,667,949	22,614,052
	-	23,520,113

18.1 The minimum lease payments have been discounted @ 7% to 16.25% (2007 : 7% to 16.25 %) per annum to arrive at the present value of minimum lease payments. These liabilities are secured against relevant assets and security deposits of Rs.11.31 million (2007: Rs. 11.31 million). The amount of future payments and the period in which they will become due are :

	Total Minimum lease payments	Finance Cost	Present Value of minimum lease payment
2008 - 2009	24,669,433	1,001,484	23,667,949
	24,669,433	1,001,484	23,667,949

19 DEFERRED LIABILITIES

	Note	2008	2007
Gratuity	19.1	37,740,094	82,735,535
Deferred Taxation	19.2	-	-
		37,740,094	82,735,535

19.1 Gratuity dues

	2008	2007
Opening Balance	82,735,535	107,760,126
Add: Provisions made	39,312,573	13,144,097
	122,048,108	120,904,223
Less: Payments made during the year	(84,308,014)	(38,168,688)
	37,740,094	82,735,535
Expense		
Current service cost	39,312,573	5,306,015
Interest cost	-	8,015,782
Return on plan assets	-	(177,700)
Charged to profit and loss account	39,312,573	13,144,097
Reconciliation		
Present value of obligation	29,616,068	76,631,471
Fair value of plan assets	(2,163,019)	(2,161,999)
Unrecognised actuarial gain	10,287,045	8,266,063
	37,740,094	82,735,535

19.2 Deferred tax

No deferred tax liability is provided in the accounts taking into consideration the potential tax savings related to the tax losses carried forward.

20 TRADE AND OTHER PAYABLES

	Note	2008 RUPEES	2007 RUPEES
Creditors	20.1	48,103,262	23,982,833
Accrued expenses	20.1	34,572,284	46,025,882
Advance from customers and others		930,011	829,685
Unclaimed dividend		20,743,247	20,792,272
Due to Islamic Development Bank	20.2	25,960,000	25,960,000
Deposits	20.3	486,316	810,979
Withholding tax		48,723	276,509
Others		5,848,377	5,940,816
		136,692,220	124,618,976

20.1 These includes amount due to following related parties:

	2008	2007
Creditors		
Central Insurance Company Limited	-	65,835
Sach International (Pvt) Limited	-	644,930
Accrued expenses		
Dawood Foundation	-	32,636
Dawood Corporation (Pvt) Limited	-	468,912
Central Insurance Company Limited	-	292,954

20.2 This represents preference share capital of one of the merged entity issued to Islamic Development Bank with right to redeem. The merged entity had served notice to the Bank for redemption before the scheme of amalgamation was approved and as such the same has been classified as liability and redemption reserve has been created.

20.3 All deposits are re-payable on demand and no interest is payable thereon.

21 SHORT TERM BANK FINANCES-SECURED

This represents running finance facilities of Rs. 1,140 million (2007 : Rs. 1,490 million) obtained from commercial banks and are secured against pledge of 3,985,000 shares (2007: 3,985,000 shares) of Sui Northern Gas Pipelines Limited and hypothecation of stock in trade. The rate of markup ranges from 0.25% to 1.00% above monthly / quarterly KIBOR rates (2007: 0.25% to 1.00%) per annum.

Bank	Sanctioned amount	Percentage	Amount	Security
Bank Al Habib Limited	540 Million	Kibor + 0.25%	-	Hypothecation of stock and pledge of 20,000 bales of raw cotton
Muslim Commercial Bank	350 Million	Kibor + 1%	-	Pledge of SNGPL shares
Habib Metropolitan Bank	250 Million	Kibor + 1%	-	Hypothecation of stock
Total	1,140 Million		-	

22 CONTINGENCIES AND COMMITMENTS

22.1 Contingencies:

During the year, the Company has received a notice from Taxation Officer demanding Rs. 2.72 million on account of workers welfare fund for the accounting year 2006.

The Company has filed an appeal before the Commissioner of Income Tax challenging the above demand raised by the Taxation Officer as the same has been levied contrary to the mode of calculation stated in Section 4 "Mode of payment by, and recovery from Industrial Establishment" of the WWF Ordinance, 1971.

No provision against such demand raised by the Taxation Officer has been made in the accounts as the management is confident of a favourable outcome.

During the year the Deputy Commissioner of Income Tax has served a notice to the Company demanding tax for the assessment years 2004 and 2005 amounting to Rs.39.90 million. The above demands were calculated by disallowing expenses taxed on the basis of allocation of expenses. The company being aggrieved filed an appeal with the higher authority. The management is confident of a favourable outcome.

The Collector of Central Excise and Sales Tax during the period from 1975 to 1986 has created various demands along with penalties aggregating to Rs.3.816 million. Upon the demand of the Collector of Customs and Central Excise the Company has submitted bank guarantees for the demand so raised. The company has preferred appeal before various forums which resulted in reduction in penalty by 50% of the original demand. Upon the initiation of the recovery proceedings by the department concerned the department has recovered the amount by assignment of bank account of the Company. The Company is under appeal at various appellate forums for the recovery of the amount subjugated. The management of the Company is hopeful that it will succeed in the appeal so made.

During the period the Company has provided a bank guarantee in favour of TGL (the subsidiary company) to Alternate Energy Development Board (AEDB) for US$ 25,000 on 21st February 2008. The bank guarantee is valid for the period of 24 months and shall expire on 20th February 2010.

The Company is contingently liable against the guarantees and the counter guarantees amounting to Rs. 36.73 million (2007: Rs. 36.73 million). These are secured against margins and investment in NIT units.

22.2 Commitments:

The Company has letter of credit commitments for purchases amounting to Rs. 13.20 million (2007: Rs. 1.33 million).

23 SALES NET

	2008 RUPEES	2007 RUPEES
Manufacturing	684,810,456	1,633,538,228
Trading	9,734,104	10,087,660
Sales tax	-	462,905
Brokerage, commission and discount	4,706,659	13,564,158
	(4,706,659)	(14,027,063)
	689,837,901	1,629,598,825
Transferred to discontinued operations		
Sales - manufacturing	323,880,850	409,917,930
Sales tax	-	(462,905)
Brokerage, commission and discount	(2,336,958)	(1,177,936)
	321,543,892	408,277,089
	368,294,009	1,221,321,736

24 COST OF GOODS SOLD

	Note	2008 RUPEES	2007 RUPEES
RAW MATERIALS:			
Opening inventory		94,205,330	264,062,538
Purchases		177,695,953	795,642,182
		271,901,283	1,059,704,720
Less: Closing inventory		(42,592,174)	(94,205,330)
Raw materials consumed		229,309,109	965,499,390
OTHER COSTS:			
Salaries, wages and allowances	24.1	245,075,261	232,877,101
Stores and spares consumed		36,217,411	63,587,855
Electricity, gas and water consumed		70,788,273	222,598,491
Yarn conversion cost		107,706	3,718,825
Depreciation		22,120,006	73,103,635
Insurance		5,796,570	12,120,026
Repairs and maintenance		1,336,345	5,254,053
Rent, rates and taxes		1,967,319	2,231,076
Workers' welfare		1,576,589	4,738,147
Other expenses		3,900,922	4,776,743
		618,195,511	1,590,505,342
Add: Opening work in process		105,117,156	93,957,445
Less: Closing work in process		(130,884,946)	(105,117,156)
COST OF PRODUCTION		592,427,721	1,579,345,631
Add: Opening inventory of finished goods		334,501,259	361,163,774
Less: Closing inventory of finished goods		(78,373,228)	(334,501,259)
		256,128,031	26,662,515
Cost of sales - Trading goods	24.2	8,279,791	5,981,649
	24.3	856,835,543	1,611,989,795
Transferred to discontinued operations		(562,462,126)	(451,552,487)
		294,373,417	1,160,437,308

24.1 This includes staff retirement benefits of **Rs. 38,032,189/-** (2007:Rs.,537,558/-)

24.2 Cost of sales - Trading goods

	2008	2007
Opening inventory	3,580,733	4,100,911
Purchases	9,246,757	5,461,471
	12,827,490	9,562,382
Less: Closing inventory	4,547,699	3,580,733
	8,279,791	5,981,649

24.3 This includes Rs. 24.81 million written off relating to inventory of fabric and store and spares on account of shortage arrived at after physical verification.

25 ADMINISTRATIVE AND GENERAL EXPENSES

	Note	2008 RUPEES	2007 RUPEES
Salaries and allowances	25.1	33,800,260	44,353,031
Printing and stationery		2,354,392	3,083,312
Rent, rates and taxes		7,647,320	7,375,858
Electricity and gas		2,109,431	1,107,767
Conveyance and travelling		3,201,178	4,772,782
Postage, fax and telephone		1,985,271	2,822,686
Insurance		171,795	344,225
Repairs and maintenance		379,662	783,663
Legal and professional charges		6,986,601	3,297,483
Auditor's remuneration	25.2	400,000	360,000
Fees and subscription		1,463,056	525,167
Advertisement		134,853	-
Entertainment		503,137	572,774
Depreciation		1,421,418	1,403,863
Amortization		399,624	-
Zakat		50,000	50,000
Charity and donation	25.3	-	3,000
Miscellaneous expenses		551,887	745,921
		63,559,885	71,601,532
Transferred to discontinued operations		(39,752,876)	(17,001,551)
		23,807,009	54,599,981

25.1 This includes staff retirement benefits of Rs. 1,139,816/- (2007:Rs.2,986,031/-)

25.2 This includes:

Annual audit fee	300,000	300,000
Audit of consolidated financial statements	40,000	-
Review and other certification fee	60,000	60,000
	400,000	360,000

25.3 None of the Directors of the Group or any of their spouses have any interest in or are otherwise associated with any of the recipients of donations made by the Group during the year.

