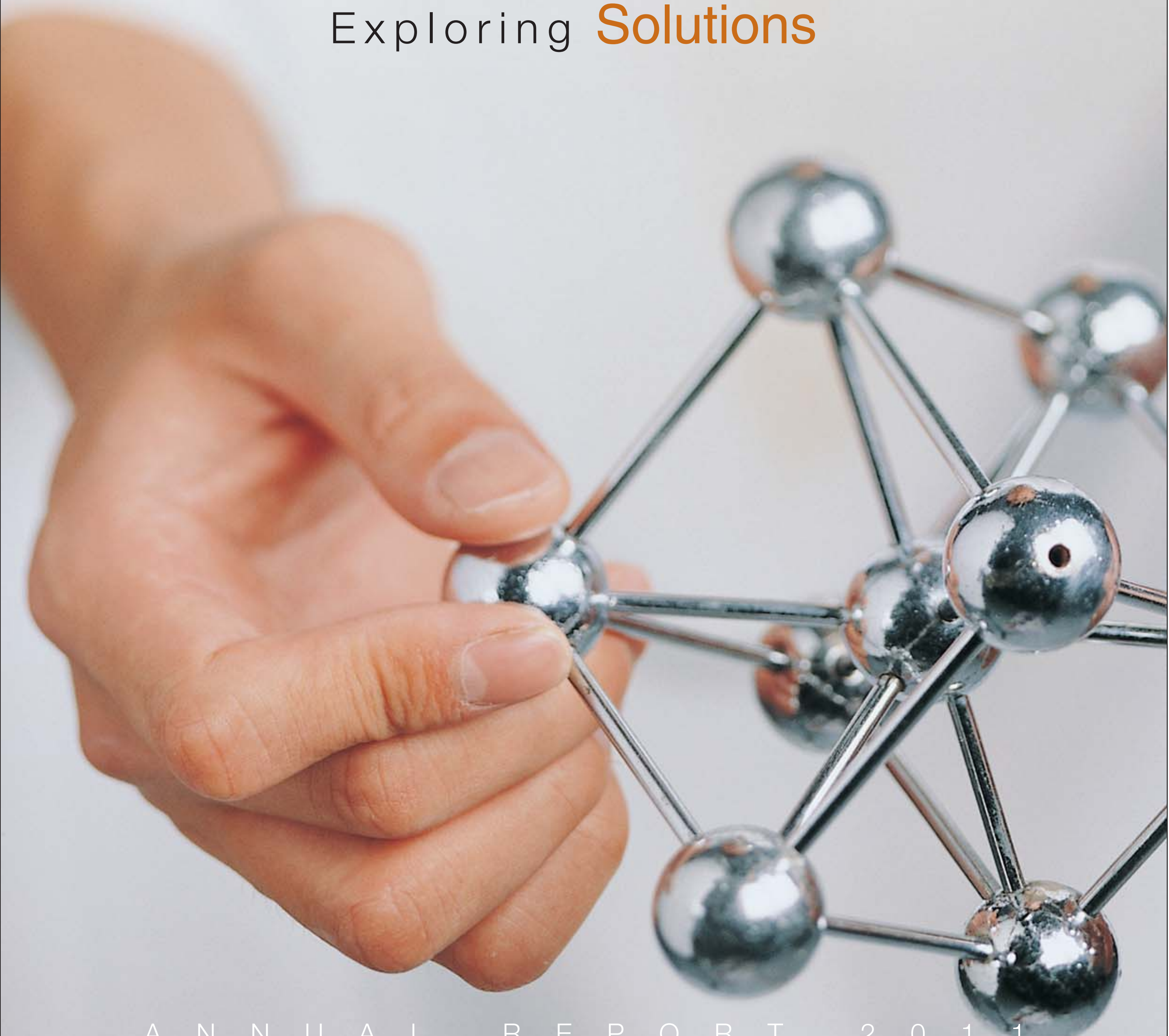
Dawood Lawrencepur Limited

Exploring Solutions



ANNUAL REPORT 2011

Exploring **Solutions**

The quest for success must never end and in order to prevail, one must explore and develop all possible opportunities with the firm faith that every problem has a solution.

The challenging environment in the textile sector is an opportunity for us to identify new areas for entry and growth. As we explore the external economic environment, we view an opportunity to deliver Profitability in a manner that can also benefit the People associated with us as well as the Planet we occupy. We feel that sustainable development through use of alternative energy resources e.g. wind, solar etc. is the solution to building a brighter and cleaner future for our children, without putting any further pressure on the country„s already diminishing natural resources.

It is our strategic intent to play a leading role in the development of the renewable energy sector of the country as we firmly believe that this is a critical yet overlooked area of economic development as well as the right legacy to leave for our future generations.

Contents

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 a safe and healthy business environment