26 SELLING AND DISTRIBUTION EXPENSES

	Note	2008 RUPEES	2007 RUPEES
Storage and forwarding charges		530,332	4,861,863
Salaries and allowances	26.1	6,887,457	10,444,731
Printing and stationary		822,027	913,826
Rent, rates and taxes		7,111,413	5,749,670
Electricity and gas		451,202	599,347
Conveyance and travelling		463,047	1,173,738
Postage, fax and telephone		710,536	839,383
Freight and Insurance		722,108	518,719
Repairs and maintenance		838,946	464,872
Provision for doubtful debts		7,174,376	10,950,735
Loading and unloading charges		-	72,033
Depreciation		692,461	847,857
Entertainment		47,071	153,613
Terminal tax and transportation charges		968,909	729,599
Advertisement charges		3,263,159	12,314,947
Packing charges		539,986	248,906
Miscellaneous expenses		1,116,216	2,028,308
		32,339,246	52,912,147
Transferred to discontinued operations		(11,416,122)	(7,571,705)
		20,923,124	45,340,442

26.1 This includes staff retirement benefits of **Rs. 140,568/-** (2007:Rs.620,508/-)

27 FINANCE COST

	2008 RUPEES	2007 RUPEES
Markup on bank finances	1,207,250	38,404,131
Lease financial charges	4,112,112	6,121,169
Bank charges	802,867	1,277,533
Discounting charges	2,949,124	4,499,343
	9,071,353	50,302,176
Transferred to discontinued operations	(8,738,427)	(15,186,464)
	332,926	35,115,712

28 OTHER INCOME

	2008 RUPEES	2007 RUPEES
Income from financial assets		
Dividend Income		
Dawood Hercules Chemical Ltd	40,254,081	107,344,216
Sui Northern Gas Co. Ltd	24,817,410	22,700,100
Sui Southern Gas Co. Ltd	27,655	71,903
NIT Units	1,240,000	1,160,000
	66,339,146	131,276,219
Profit on deposits	3,085,723	653,029
	69,424,869	131,929,248
Income from non financial assets		
Profit on sale of fixed assets	323,871	304,761
Capital gain on sale of shares	-	1,417,769
Exchange gain	-	150,000
Sundry sales and receipts	6,135,032	4,147,783
Insurance Claim	-	817,803
	6,458,903	6,838,116
Liabilities written back	9,042,177	38,546,660
	84,925,949	177,314,024
Transferred to discontinued operations	-	(10,685,934)
	84,925,949	166,628,090

29 RECONCILIATION OF TAX CHARGE FOR THE YEAR

	2008	2007
Tax on accounting profit	35.00%	35.00%
Tax effect of expenses that are not deductible in determining taxable income	-4.61%	27.70%
Tax effect of payments allowed as expenses in determining taxable income	46.27%	-224.80%
Tax effect of income exempt from tax	0.00%	-0.60%
Tax effect of applicability of lower rate of tax	-12.41%	-3.56%
Tax effect of minimum tax liability	-69.64%	184.15%
	-5.39%	17.90%

30 EARNINGS PER SHARE-BASIC AND DILUTED

	2008 RUPEES	2007 RUPEES
30.1 Continuing operations		
Net Profit after tax	103,700,378	92,161,227
Average ordinary shares in issue	46,686,055	46,686,055
Earnings per share-basic and diluted	2.22	1.97
30.2 Discontinued operations		
Net Loss after tax	(300,825,659)	(72,349,185)
Average ordinary shares in issue	46,686,055	46,686,055
Earnings per share-basic and diluted	(6.44)	(1.55)

31 EMOLUMENTS OF CHIEF EXECUTIVE AND EXECUTIVES

The aggregate amount charged in these financial statements for the remuneration of the chief executive and executives were as under:

		Chief Executive	Executives	Total
Remuneration		1,952,400	5,849,977	7,802,377
House rent allowance		780,960	2,041,920	2,822,880
Utilities		195,240	446,190	641,430
Other allowances		115,600	1,969,676	2,085,276
2008 - Rupees		3,044,200	10,307,763	13,351,963
2007 - Rupees		2,041,846	11,685,465	13,727,311
No. of persons	2008	1	12	13
	2007	1	17	18

31.1 Executive means any employee whose basic salary exceeds Rs. 500,000 (2007: Rs. 500,000) per year.

31.2 Chief Executive and some senior executives are provided with free use of cars owned and maintained by the company/employees and some other benefits in accordance with the company policy.

31.3 The aggregate amount charged in these financial statements in respect of fee to 7 Directors (2007: 7) was Rs.Nil (2007: Rs. 25,000)

32 RELATED PARTIES TRANSACTIONS

Related parties comprises of subsidiary company, associated company, major shareholders, directors, companies with common directorship and key management personnel. Transactions of the Group with related parties are as follows:

	2008	2007
Associated Company		
Dividend income received	40,254,081	107,344,215
Other related parties		
Sales of cloth	29,346,317	23,690,842
Purchase of cloth	11,723,627	7,973,115
Insurance premium paid	8,423,348	13,109,868
Rental charges paid	4,325,007	5,002,938
Storage charges paid	37,515	560,386
Equity investment in TGL	50,936,323	-

32.1 Transactions with related parties are carried out on commercial terms and conditions.

33 INSTALLED CAPACITY AND PRODUCTION

		2008 Capacity	2008 Actual	2007 Capacity	2007 Actual
		(in thousands)		(in thousands)	
Polyester yarn	Kgs.	1,400	-	1,400	538
Yarn	Kgs.	25,519	885	25,519	10,341
Cloth	Mtrs.	5,060	805	5,060	1,063

Reason for underutilisation

Closure of production facilities at the following locations:

- Landhi Unit
- Dilon Unit (Landhi-Synthetic)
- Dawoodabad Unit - Burewala

34 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

34.1 Financial Assets and Liabilities

	Interest/Markup Bearing			Non Interest/Markup Bearing			
	Less than one year	Over one year	Sub-Total	Less than one year	Over one year	Sub-Total	Total 2008
	Rupees						
Financial Assets							
Long term Investments	-	-	-	-	492,725,446	492,725,446	492,725,446
Long term deposits	-	-	-	-	20,937,427	20,937,427	20,937,427
Short term Investments	-	-	-	4,330,260	-	4,330,260	4,330,260
Trade debtors	-	-	-	46,916,659	-	46,916,659	46,916,659
Loans and advances	-	-	-	565,433	-	565,433	565,433
Deposits, prepayments & other receivables	-	-	-	85,910,716	-	85,910,716	85,910,716
Cash and bank balances	29,375,343	-	29,375,343	32,660,433	-	32,660,433	62,035,776
	29,375,343	-	29,375,343	170,383,501	513,662,873	684,046,374	713,421,717
						-	
Financial Liabilities							
Lease liabilities	23,667,949	-	23,667,949	-	-	-	23,667,949
Short term bank finance	-	-	-	-	-	-	-
Creditors, accrued & other liabilities	-	-	-	115,948,973		115,948,973	115,948,973
Dividend			-	20,743,247		20,743,247	20,743,247
	23,667,949	-	23,667,949	136,692,220	-	136,692,220	160,360,169

34.2 Financial Assets and Liabilities

	Interest/Markup Bearing			Non Interest/Markup Bearing			
	Less than one year	Over one year	Sub-Total	Less than one year	Over one year	Sub-Total	Total 2007 (Restated)
	Rupees						
Financial Assets							
Long term Investments	-	-	-	-	664,264,484	664,264,484	664,264,484
Long term deposits	-	6,421,591	6,421,591	-	14,400,748	14,400,748	20,822,339
Short term Investments	-		-	5,252,445	-	5,252,445	5,252,445
Trade debtors	-	-	-	184,145,547	-	184,145,547	184,145,547
Loans and advances	-	-	-	3,924,264	-	3,924,264	3,924,264
Deposits, prepayments & other receivables	-	-	-	111,541,740	-	111,541,740	111,541,740
Cash and bank balances	19,306,779	-	19,306,779	23,260,998	-	23,260,998	42,567,777
	19,306,779	6,421,591	25,728,370	328,124,994	678,665,232	1,006,790,226	1,032,518,596
Financial Liabilities							
Lease liabilities	22,614,052	23,520,113	46,134,165	-	-	-	46,134,165
Short term bank finance	135,253,162	-	135,253,162	-	-	-	135,253,162
Creditors, accrued & other liabilities	-	-	-	103,826,704	-	103,826,704	103,826,704
Dividend	-	-	-	20,792,272	-	20,792,272	20,792,272
	157,867,214	23,520,113	181,387,327	124,618,976	-	124,618,976	306,006,303

34.3 **Credit Risk**

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. Other than cash and bank balance, all other financial assets are subject to credit risk. The Company applied credit limits to its customers and does not have significant exposure to any individual customer.

34.4 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will effect the value of financial instruments. The Company is not exposed to any interest rate risk due to the fact that funds are borrowed at fixed market based rates.

34.5 Fair Values of financial instruments

The carrying value of all the financial instruments reported in the financial statements approximate their fair value. This assessment is based on settlement / realisable value.

34.6 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet its commitments. Due to effective working capital management policy, the Company aims at maintaining flexibility in funding by keeping committed credit lines available.

35 CORRESPONDING FIGURES

Previous year figures have been restated, rearranged and/or reclassified, wherever necessary, for the purpose of comparison in the financial statements. For better presentation reclassifications made in the financial statements were as follows:

Reclassification from Component	Reclassification to Component	Amount (Rs.)
Other charges	Administrative and general expenses	50,000
Discontinued operations	Taxation - current	2,041,385
Cloth and yarn purchased	Purchases - raw material	2,322,579

36 AUTHORISATION OF FINANCIAL STATEMENTS AND APPROPRIATIONS

These financial statements were authorised for issue on August 26, 2008 by the Board of Directors.

37 NUMBER OF EMPLOYEES

Number of employees as at year end were 722 (2007: 2,050).

38 GENERAL

38.1 Figures have been rounded off to the nearest rupee.

Consolidated Financial Statements

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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Dawood Lawrencepur Limited ("the Company") as at 30 June 2008 and the related consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of Dawood Lawrencepur Limited. The financial statements of subsidiary company were audited by an another auditor, whose report was forwarded to us, and their opinion insofar as it relates to the amounts included for such company is based solely on the report of the another auditor. These financial statements are responsibility of the Company's management. Our responsibility is to express our opinion on these financial 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 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.

In our opinion, the consolidated financial statements present fairly the financial position of the Company as at 30 June 2008 and the results of its operations, its cash flows and changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

Date: 26 August 2008
Place: Karachi

MOOCHHALA GANGAT & CO.
Chartered Accountants

CONSOLIDATED BALANCE SHEET AS AT JUNE 30, 2008

	NOTE	2008 RUPEES	2007 RUPEES Restated
NON CURRENT ASSETS			
Fixed Assets			
Property, plant and equipment	5	99,582,230	543,766,550
Capital work in progress		8,273,674	-
Intangible assets	6	24,821,466	6,900
		132,677,370	543,773,450
Long Term Investments	7	3,567,382,153	2,132,728,435
Long Term Deposits	8	20,937,427	20,822,339
CURRENT ASSETS			
Stores and spares	9	44,953,229	94,339,565
Stock-in-trade	10	196,083,900	365,792,225
Trade debtors	11	46,916,659	184,145,547
Short term investments	12	4,330,260	5,252,445
Loans and advances	13	565,433	3,924,264
Deposits, prepayments and other receivables	14	85,911,857	111,541,740
Cash and bank balances	15	62,042,852	42,567,777
		440,804,190	807,563,563
Assets of disposal group classified as held for sale	16.2	758,363,668	376,699,002
		4,920,164,808	3,881,586,789
SHARE CAPITAL AND RESERVES			
Share Capital			
Authorised: 55,000,000 (2007: 55,000,000) Ordinary shares of Rs.10/- each		550,000,000	550,000,000
Issued, subscribed & paid up	17	466,860,550	424,418,680
Reserves		4,018,003,727	3,047,481,095
		4,484,864,277	3,471,899,775
NON CURRENT LIABILITIES			
Liabilities against assets subject to finance lease	18	-	23,520,113
Deferred Liabilities	19	37,740,094	82,735,535
CURRENT LIABILITIES			
Trade and other payable	20	140,234,888	124,618,976
Short term bank finances-secured	21	-	135,253,162
Current portion of lease liabilities	18	23,667,949	22,614,052
Interest / markup on short term bank finances		-	5,945,176
Provision for taxation		233,657,600	15,000,000
		397,560,437	303,431,366
CONTINGENCIES AND COMMITMENTS	22		
		4,920,164,808	3,881,586,789

The annexed notes from 1 to 37 form an integral part of these consolidated financial statements.

SHAFIQ AHMED
Chief Executive

SHAHID H. PRACHA
Director

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2008

	NOTE	2008 RUPEES	2007 RUPEES Restated
Sales - net	23	368,294,009	1,221,321,736
Cost of goods sold	24	(294,373,416)	(1,160,437,308)
Gross profit		73,920,593	60,884,428
Operating expenses			
Administrative and general	25	23,874,114	54,599,981
Selling and distribution	26	20,923,124	45,340,442
		(44,797,238)	(99,940,423)
		29,123,355	(39,055,995)
Loss from discontinued operations	16.1	(300,825,659)	(72,349,185)
Operating loss		(271,702,304)	(111,405,180)
Finance cost	27	(333,076)	(35,115,712)
Other income	28	44,671,868	59,283,875
Share of profit from associates		1,873,604,576	223,460,489
		1,917,943,368	247,628,652
Profit before tax		1,646,241,064	136,223,472
Taxation			
- Current		(6,057,696)	(15,000,000)
- Deferred		-	14,704,844
- Attributable to share of taxation from associates		(176,221,416)	(51,378,489)
		(182,279,112)	(51,673,645)
Profit for the year after tax		1,463,961,952	84,549,827
Earnings per share-basic and diluted - continued operations	30.1	37.80	3.36
Earnings per share-basic and diluted - discontinued operations	30.2	(6.44)	(1.55)

The annexed notes from 1 to 37 form an integral part of these consolidated financial statements.

SHAFIQ AHMED
Chief Executive

SHAHID H. PRACHA
Director

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2008

	Continuing Operations 2008	Discontinued Operations 2008	Total 2008	Continuing Operations 2007	Discontinued Operations 2007	Total 2007 Restated
			RUPEES			
Cash Flow from Operating Activities:						
Profit/(Loss) before taxation	1,947,066,723	(300,825,659)	1,646,241,064	208,572,657	(72,349,184)	136,223,473
Adjustment for:						
Depreciation	8,263,536	15,970,349	24,233,885	64,548,226	10,807,129	75,355,355
Amortization	130,908	268,716	399,624	-	-	-
Profit on sale of fixed assets	(177,516)	(146,355)	(323,871)	(303,558)	(1,203)	(304,761)
Provision for gratuity	3,879,048	35,433,525	39,312,573	11,609,904	1,534,193	13,144,097
Provision against stocks	12,449,887	19,193,130	31,643,017	-	-	-
Provision against stores & spares	3,469,744	-	3,469,744	-	-	-
Provision for doubtful debts	-	7,174,376	7,174,376	-	-	-
Gain on sale of investments	-	-	-	(1,417,769)	-	(1,417,769)
Income from investments	(392,522)	(28,778,266)	(29,170,788)	(23,693,423)	(891,609)	(24,585,032)
Insurance claim received	-	-	-	(817,803)	-	(817,803)
Share of profit from associates	(1,873,604,576)	-	(1,873,604,576)	(223,460,489)	-	(223,460,489)
Finance cost	333,076	8,738,427	9,071,503	35,115,712	15,186,464	50,302,176
Operating profit / (loss) before working capital changes	101,418,308	(242,971,757)	(141,553,449)	70,153,457	(45,714,210)	24,439,247
Net decrease in working capital	44,530,582	370,192,396	414,722,978	226,923,014	63,852,570	290,775,584
Cash generated from operations	145,948,890	127,220,639	273,169,529	297,076,471	18,138,360	315,214,831
Payments for:						
Gratuity	(2,946,854)	(81,361,160)	(84,308,014)	(34,386,928)	(3,781,760)	(38,168,688)
Tax	(3,631,090)	(5,853,654)	(9,484,744)	38,939,232	-	38,939,232
Finance cost	(333,076)	(14,683,603)	(15,016,679)	(35,115,712)	(15,186,464)	(50,302,176)
Net cash inflow from operating activities (A)	139,037,870	25,322,222	164,360,092	266,513,063	(829,864)	265,683,199
Cash Flow from Investing Activities						
Sales proceed of fixed assets	822,618	160,569	983,187	1,706,221	163,673	1,869,894
Capital work in progress	(8,273,674)	-	(8,273,674)	-	-	-
Acquisition of leasehold land	(23,295,800)	-	(23,295,800)	-	-	-
Sale of shares	-	-		4,372,651	-	4,372,651
Acquisition of goodwill	(22,834,045)	-	(22,834,045)	-	-	-
Income from investments	40,646,603	28,778,266	69,424,869	131,037,638	891,609	131,929,247
Long term deposits	(121,100)	6,012	(115,088)	6,568,955	-	6,568,955
Fixed capital expenditure	(963,382)	(2,073,309)	(3,036,691)	(32,358,170)	-	(32,358,170)
Net cash (outflow) / inflow from Investing Activities (B)	(14,018,780)	26,871,538	12,852,758	111,327,295	1,055,282	112,382,577
Cash Flow from Financing Activities						
Dividend paid	(48,806)	(219)	(49,025)	(30,994)	-	(30,994)
Finance Lease	-	(22,466,216)	(22,466,216)	(38,341,622)	-	(38,341,622)
Net cash outflow from Financing Activities (C)	(48,806)	(22,466,435)	(22,515,241)	(38,372,616)	-	(38,372,616)
Net increase/(decrease) in cash and cash equivalents (A+B+C)	124,970,284	29,727,325	154,697,609	339,467,742	225,418	339,693,160
Cash and cash equivalents at the beginning of the year	(92,880,175)	225,418	(92,654,757)	(432,378,545)	-	(432,378,545)
Cash and cash equivalents at the end of the year	32,090,109	29,952,743	62,042,852	(92,910,803)	225,418	(92,685,385)
Movement in Working Capital						
(Increase) / Decrease in Current Assets						
Stores and spares	8,601,310	(2,744,611)	5,856,699	6,303,337	3,237,609	9,540,946
Stock-in-trade	(11,771,504)	251,475,642	239,704,138	128,028,043	58,191,727	186,219,770
Trade debt	(2,094,614)	132,149,126	130,054,512	128,938,334	14,439,322	143,377,656
Loans and advances	312,185	3,046,646	3,358,831	1,534,319	1,226,751	2,761,070
Deposits, prepayments and other receivables	16,326,863	3,937,791	20,264,654	(536,792)	2,567,638	2,030,846
	11,374,240	387,864,594	399,238,834	264,267,241	79,663,047	343,930,288
Increase / (Decrease) in Current Liabilities						
Trade and other payable	33,156,342	(17,672,198)	15,484,144	(37,344,227)	(15,810,477)	(53,154,704)
Net Decrease in Working Capital	44,530,582	370,192,396	414,722,978	226,923,014	63,852,570	290,775,584
Cash and Cash Equivalents						
Cash and bank balances	32,090,109	29,952,743	62,042,852	42,342,359	225,418	42,567,777
Short term bank finances	-	-	-	(135,253,162)	-	(135,253,162)
Cash and Cash Equivalents at the end of the year	32,090,109	29,952,743	62,042,852	(92,910,803)	225,418	(92,685,385)

The annexed notes from 1 to 37 form an integral part of these consolidated financial statements.

SHAFIQ AHMED
Chief Executive

SHAHID H. PRACHA
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2008

	Share Capital	CAPITAL RESERVE					REVENUE RESERVE			Total
		Merger Reserve	Right Shares Premium	Capital Reserves	Capital Redemption Reserve	Revenue Reserves	Unappropriated Profit	Fair value Reserve on Investments in Associates	Fair value Reserve on Investments	
	RUPEES									
Balance as at July 01, 2006	385,835,160	10,520,929	136,865,545	33,310,918	25,960,000	395,354,584	2,136,104,809	486,585,000	272,991,362	3,883,528,307
Appropriations										
Issuance of Bonus shares for the year ended June 30, 2006 in the ratio of 1:10	38,583,520						(38,583,520)			-
Profit for the year from continuing operations							158,940,397			158,940,397
Loss for the year from discontinuing operations							(74,390,570)			(74,390,570)
Transfer to profit and loss account on sale of investments									(379,070)	(379,070)
Decrease in carrying value of investments carried at market value									(165,694,776)	(165,694,776)
Adjustment relating to the share of profit from associates							119,518,487	(449,623,000)		(330,104,513)
Balance as at June 30, 2007	424,418,680	10,520,929	136,865,545	33,310,918	25,960,000	395,354,584	2,301,589,603	36,962,000	106,917,516	3,471,899,775
Appropriations										
Issuance of Bonus shares for the year ended June 30, 2007 in the ratio of 1:10	42,441,870						(42,441,870)			-
Profit for the year from continuing operations							1,764,787,611			1,764,787,611
Loss for the year from discontinuing operations							(300,825,659)			(300,825,659)
Decrease in carrying value of investments carried at market value									(223,397,546)	(223,397,546)
Adjustment relating to the share of profit from associates							(190,637,904)	(36,962,000)		(227,599,904)
Balance as at June 30, 2008	466,860,550	10,520,929	136,865,545	33,310,918	25,960,000	395,354,584	3,532,471,781	-	(116,480,030)	4,484,864,277

The annexed notes from 1 to 37 form an integral part of these consolidated financial statements.

SHAFIQ AHMED
Chief Executive

SHAHID H. PRACHA
Director

Notes to the Consolidated Financial Statements
For the Year Ended June 30, 2008

1. LEGAL STATUS AND OPERATIONS

Dawood Lawrencepur Limited, "The Parent Company" is a public limited company incorporated in 2004 as a result of scheme of arrangement for amalgamation in terms of provisions of section 284 to 287 of the Companies Ordinance, 1984 between Dawood Cotton Mills Limited, Dilon Limited, Burewala Textile Mills Limited, Lawrencepur Woollen and Textile Mills Limited and members of the said companies. The shares of the Parent Company are listed on the Karachi and Lahore Stock Exchanges. The Parent Company is principally engaged in the business of manufacture and sale of yarns and fabrics made from natural and man-made fibers and blends thereof. The registered office of the Parent Company is situated at 35-A, Shahrah-e-Abdul Hameed Bin Baadees (Empress Road), Lahore.

During the year the Parent Company, due to continuous losses of its Dawoodabad unit located at Burewala, District Vehari, has also suspended its operations effective March 2008. Accordingly in line with IFRS-5 Non current assets held for sale and Discontinued Operations, the operations relating to the closed down plant and machinery have been classified as discontinued operations. The assets and liabilities related to discontinued operations have been transferred to assets held for disposal and liabilities directly associated with the assets classified as held for sale.

Based on the above, following operations of the Parent Company are now classified under discontinued operations:

- Landhi Mills - Karachi
- Dilon Mills - Karachi (Landhi Synthetic)
- Dawoodabad Mills - Burewala

The Parent Company has a wholly owned subsidiary namely Tenaga Generasi Limited "The Subsidiary Company". The Subsidiary Company was incorporated in 2005 as a public limited company under the Companies Ordinance, 1984 for a special purpose for setting up and running up a wind energy farm as an independent power producer. The Subsidiary Company is in the process of acquiring its resources and commercial production has not yet commenced. The registered office of the Subsidiary Company is situated at Dawood Centre, M.T. Khan Road, Karachi.

2. STATEMENT OF COMPLIANCE, BASIS OF CONSOLIDATION AND SIGNIFICANT ESTIMATES

2.1 STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984, and Approved Accounting and Financial Reporting Standards as applicable in Pakistan, unless otherwise disclosed. Approved Accounting and Financial Reporting Standards comprise of such International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the SECP differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives shall take precedence.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Parent Company and the Subsidiary Company together constituting "the Group" statements. Subsidiaries are those enterprises in which the Parent Company directly or indirectly controls, beneficially owns or holds more than 50 percent of the voting securities or otherwise has power to elect and appoint more than 50 percent of its directors.

The financial statements of the subsidiary company have been consolidated on a line-by-line basis and the carrying value of the investments held by the holding company have been eliminated against the shareholders equity in the subsidiary company.

The financial statements of the subsidiary are prepared for the same reporting year as the parent company, using consistent accounting policies.

All intra-group balances, transactions, incomes and expenses and profits and losses resulting from intra-group transactions are eliminated in full.

Subsidiary is fully consolidated from the date of acquisition, being the date on which the company obtains control, and continue to be consolidated until the date that such control ceases.

2.3 SIGNIFICANT ESTIMATES

The preparation of consolidated financial statements in conformity with approved accounting standards require management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are discussed in the ensuing paragraphs.

2.3.1 Property, plant and equipment

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

2.3.2 Intangible assets

The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at each financial year end.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

2.3.3 Stock in trade and stores and spares

The Group reviews the net realizable value of stock in trade and stores and spares 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.

2.3.4 Employee benefits

Defined benefits plans are provided for permanent employees of the Group. The plans are structured as separate legal entities managed by trustees. These calculations require assumptions to be made of future outcomes, the principal ones being in respect of increases in remuneration, the expected long term return on plan assets and the discount rate used to convert future cash flows to current values. The assumptions used vary for the different plans as they are determined by independent actuaries.

The amount of the expected return on plan assets is calculated using the expected rate of return for the year and the market related value at the beginning of the year.

2.3.5 Taxation

In making the estimates for income taxes payable by the Group, the management looks at the applicable taxation laws.

3 ACCOUNTING CONVENTION

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, investments in associate have been accounted for using equity method of accounting and investments available for sale have been measured at fair market value.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented.

4.1 Property, Plant and Equipment

4.1.1 Owned

Operating fixed assets, except for free hold land, are stated at cost less accumulated depreciation. Depreciation is provided on a diminishing balance method at the rate mentioned in the relevant note except for lease hold land which is amortized on straight line method. Depreciation is charged from the date the asset is put into operation and discontinued from the date the asset is retired. No amortization is charged in respect of subsidiary company land as it is not put into operation upto the date of balance sheet.

Gain and loss on disposal of assets are included in the income currently.

4.1.2 Subsequent costs

The costs of replacing part of an item of property, plant and equipment is recognized in 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 or loss as they are incurred.

4.1.3 Leased

Leases that transfer substantially all the risks and rewards incidental to ownership of an asset is classified as finance lease. Assets held under finance lease are stated at the lower of present value of minimum lease payments under the lease agreement and the fair value of assets acquired on lease. The aggregate amount of obligations relating to assets subject to finance lease is accounted for at the net present value of liabilities. Value of leased assets is depreciated over the useful lives of the assets using the same rates applicable to owned assets. Depreciation of leased assets is charged to income. The related obligations of leased assets are accounted for as liabilities.

The finance cost under lease agreements are allocated to the periods during the lease term so as to produce a constant periodic rate of finance cost on the remaining balance of principal liability for each period.

4.1.4 Capital work in progress

Capital work in progress is stated at cost incurred to date less impairment in value if any. It normally consists of expenditure incurred and advances made in respect of operating fixed assets in the course of their completion.

4.1.5 Non-current assets held for sale

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. The assets (or disposal group) 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 recognised in profit or loss.

4.1.6 Impairment of assets

The carrying amount of the Group's assets are reviewed at each balance sheet date to identify circumstances indicating concurrence of impairment loss or reversal of previous impairment losses. If any such indications exist, the recoverable amounts of such assets are estimated and impairment losses or reversal of impairment losses are recognized in the profit and loss account. Reversal of impairment loss is restricted to the original cost of the asset.

4.2 Intangible Assets

i Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, are not capitalized and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization expense on intangible assets with finite lives is recognized in the income statement in the expense category consistent with the function of the intangible asset.

ii Goodwill / negative goodwill

Goodwill represents the difference in the cost of an acquisition over the fair value of the company share of net identifiable assets of the acquired entity at the date of acquisition.

4.3 Investments

4.3.1 Investments in associated companies

Associated companies, where the company holds 20% or more of the voting power of the investee company and where the company has significant influence over the financial and operating policies, are accounted for using the equity method of accounting.

Equity method is a method under which the financial statements include the Group's share of the income and expenses of the associate, after adjustments, if required, to align the accounting policies of associate with those of the group from the date when the significant influence is established until the date when the significant influence ceases. When the group share of loss exceeds its interest in associate accounted for under the equity method, the carrying amount of that interest is reduced to zero and recognition of further losses is discontinued except to the extent that the group has an obligation or has made payments on behalf of the investee.

Unrealized gains arising from transactions, if any, with an associate accounted for under the equity method of accounting are eliminated against the investment to the extent of the group's interest in the associate. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

4.3.2 Investments available for sale

These are initially recognized at fair value plus directly attributable acquisition cost and at subsequent reporting dates measured at fair values. Gains or losses from changes in fair values are taken to equity until disposal at which time these are included in profit and loss account.

Except for the investment in Karnaphuli Paper Mills Limited which is stated at nominal value all other investment in unquoted securities are stated at cost, less provision for impairment, if any.

4.4 Stores and Spares

Stores, spares and loose tools are valued at average cost except for items in transit which are stated at cost incurred upto 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 realizable value. The Group reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence.

4.5 Stock in Trade

Stock in trade is valued at the lower of cost and net realisable value

Cost incurred in bringing each product to its present location and condition are accounted for as follows:

Raw and packing material except in transit/bond	at purchase cost on an average basis
Finished goods and work in progress	average production cost which includes cost of:
	Direct material
	Direct wages
	Direct expenses
	Overheads

Items in transit/bond are valued at cost comprising invoice values plus other charges incurred thereon upto the balance sheet date.

Net realizable value signifies the estimated selling price in the ordinary course of business less cost necessary to be incurred to make the sale.

Trading goods are accounted for on cost which is the invoice value plus other expenses incurred to bring them to the point of sale.

4.6 Trade Debts

Trade debts are carried at original invoice amount less provision for impairment. Known bad debts are written off, while provisions are made against debts considered doubtful based on review of outstanding amount at the end of the year.

4.7 Trade and Other Payable

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

4.8 Taxation

i Current

Provision for current taxation is based on taxable income for the year at the current rates of taxation after taking into account tax credits and rebates available, if any, or one half of one percent of turnover, whichever is higher.

ii Deferred

Deferred tax is recognized using the balance sheet liability method, providing for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

4.9 Staff Retirement Benefits

4.9.1 Defined contribution plans

A defined contribution plan is the post- employment benefits plan under which an entity pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an employees benefit expense in profit or loss when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

The Group operates defined contribution provident fund for its permanent employees at its Burewala unit. Monthly contributions are made both by the Group and employees to the Fund at the rate of 8.33% of basic salary.

4.9.2 Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than the defined contribution plan. The Group'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 period, that benefit is discounted to determine its present value. The calculation is performed by a qualified actuary using the projected unit credit method, Acturial gains/losses in excess of corridor limit (10% of the higher of fair value of assets and present value of obligation) are recognised over the average remaining services life of the employees.

Contributions require assumptions to be made of future outcome which mainly includes increase in remuneration, expected long term on plan assets and the discount rate used to convert future cash flows to current values. Calculations are sensitive to changes in the underlying assumptions.

The Group operates defined benefit funded gratuity scheme for its management employees.

The Group operates defined benefit non-funded gratuity scheme for its non-management employees.

As per actuarial valuation carried out as at June 30, 2007 the following significant assumptions were used for determining the gratuity liability.

Discount rate	10%	
Expected rate of salary increase	9%	
Expected rate of return on plan assets	8%	
Average expected remaining life of employees	8 - 10	years

Actuarial gain and losses are recognized as per the recommendation in actuarial valuation report.

4.9.3 Employees's compensated absences

The Group accounts for these benefits in the period in which the absences are earned.

4.10 Provisions

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

4.11 Foreign Currencies

Pakistan rupee is the functional currency of the Group. Transaction in foreign currencies are recorded in Pakistan rupees at the exchange rate approximating those prevailing on the date of the transaction. Monetary assets and liabilities in foreign currencies are reported in Pak. Rupees at the exchange rate approximating those prevalent at the balance sheet date. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in foreign currencies, are translated using the exchange rates at the date when the fair value was determined.

4.12 Revenue Recognition

Revenue is recognised to the extent that it is probable that the future economic benefits will flow to the Group and the revenue can be measured reliably. Revenue is measured at the fair value of consideration received or receivable on the following basis:

Sales are recorded as revenue when the title of the goods is transferred to the customer which normally corresponds with the dispatch of goods to customers.

Income from investments/deposits is recognized on accrual basis.

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

4.13 Borrowing Cost

Borrowing Costs are recognized as an expense in the period they are incurred.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as a part of the asset.

4.14 Related Party Transactions

Transactions with related parties are carried out on commercial terms and conditions.

4.15 Cash and Cash Equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents include cash in hand and with banks and short term bank finances. The fair value of cash and cash equivalents approximate their carrying amount.

4.16 Financial Assets and Liabilities

All financial assets and liabilities are recognized at the time when the Group becomes a party to the contractual provisions of the instrument. Any gain or loss on the recognition and de-recognition of the financial assets and financial liabilities is taken to the profit and loss account currently. Financial assets and liabilities, other than specifically mentioned in these policies, are carried at amortized cost. The fair value of these approximate their carrying value.

4.17 Off-setting of Financial Assets and Financial Liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set-off the recognized amounts and the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously and the same is required or permitted by IAS/IFRS or interpretations thereoff.

4.18 Standards, Interpretations and amendments to published approved accounting standards that are not yet effective

The following amendments to existing standards have been published that are mandatory and relevant for the company accounting periods beginning on the dates mentioned below:

i) IAS 1 Presentation of Financial Statements (Revised September 2007)	effective from January 1, 2009
ii) IAS 27 (Revised) - Consolidated and Separate Financial Statements	effective from accounting periods beginning on or after July 1, 2009
iii) IFRS 3(Revised) - Business Combinations	effective from accounting periods beginning on or after July 1, 2009

5 PROPERTY, PLANT AND EQUIPMENT

	Note	2008 RUPEES	2007 RUPEES
Operating assets	5.1	99,582,230	543,766,550
Book value as at June 30		543,766,550	543,766,550
Less: Transfer to non-current assets held for sale		(443,243,465)	-
Adjustments (charge for the year & addition/deletion)		(940,855)	-
Net operating assets		99,582,230	543,766,550

During the year, the company due to continuous losses of its Dawoodabad Unit, situated at Burewala, District Vehari suspended its operation effective 31 March 2008. Accordingly in accordance with IFRS-5, Non current assets held for sale and Discontinued Operation, the operations has been classified as discontinued operation. The assets relating to discontinued operations have been transferred to assets held for disposal and liabilites directly associated with the assets are classified as held for sale.

Based on the above, following units are now classified under discontinued operations:

- Landhi Unit
- Dilon Unit (Landhi-Synthetic)
- Dawoodabad Unit- Burewala

5.1 OPERATING ASSETS

Description	Owned Assets									Leased Assets		
	Freehold land	Leasehold land	Building on freehold land	Building on lease holdland	Plant & machinery	Furniture & fixtures and office equipment	Electric installations	Tools & equipment	Vehicles	Plant & machinery	Vehicles	Total
COST												
Balance as at 01 July 2006	3,156,616	1,080,702	69,744,006	43,065,885	1,347,045,638	28,165,392	36,712,468	2,808,041	21,678,455	220,962,301	828,190	1,775,247,694
Additions	-	-	813,500	11,348,281	13,148,108	1,587,511	-	429,000	5,031,770	-	-	32,358,170
Disposals	-	-	-	-	(385,000)	-	-	(343,542)	(3,374,337)	-	-	(4,102,879)
Transfer from leased to owned					102,084,510	-	-	-	828,190	(102,084,510)	(828,190)	-
Transfer to held for sale	-	-	-	-	(672,702,439)	(1,169,029)	(1,049,267)	-	-	-	-	(674,920,735)
Balance as at 30 June 2007	3,156,616	1,080,702	70,557,506	54,414,166	789,190,817	28,583,874	35,663,201	2,893,499	24,164,078	118,877,791	-	1,128,582,250
Balance as at 01 July 2007	3,156,616	1,080,702	70,557,506	54,414,166	789,190,817	28,583,874	35,663,201	2,893,499	24,164,078	118,877,791	-	1,128,582,250
Additions	-	23,295,800	-	-	474,246	182,300	-	-	-	-	-	23,952,346
Disposals	-	-	-	-	-	-	-	-	(2,331,190)	-	-	(2,331,190)
Transfer to held for sale	-	-	-	-	(504,871,010)	-	(35,663,201)	(2,893,499)	-	(118,877,791)	-	(662,305,501)
Balance as at 30 June 2008	3,156,616	24,376,502	70,557,506	54,414,166	284,794,053	28,766,174	-	-	21,832,888	-	-	487,897,905
DEPRECIATION												
Balance as at 01 July 2006	-	454,620	56,221,277	32,376,785	786,725,553	14,286,719	30,685,905	2,366,209	13,129,760	45,030,986	554,264	981,832,078
Charge for the year	-	8,770	1,563,932	1,523,173	57,041,143	1,872,688	598,216	45,300	2,886,155	9,815,978	-	75,355,355
On disposals	-	-	-	-	(160,060)	-	-	(294,355)	(2,083,331)	-	-	(2,537,746)
Transfer from leased to owned	-	-	-	-	24,312,974	-	-	-	554,264	(24,312,974)	(554,264)	-
Transfer to held for sale	-	-	-	-	(467,806,126)	(1,062,966)	(964,895)	-	-	-	-	(469,833,987)
Balance as at 30 June 2007	-	463,390	57,785,209	33,899,958	400,113,484	15,096,441	30,319,226	2,117,154	14,486,848	30,533,990	-	584,815,700
Balance as at 01 July 2007	-	463,390	57,785,209	33,899,958	400,113,484	15,096,441	30,319,226	2,117,154	14,486,848	30,533,990	-	584,815,700
Charge for the year	-	6,143	1,140,943	2,019,817	16,920,835	1,659,856	400,798	30,200	2,055,293	-	-	24,233,885
On disposals	-	-	-	-	-	-	-	-	(1,671,874)	-	-	(1,671,874)
Transfer to held for sale	-	-	-	-	(155,660,668)	-	(30,720,024)	(2,147,354)	-	(30,533,990)	-	(219,062,036)
Balance as at 30 June 2008	-	469,533	58,926,152	35,919,775	261,373,651	16,756,297	-	-	14,870,267	-	-	388,315,675
CARRYING AMOUNT - 2007 RUPEES	3,156,616	617,312	12,772,297	20,514,208	389,077,333	13,487,433	5,343,975	776,345	9,677,230	88,343,801	-	543,766,550
CARRYING AMOUNT - 2008 RUPEES	3,156,616	23,906,969	11,631,354	18,494,391	23,420,402	12,009,877	-	-	6,962,621	-	-	99,582,230
RATE OF DEPRECIATION	-	1%	5-10%	10%	10-20%	10-15%	10%	10%	25%	10%	10%	

5.2 Non-current Assets held for sale

	2008 RUPEES	2007 RUPEES
Cost	662,305,501	674,920,735
Less: Accumulated depreciation	(219,062,036)	(469,833,987)
	443,243,465	205,086,748

5.3 The Parent Company is in the process of transferring Land and other assets in its own name which is being currently held in the name of the merged entities. The Company is in the process of transferring Land and other assets in the name of Dawood Lawrencepur Limited and is currently held in the name of the companies before the merger

5.4 Depreciation/Amortization has been charged to:

	2008 RUPEES	2007 RUPEES
Cost of goods sold	22,120,006	73,103,635
Administrative and general expenses	1,421,418	1,403,863
Selling and distribution expenses	692,461	847,857
	24,233,885	75,355,355

5.5 DETAILS OF FIXED ASSETS SOLD DURING THE YEAR

Particulars	Original Cost	Accumulated Depreciation	Written Down Value	Sales Proceeds	Profit	Mode of disposal	Sold to
Vehicle	830,500	330,493	500,007	500,007	-	Transferred	Dawood Hercules Chemicals Ltd
Vehicle	679,845	626,111	53,734	200,000	146,266	As per Company Policy (Employee)	Mr. Sadiq Vakeel
Vehicle	313,500	243,251	70,249	101,599	31,350	As per Company Policy (Employee)	Ch. Tahir Mehmood
Vehicle	57,000	35,988	21,012	21,012	-	As per Company Policy (Employee)	Mr. M. Younas Butt
Vehicle	65,000	54,681	10,319	11,351	1,032	As per Company Policy (Employee)	Mr. Tahir Mehmood
Vehicle	15,000	14,882	118	130	12	As per Company Policy (Employee)	Mr. M. Saleem A Teyyab
Vehicle	132,845	129,777	3,068	61,000	57,932	Based on best competitive quotes	Mr. Asad Khan Abbasi
Vehicle	22,500	22,430	70	88	18	As per Company Policy (Employee)	Mr. Rafique Hussain
Vehicle	15,000	14,978	22	25,000	24,978	Based on best competitive quotes	Mr. Sh. Rehman
Vehicle	57,000	56,953	47	45,000	44,953	Based on best competitive quotes	Mr. Sherdil Khan
Vehicle	143,000	142,330	670	18,000	17,330	Based on best competitive quotes	Mr. Shoaib Gul
Total 2008 Rs.	2,331,190	1,671,874	659,316	983,187	323,871		
Total 2007 Rs.	4,102,879	2,537,746	1,565,133	1,869,894	304,761		

6 INTANGIBLE ASSETS

	Note	2008 RUPEES	2007 RUPEES
Goodwill	6.1	22,834,045	-
Trademarks	6.2	-	6,900
Computer software	6.3	1,987,421	-
		24,821,466	6,900

6.1 Goodwill

During the period the company has acquired 100% shareholding of Tenaga Generasi Limited (TGL). TGL was incorporated as an unlisted public company under the provisions of Companies Ordinance 1984, in December 2005 in the province of Sindh. TGL is incorporated to set up a Wind Energy Farm. The Company has a Letter of Intent and Generation License of 50 MW Power Plant.

TGL is in the initial stages of setting up of a Wind Energy Farm. TGL has been allocated land by Alternate Energy Development Board (AEDB). The acquired business has no operating income during the period except for expenditure incurred amounted to Rs. 99,555/-.

The business combination with TGL has been accounted for by applying the purchase method. The cost of the acquisition has been 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 have been carried at the fair value at the acquisition date. The excess cost of acquisition over the fair value of identifiable net assets acquired has been recorded as goodwill in the financial statements of the Company.

Details of the fair value of the net assets acquired, purchase consideration as goodwill are as follows:-

Purchase consideration		RUPEES IN THOUSANDS
Amount paid on acquisition of 600,000 ordinary shares of Rs.10 each		28,170
Direct cost relating to acquisition		2,357
		30,527
Less: Fair value of net asset acquired	6.1.1	7,693
Goodwill		22,834

6.1.1 The preliminary fair values and carrying amount of assets and liabilities as at March 31, 2008 being the acquisition date are as follows:-

Fixed assets	27,920
Advance deposits & prepayments	1
Bank balance	7
Total assets	27,928
Less:	
Advance for issue of share capital	20,195
others	40
	20,235
	7,693

6.1.2 The goodwill arising on acquisition represents future economic benefits expected to be derived from TGL Energy Project.

	Note	2008 RUPEES	2007 RUPEES
6.2 Trademarks			
Cost			
Balance as at 01 July		24,190	24,190
Additions		-	-
Balance as at 30 June		24,190	24,190
Amortization			
Balance as at 01 July		17,290	17,290
Charge for the year		6,900	-
Balance as at 30 June		24,190	17,290
Carrying amount		-	6,900
6.3 Computer software			
Cost			
Balance as at 01 July		-	-
Additions		2,380,145	-
Balance as at 30 June		2,380,145	-
Amortization			
Balance as at 01 July		-	-
Charge for the year		392,724	-
Balance as at 30 June		392,724	-
Carrying amount		1,987,421	-
7 LONG TERM INVESTMENTS			
Investments in associated company	7.1	3,190,887,260	1,533,758,181
Other investments	7.2	376,494,893	598,970,254
		3,567,382,153	2,132,728,435
7.1 Associated Company - quoted			
Dawood Hercules Chemicals Limited (DHCL)		1,533,758,181	1,469,020,397
16,101,632 (2007:13,418,027) Ordinary shares of Rs.10 each			
Percentage of equity held - **16.19%** (2007:16.19%)			
Share of profit for the year		1,873,604,576	223,460,489
Less: Share of taxation for the year		(176,221,416)	(51,378,489)
		1,697,383,160	172,082,000
Less: Dividend received		(40,254,081)	(107,344,216)
		3,190,887,260	1,533,758,181

7.1.1 Fair value of investment in associates is Rs. 6,271,585,664 (2007: Rs. 3,742,287,730)

7.1.2 The financial year end of DHCL is 31 December. At the time of preparation of these accounts, financial results as of 31 March 2008 have been used for the purpose of application of equity method.

7.1.3 Summarised financial information of DHCL is as follows:

	2008	2007
	RUPEES IN THOUSANDS	
Total assets	28,600,422	16,562,200
Total liabilities	8,891,421	7,319,909
Revenue (9 months from 01 July till 31 March)	4,248,658	2,749,246
Profit after taxation (9 months from 01 July till 31 March)	10,337,557	1,062,892

7.1.4 The Parent Company holds less then 20% 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 Other Investments	2008 RUPEES	2007 RUPEES
Available for sale		
Listed Companies		
Related Parties		
Sui Northern Gas Pipelines Ltd. **8,272,470** (2007 : 8,272,470) Ordinary shares of Rs.10/- each Equity held 1.52% (2007 : 1.52 %) Cost **Rs. 480,238,817/-** (2007 : Rs. 480,238,817/-	364,071,405	585,277,253
Others		
Sui Southern Gas Company Ltd. **55,310** (2007:55,310) Ordinary shares of Rs.10/-each Cost **Rs. 698,313/-** (2007 : Rs. 698,313/-)	1,567,485	1,426,998
National Investment Trust Units **200,000** (2007 : 200,000) of Rs. 10/- each Cost **Rs. 2,440,000/-** (2007 : Rs. 2,440,000/-)	10,840,000	12,250,000
	376,478,890	598,954,251
Other entities		
Karnaphuli Paper Mills Ltd. 795,000 (2007 : 795,000) Ordinary shares of Rs.10/- each	3	3
Mianwali Central Co-operative Bank Ltd. **100** (2007 : 100) Ordinary shares of Rs.10/- each	1,000	1,000
Asian Co-operative Society Ltd. **1500** (2007 : 1,500) Ordinary shares of Rs.10/- each	15,000	15,000
	376,494,893	598,970,254

8 LONG TERM DEPOSITS		
Security deposit against finance lease	11,313,283	11,313,283
Electricity and gas deposit	8,561,478	8,561,478
Others	1,062,666	947,578
	20,937,427	20,822,339

		Note	2008 RUPEES	2007 RUPEES
9	STORES AND SPARES			
	Stores		47,254,971	41,331,048
	Spares		41,227,895	53,008,517
			88,482,866	94,339,565
	Provision for obsolescence		(3,469,744)	-
	Transferred to non- current assets held for disposal		(40,059,893)	-
			44,953,229	94,339,565
10	STOCK IN TRADE			
	Raw materials		45,110,668	94,205,330
	Work in process		135,198,426	105,117,156
	Finished goods		103,184,271	334,501,259
	Trading goods		4,547,699	3,580,733
			288,041,064	537,404,478
	Raw materials in transit		9,659,276	-
			297,700,340	537,404,478
	Less:			
	Transferred to discontinued operations		89,166,553	171,612,253
	Provision for slow moving / obsolescence		12,449,887	-
			101,616,440	171,612,253
			196,083,900	365,792,225
11	TRADE DEBTORS - unsecured considered good			
	Trade debtors		66,965,735	197,020,247
	Less: Provision for doubtful debts	11.1	(20,049,076)	(12,874,700)
			46,916,659	184,145,547
11.1	PROVISION FOR DOUBTFUL DEBTS - MOVEMENT			
	Opening Balance		12,874,700	1,923,965
	Add : Provided during the year		7,174,376	10,950,735
			20,049,076	12,874,700

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

	Amount Outstanding	Maximum Month end Balance
2008		
Sach International (Pvt) Limited	-	11,041,978
2007		
Sach International (Pvt) Limited	753,948	21,734,910
Dawood Hercules Chemicals Limited	412,584	8,671,287

12 SHORT TERM INVESTMENTS - Available for sale	2008	2007
Southern Electric Co. Ltd **801,900** (2007 : 801,900) Ordinary shares of Rs.10/- each Cost Rs. **13,912,050/-** (2007 : Rs. 13,912,050/-)	4,330,260	5,252,445

		Note	2008 RUPEES	2007 RUPEES
13	LOANS AND ADVANCES			
	Unsecured- Considered good			
	Loans and advances due from employees		316,504	1,628,776
	Advances to suppliers and others		248,929	2,295,488
			565,433	3,924,264
14	DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
	Security deposits		2,615,350	3,344,665
	Prepayments		572,468	688,107
	Letters of credit		26,073	4,115,544
	Income tax		69,470,538	74,935,767
	Sales tax		12,387,432	23,450,642
	Insurance claim		-	2,900,000
	Others	14.1	839,996	2,107,015
			85,911,857	111,541,740

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

	Amount Outstanding	Maximum Month end Balance
2008		
Central Insurance Company Limited	-	2,834,165
2007		
Central Insurance Company Limited	3,464,590	3,739,324

		Note	2008 RUPEES	2007 RUPEES
15	CASH AND BANK BALANCES			
	In hand		674,492	446,510
	At bank			
	- in current accounts		31,993,017	22,814,488
	- in deposit accounts	15.1	29,375,343	19,306,779
			61,368,360	42,121,267
			62,042,852	42,567,777

15.1 These represent deposits with commercial banks and carry profit rates of 3.5% to 5.5%(2007: Nil) per annum.

		Note	2008 RUPEES	2007 RUPEES
16	DISCONTINUED OPERATIONS			
16.1	Sales - net		321,543,892	408,277,089
	Cost of goods sold	16.4	(562,462,126)	(451,552,487)
	Gross (Loss)		(240,918,234)	(43,275,398)
	Operating expenses			
	Administrative and general		(39,752,876)	(17,001,551)
	Selling and distribution		(11,416,122)	(7,571,705)
	Operating (Loss)		(292,087,232)	(67,848,654)
	Finance cost		(8,738,427)	(15,186,464)
	Other income		-	10,685,934
	(Loss) before tax		(300,825,659)	(72,349,184)
16.2	**Assets of disposal group classified as held for sale**			
	Property, plant and equipment	16.3	648,330,213	205,086,748
	Stock-in-trade		89,166,553	171,612,254
	Stores and spares		40,059,893	-
			777,556,659	376,699,002
	Less: Provision for slow moving / obsolescence on stock in trade		(19,192,991)	-
			758,363,668	376,699,002

		Note	2008 RUPEES	2007 RUPEES
16.3	**Property, plant and equipment**			
	Opening balance		205,086,748	-
	Add: Transferred during the year		443,243,465	205,086,748
			648,330,213	205,086,748
16.4	Cost of Goods Sold			
	Raw Material			
	Opening inventory		71,146,092	27,475,469
	Purchases		40,427,208	236,025,909
	Less: Closing inventory		(28,921,869)	(32,607,892)
	Raw materials consumed		82,651,431	230,893,486
	Other Cost			
	Salaries, wages and allowances	16.5	181,577,896	58,354,709
	Stores and spares consumed		2,069,114	18,540,657
	Electricity, gas and water consumed		31,083,345	61,400,293
	Yarn conversion cost		107,706	-
	Depreciation		15,249,405	10,807,129
	Insurance		4,785,570	3,540,536
	Repairs and maintenance		499,314	1,074,914
	Rent, rates and taxes		1,967,319	1,057,915
	Workers' welfare		1,576,589	2,024,610
	Other expenses		-	534,088
			238,916,258	157,334,851
			321,567,689	388,228,337
	Add: Opening work in process		17,693,299	23,631,327
	Less: Closing work in process		-	(1,434,638)
	Cost of production		339,260,988	410,425,026
	Add: Opening inventory of finished goods		264,252,692	178,697,184
	Less: Closing inventory of finished goods		(41,051,554)	(137,569,723)
	Cost of goods sold		562,462,126	451,552,487

16.5 Salaries & wages includes Rs. 81.41 million paid as exgratia to employees opted for voluntarily separation scheme announced by the company

17 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2008 Number	2007 Number		Note	2008 RUPEES	2007 RUPEES
2,204,002	2,204,002	Ordinary shares of Rs.10/- each fully paid in cash.		22,040,020	22,040,020
12,805,118	12,805,118	Ordinary shares of Rs.10/- each issued for consideration other than cash		128,051,180	128,051,180
31,676,935	27,432,748	Ordinary shares of Rs.10/- each fully paid as bonus shares		316,769,350	274,327,480
46,686,055	42,441,868		17.1	466,860,550	424,418,680

17.1 Movement in share capital during the year

	2008 RUPEES	2007 RUPEES
42,441,868 Ordinary shares of Rs.10/- each fully paid up	424,418,680	385,835,160
Issued **4,244,187** (2007:3,858,352) Ordinary shares of Rs.10/- each as fully paid bonus shares	42,441,870	38,583,520
Closing Balance	466,860,550	424,418,680

18 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2008 RUPEES	2007 RUPEES
Opening balance	46,134,165	84,475,787
Less : Repayments during the year	22,466,216	38,341,622
	23,667,949	46,134,165
Less: Current maturity	23,667,949	22,614,052
	-	23,520,113

18.1 The minimum lease payments have been discounted @ 7% to 16.25% (2007 : 7% to 16.25 %) per annum to arrive at the present value of minimum lease payments. These liabilities are secured against relevant assets and security deposits of Rs.11.31 million (2007: Rs. 11.31 million). The amount of future payments and the period in which they will become due are :

	Total Minimum lease payments	Finance Cost	Present value of minimum lease payment
2008 - 2009	24,669,433	1,001,484	23,667,949
	24,669,433	1,001,484	23,667,949

	Note	2008 RUPEES	2007 RUPEES
19 DEFERRED LIABILITIES			
Gratuity	19.1	37,740,094	82,735,535
Deferred Taxation	19.2	-	-
		37,740,094	82,735,535
19.1 Gratuity dues			
Opening balance		82,735,535	107,760,126
Add: Provisions made		39,312,573	13,144,097
		122,048,108	120,904,223
Less: Payments made during the year		(84,308,014)	(38,168,688)
		37,740,094	82,735,535
Expense			
Current service cost		39,312,573	5,306,015
Interest cost		-	8,015,782
Return on plan assets		-	(177,700)
Charged to profit and loss account		39,312,573	13,144,097
Reconciliation			
Present value of obligation		29,616,068	76,631,471
Fair value of plan assets		(2,163,019)	(2,161,999)
Unrecognised actuarial gain		10,287,045	8,266,063
		37,740,094	82,735,535

19.2 Deferred tax

No deferred tax liability is provided in the accounts taking into consideration the potential tax savings related to the tax losses carried forward.

20 TRADE AND OTHER PAYABLE

	Note	2008 RUPEES	2007 RUPEES
Creditors	20.1	48,103,262	23,982,833
Accrued expenses	20.1	38,114,952	46,025,882
Advance from customers and others		930,011	829,685
Unclaimed dividend		20,743,247	20,792,272
Due to Islamic Development Bank	20.2	25,960,000	25,960,000
Deposits	20.3	486,316	810,979
Withholding tax		48,723	276,509
Others		5,848,377	5,940,816
		140,234,888	124,618,976

20.1 These includes amount due to following related parties:

	2008	2007
Creditors		
Central Insurance Company Limited	-	65,835
Sach International (Pvt) Limited	-	644,930
Accrued expenses		
Dawood Foundation	-	32,636
Dawood Corporation (Pvt) Limited	-	468,912
Central Insurance Company Limited	-	292,954

20.2 This represents preference share capital of one of the merged entity issued to Islamic Development Bank with right to redeem. The merged entity had served notice to the Bank for redemption before the scheme of amalgamation was approved and as such the same has been classified as liability and redemption reserve has been created.

20.3 All deposits are re-payable on demand and no interest is payable thereon.

21 SHORT TERM BANK FINANCES-SECURED

This represents running finance facilities of Rs. 1,140 million (2007 : Rs. 1,490 million) obtained from commercial banks and are secured against pledge of 3,985,000 shares (2007: 3,985,000 shares) of Sui Northern Gas Pipelines Limited and hypothecation of stock in trade. The rate of markup ranges from 0.25% to 1.00% above monthly / quarterly KIBOR rates (2007: 0.25% to 1.00%) per annum.

Bank	Sanctioned amount	Percentage	Amount	Security
Bank Al Habib Limited	540 Million	Kibor+0.25%	-	Hypothecation of stock and pledge of 20,000 bales of raw cotton
Muslim Commercial Bank	350 Million	Kibor+1%	-	Pledge of SNGPL shares
Habib Metropolitan Bank	250 Million	Kibor+1%	-	Hypothecation of stock
Total	1,140 Million		-	

22 CONTINGENCIES AND COMMITMENTS

22.1 Contingencies

During the year, the Parent Company has received a notice from Taxation Officer demanding Rs.2.72 million on account of workers welfare fund for the accounting year 2006.

The Parent Company has filed an appeal before the Commissioner of Income Tax challenging the above demand raised by the Taxation Officer as the same has been levied contrary to the mode of calculation stated in Section 4 "Mode of payment by, and recovery form Industrial Establishment" of the WWF Ordinance, 1971.

No provision against such demand raised by the Taxation Officer has been made in the accounts as the management is confident of a favourable outcome.

During the year the Deputy Commissioner of Income Tax has served a notice to the Parent Company demanding tax for the assessment years 2004 and 2005 amounting to Rs.39.90 million. The above demands were calculated by disallowing expenses taxed on the basis of allocation of expenses. The company being aggrieved filed an appeal with the higher authority. The management is confident of a favourable outcome.

The Collector of Central Excise and Sales Tax during the period from 1975 to 1986 has created various demands along with penalties aggregating to Rs. 3.816 million. Upon the demand of the Collector of Customs and Central Excise the Parent Company has submitted bank guarantees for the demand so raised. The company has preferred appeal before various forums which resulted in reduction in penalty by 50% of the original demand. Upon the initiation of the recovery proceedings by the department concerned, the department has recovered the amount by assignment of bank account of the Company. The Company is under appeal at various appellate forums for the recovery of the amount subjugated. The management of the Company is hopeful that it will succeed in the appeal so made.

During the period the Parent Company has provided a bank guarantee in favour of TGL (the subsidiary company) to Alternate Energy Development Board (AEDB) for US$ 25,000 on 21st February 2008. The bank guarantee is valid for the period of 24 months and shall expire on 20th February 2010.

The Parent Company is contingently liable against the guarantees and the counter guarantees amounting to Rs. 36.73 million (2007: Rs. 36.73 million). These are secured against margins and investment in NIT units.

22.2 Commitments

The Parent Company has letter of credit commitments for purchases amounting to Rs 13.20 million (2007: Rs. 1.33 million).

23 SALES - NET

	2008 RUPEES	2007 RUPEES
Manufacturing	684,810,456	1,633,538,228
Trading	9,734,104	10,087,660
Sales tax	-	462,905
Brokerage, commission and discount	4,706,659	13,564,158
	(4,706,659)	(14,027,063)
	689,837,901	1,629,598,825
Transferred to discontinued operations		
Sales - Manufacturing	323,880,850	409,917,930
Sales tax	-	(462,905)
Brokerage, commission and discount	(2,336,958)	(1,177,936)
	321,543,892	408,277,089
	368,294,009	1,221,321,736

24 COST OF GOODS SOLD

	Note	2008 RUPEES	2007 RUPEES
RAW MATERIALS:			
Opening inventory		94,205,330	264,062,538
Purchases		177,695,952	795,642,182
		271,901,282	1,059,704,720
Less: Closing inventory		(42,592,174)	(94,205,330)
Raw materials consumed		229,309,108	965,499,390
OTHER COSTS:			
Salaries, wages and allowances	24.1	245,075,261	232,877,101
Stores and spares consumed		36,217,411	63,587,855
Electricity, gas and water consumed		70,788,273	222,598,491
Yarn conversion cost		107,706	3,718,825
Depreciation		22,120,006	73,103,635
Insurance		5,796,570	12,120,026
Repairs and maintenance		1,336,345	5,254,053
Rent, rates and taxes		1,967,319	2,231,076
Workers' welfare		1,576,589	4,738,147
Other expenses		3,900,922	4,776,743
		618,195,510	1,590,505,342
Add: Opening work in process		105,117,156	93,957,445
Less: Closing work in process		(130,884,946)	(105,117,156)
COST OF PRODUCTION		592,427,720	1,579,345,631
Add: Opening inventory of finished goods		334,501,259	361,163,774
Less: Closing inventory of finished goods		(78,373,228)	(334,501,259)
		256,128,031	26,662,515
Cost of sales - Trading goods	24.2	8,279,791	5,981,649
	24.3	856,835,542	1,611,989,795
Transferred to discontinued operations		(562,462,126)	(451,552,487)
		294,373,416	1,160,437,308

24.1 This includes staff retirement benefits of **Rs. 38,032,189/-** (2007:Rs.,537,558/-)

24.2 Cost of sales - Trading goods

	2008	2007
Opening inventory	3,580,733	4,100,911
Purchases	9,246,757	5,461,471
	12,827,490	9,562,382
Less: Closing inventory	4,547,699	3,580,733
	8,279,791	5,981,649

24.3 This includes **Rs. 24.81** million written off relating to inventory of fabric on account of shortage arrived at after physical verification.

		Note	2008 RUPEES	2007 RUPEES
25	**ADMINISTRATIVE AND GENERAL EXPENSES**			
	Salaries and allowances	25.1	33,800,260	44,353,031
	Printing and stationery		2,358,142	3,083,312
	Rent, rates and taxes		7,647,320	7,375,858
	Electricity and gas		2,109,431	1,107,767
	Conveyance and travelling		3,229,533	4,772,782
	Postage, fax and telephone		1,985,271	2,822,686
	Insurance		171,795	344,225
	Repairs and maintenance		379,662	783,663
	Legal and professional charges		7,021,601	3,297,483
	Auditor's remuneration	25.2	400,000	360,000
	Fees and subscription		1,463,056	525,167
	Advertisement		134,853	-
	Entertainment		503,137	572,774
	Depreciation		1,421,418	1,403,863
	Amortization		399,624	-
	Zakat		50,000	50,000
	Charity and donation	25.3	-	3,000
	Miscellaneous expenses		551,887	745,921
			63,626,990	71,601,532
	Transferred to discontinued operations		(39,752,876)	(17,001,551)
			23,874,114	54,599,981

25.1 This includes staff retirement benefits of **Rs. 1,139,816/-** (2007:Rs.2,986,031/-)

25.2 This includes:

	2008	2007
Annual audit fee	300,000	300,000
Audit of consolidated financial statements	40,000	-
Review and other certification fee	60,000	60,000
	400,000	360,000

25.3 None of the Directors of the Group or any of their spouses have any interest in or are otherwise associated with any of the recipients of donations made by the Group during the year.

		Note	2008 RUPEES	2007 RUPEES
26	**SELLING AND DISTRIBUTION EXPENSES**			
	Storage and forwarding charges		530,332	4,861,863
	Salaries and allowances	26.1	6,887,457	10,444,731
	Printing and stationary		822,027	913,826
	Rent, rates and taxes		7,111,413	5,749,670
	Electricity and gas		451,202	599,347
	Conveyance and travelling		463,047	1,173,738
	Postage, fax and telephone		710,536	839,383
	Freight and Insurance		722,108	518,719
	Repairs and maintenance		838,946	464,872
	Provision for doubtful debts		7,174,376	10,950,735
	Loading and unloading charges		-	72,033
	Depreciation		692,461	847,857
	Entertainment		47,071	153,613
	Terminal tax and transportation charges		968,909	729,599
	Advertisement charges		3,263,159	12,314,947
	Packing charges		539,986	248,906
	Miscellaneous expenses		1,116,216	2,028,308
			32,339,246	52,912,147
	Transferred to discontinued operations		(11,416,122)	(7,571,705)
			20,923,124	45,340,442

26.1 This includes staff retirement benefits of **Rs. 140,568/-** (2007:Rs.620,508/-)

		2008 RUPEES	2007 RUPEES
27	**FINANCE COST**		
	Markup on bank finances	1,207,250	38,404,131
	Lease financial charges	4,112,112	6,121,169
	Bank charges	803,017	1,277,533
	Discounting charges	2,949,124	4,499,343
		9,071,503	50,302,176
	Transferred to discontinued operations	(8,738,427)	(15,186,464)
		333,076	35,115,712
28	**OTHER INCOME**		
	Income from financial assets		
	Dividend Income		
	Sui Northern Gas Co. Ltd	24,817,410	22,700,100
	Sui Southern Gas Co. Ltd	27,655	71,903
	NIT Units	1,240,000	1,160,000
		26,085,065	23,932,003
	Profit on deposits	3,085,723	653,029
		29,170,788	24,585,032
	Income from non financial assets		
	Profit on sale of fixed assets	323,871	304,761
	Capital gain on sale of shares	-	1,417,769
	Exchange gain	-	150,000
	Sundry sales and receipts	6,135,032	4,147,784
	Insurance Claim	-	817,803
		6,458,903	6,838,117
	Liabilities written back	9,042,177	38,546,660
		44,671,868	69,969,809
	Transferred to discontinued operations	-	(10,685,934)
		44,671,868	59,283,875
29	**RECONCILIATION OF TAX CHARGE FOR THE YEAR**		
	Tax on accounting profit	35.00%	35.00%
	Tax effect of expenses that are not deductible in determining taxable income	-4.61%	27.70%
	Tax effect of payments allowed as expenses in determining taxable income	46.27%	-224.80%
	Tax effect of income exempt from tax	0.00%	-0.60%
	Tax effect of applicability of lower rate of tax	-12.41%	-3.56%
	Tax effect of minimum tax liability	-69.64%	184.15%
		-5.39%	17.90%
30	**EARNINGS PER SHARE-BASIC AND DILUTED**		
30.1	**Continuing operations**		
	Net Profit after tax	1,764,787,611	156,899,011
	Average ordinary shares in issue	46,686,055	46,686,055
	Earnings per share-basic and diluted	37.80	3.36
30.2	**Discontinued operations**		
	Net Loss after tax	(300,825,659)	(72,349,184)
	Average ordinary shares in issue	46,686,055	46,686,055
	Earnings per share-basic and diluted	(6.44)	(1.55)

31 EMOLUMENTS OF CHIEF EXECUTIVE AND EXECUTIVES

	Chief Executive	Executives	Total
	RUPEES		
Remuneration	1,952,400	5,849,977	7,802,377
House rent allowance	780,960	2,041,920	2,822,880
Utilities	195,240	446,190	641,430
Other allowances	115,600	1,969,676	2,085,276
2008 - Rupees	**3,044,200**	**10,307,763**	**13,351,963**
2007 - Rupees	2,041,846	11,685,465	13,727,311
No. of persons **2008**	**1**	**12**	**13**
2007	1	17	18

31.1 Executive means any employee whose basic salary exceeds Rs. 500,000 (2007: Rs. 500,000) per year.

31.2 Chief Executive and some senior executives are provided with free use of cars owned and maintained by the company/employees and some other benefits in accordance with the company policy.

31.3 The aggregate amount charged in these financial statements in respect of fee to 7 Directors (2007: 7) was Rs.Nil (2007: Rs. 25,000)

32 RELATED PARTIES TRANSACTIONS

Related parties comprise associated company, major shareholders, directors, companies with common directorship and key management personnel. Transactions of the Group with related parties are as follows:

	2008 RUPEES	2007 RUPEES
Associated Company		
Dividend income received	40,254,081	107,344,215
Other related parties		
Sales of cloth	29,346,317	23,690,842
Purchase of cloth	11,723,627	7,973,115
Insurance premium paid	8,423,348	13,109,868
Rental charges paid	4,325,007	5,002,938
Storage charges paid	37,515	560,386

32.1 Transactions with related parties are carried out on commercial terms and conditions.

33 INSTALLED CAPACITY AND PRODUCTION

		2008		2007	
		Capacity	Actual	Capacity	Actual
		(in thousands)		(in thousands)	
Polyester yarn	Kgs.	1,400	-	1,400	538
Yarn	Kgs.	25,519	885	25,519	10,341
Cloth	Mtrs.	5,060	805	5,060	1,063

Reason for underutilisation:
Closure of production facilities at the following locations:

- Landhi Unit
- Dilon Unit (Landhi-Synthetic)
- Dawoodabad Unit - Burewala

34 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

34.1 Financial Assets and Liabilities	Interest/Markup Bearing Less than one year	Interest/Markup Bearing Over one year	Interest/Markup Bearing Sub-Total	Non Interest/Markup Bearing Less than one year	Non Interest/Markup Bearing Over one year	Non Interest/Markup Bearing Sub-Total	Total 2008
	RUPEES						
Financial Assets							
Long term investments	-	-	-	-	3,567,382,153	3,567,382,153	3,567,382,153
Long term deposits	-	-	-	-	20,937,427	20,937,427	20,937,427
Short term investments	-	-	-	4,330,260	-	4,330,260	4,330,260
Trade debtors	-	-	-	46,916,659	-	46,916,659	46,916,659
Loans and advances	-	-	-	565,433	-	565,433	565,433
Deposits, prepayments & other receivables	-	-	-	85,911,857	-	85,911,857	85,911,857
Cash and bank balances	29,375,343	-	29,375,343	32,667,509	-	32,667,509	62,042,852
	29,375,343	-	29,375,343	170,391,718	3,588,319,580	3,758,711,298	3,788,086,641
						-	
Financial Liabilities							
Lease liabilities	23,667,949	-	23,667,949	-	-	-	23,667,949
Creditors, accrued & other liabilities	-	-	-	119,491,641	-	119,491,641	119,491,641
Dividend	-	-	-	20,743,247	-	20,743,247	20,743,247
	23,667,949	-	23,667,949	140,234,888	-	140,234,888	163,902,837

34.2 Financial Assets and Liabilities	Interest/Markup Bearing Less than one year	Interest/Markup Bearing Over one year	Interest/Markup Bearing Sub-Total	Non Interest/Markup Bearing Less than one year	Non Interest/Markup Bearing Over one year	Non Interest/Markup Bearing Sub-Total	Total 2007 (Restated)
	RUPEES						
Financial Assets							
Long term investments	-	-	-	-	2,132,728,435	2,132,728,435	2,132,728,435
Long term deposits	-	6,421,591	6,421,591	-	14,400,748	14,400,748	20,822,339
Short term investments	-	-	-	5,252,445	-	5,252,445	5,252,445
Trade debtors	-	-	-	184,145,547	-	184,145,547	184,145,547
Loans and advances	-	-	-	3,924,264	-	3,924,264	3,924,264
Deposits, prepayments & other receivables	-	-	-	111,541,740	-	111,541,740	111,541,740
Cash and bank balances	19,306,779	-	19,306,779	23,260,998	-	23,260,998	42,567,777
	19,306,779	6,421,591	25,728,370	328,124,994	2,147,129,183	2,475,254,177	2,500,982,547
Financial Liabilities							
Lease liabilities	22,614,052	23,520,113	46,134,165	-	-	-	46,134,165
Short term bank finance	135,253,162	-	135,253,162	-	-	-	135,253,162
Creditors, accrued & other liabilities	-	-	-	103,826,704	-	103,826,704	103,826,704
Dividend	-	-	-	20,792,272	-	20,792,272	20,792,272
	157,867,214	23,520,113	181,387,327	124,618,976	-	124,618,976	306,006,303

34.3 Credit Risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. Other than cash and bank balance, all other financial assets are subject to credit risk. The Company applied credit limits to its customers and does not have significant exposure to any individual customer.

34.4 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will effect the value of financial instruments. The Company is not exposed to any interest rate risk due to the fact that funds are borrowed at fixed market based rates.

34.5 Fair Values of financial instruments

The carrying value of all the financial instruments reported in the financial statements approximate their fair value. This assessment is based on settlement / realisable value.

34.6 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet its commitments. Due to effective working capital management policy, the Company aims at maintaining flexibility in funding by keeping committed credit lines available.

35 AUTHORISATION OF FINANCIAL STATEMENTS AND APPROPRIATIONS

These financial statements were authorised for issue on August 26, 2008 by the Board of Directors.

36 NUMBER OF EMPLOYEES

Number of employees as at year end were 722 (2007: 2,050).

37 GENERAL

37.1 Figures have been rounded off to the nearest rupee.

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2008

Shareholding Range		Number of	Total
To	From	Shareholders	Shares Held
1	100	3,053	122,035
101	500	1,949	488,702
501	1,000	659	495,527
1,001	5,000	710	1,588,774
5,001	10,000	108	771,843
10,001	15,000	23	284,770
15,001	20,000	14	249,116
20,001	25,000	10	222,303
25,001	30,000	7	192,486
30,001	35,000	5	160,298
35,001	40,000	4	149,846
40,001	45,000	1	44,410
45,001	50,000	2	93,000
50,001	55,000	1	53,998
75,001	80,000	1	79,939
95,001	100,000	1	96,136
110,001	115,000	1	111,900
120,001	125,000	1	124,879
145,001	150,000	1	150,000
160,001	165,000	1	161,264
205,001	210,000	1	208,716
210,001	215,000	1	214,654
440,001	445,000	1	440,031
515,001	520,000	1	515,561
540,001	545,000	1	542,070
545,001	550,000	1	548,509
550,001	555,000	1	554,909
565,001	570,000	2	1,137,754
850,001	855,000	1	854,829
925,001	930,000	1	928,962
930,001	935,000	1	931,508
1,535,001	1,540,000	1	1,536,777
2,355,001	2,360,000	1	2,355,198
2,590,001	2,595,000	1	2,594,344
4,870,001	4,875,000	1	4,874,077
6,560,001	6,565,000	1	6,563,898
16,240,001	16,245,000	1	16,243,032
	Total	6,570	46,686,055

Categories of Shareholders as at 30th June 2008	Number of Shareholders	Total Shares Held	Percentage
Individuals	5,999	15,581,883	33.38
Investment Companies	4	9,262	0.02
Insurance Companies	6	3,047,321	6.53
Joint Stock Companies	59	17,837,906	38.21
Financial Institutions	18	7,240,027	15.51
Modaraba Company	1	12,764	0.03
Mutual Fund	4	176,607	0.38
Others			
Trusts	10	2,560,710	5.48
Charitable Organisation	1	28,749	0.06
Co-Operative Societies	465	80,503	0.17
Administrator, Abandoned Properties Orgnisation	1	109,037	0.23
Administrator General of Sindh	1	1,264	0.00
Kukab Agencies (Pakistan)	1	22	0.00
Total	6,570	46,686,055	100.00

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2008

Disclosure Required under Code of Corporate Governance

		Shares held
1 Directors, and CEO		
Shahzada Dawood	Chairman	548,509
Shafiq Ahmed	Chief Executive	1,100
Isar Ahmed	Director	1,210
Aleem A.Dani	Director	1,331
S.M.Asghar	Director	1,000
Haroon Mehanti	Director	12,108
Shahid Hamid Pracha	Director	1,000
2 Associated Companies / Undertakings		
Central Insurance Co. Ltd.		2,594,344
Dawood Corporation (Pvt) Ltd.		16,297,030
Sach International (Pvt) Ltd.		2,986
Dawood Industries (Pvt) Ltd.		96,136
Patek (Pvt) Ltd.		515,561
Dawood (Pvt) Ltd.		542,070
3 N I T and I C P		
National Bank of Pakistan Trustee Deptt.		460,793
Investment Corporation of Pakistan		1,268
4 Banks, DFI, NBFI, Insurance Companies,		
Modaraba and Mutual Funds		7,420,314
5 Investment Companies		9,262
6 Joint Stock Companies		384,123
7 Others (Detail below)		
Others Trusts		2,560,710
Charitable Organisation		28,749
Co-operative Societies		80,503
Administrator General of Sindh		1,264
Kaukab Agencies (Pakistan)		22
Administrator, Abandoned Properties Organisations		109,037
8 Shareholders holding ten percent or more shares		
Dawood Corporation (Pvt) Ltd.		16,297,030
IGI Investment Bank Limited *		6,563,898
Hussain Dawood		4,874,077

* IGI Investment Bank was acting as a Manager of the public offer made by Dawood Corporation (Pvt.) Limited on May 24, 2008. These shares were subsequently transferred in favour of Dawood Corporation (Pvt.) Limited.

Dawood Lawrencepur Limited

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 Mr./Ms. ____ of

____________ , another member of the Company* (or failing him Mr./Ms. ____________________________

of ____________________ , another member of the Company*) as my/our proxy to attend, speak and vote for me/us and on my/our behalf, at the Fifty-eighth Annual General Meeting of the Company to be held on Thursday, 30 October 2008 at the Company's Registered Office at 35-A, Shahrah-e-Abdul Hameed Bin Baadees (Empress Road), Lahore, and at any adjournment thereof.

Signed this ____________ day of ____________ 2008

WITNESSES:

1. Signature: ____________
   Name: ____________
   Address: ____________
   CNIC No. or Passport No. ____________

2. Signature: ____________
   Name: ____________
   Address: ____________
   CNIC No. or Passport No. ____________

Signature on Revenue Stamps of Rupees Five

Signature should agree with the specimen signature with the Company.

* Proxy representing a corporation may or may not himself be a member of 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 new/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.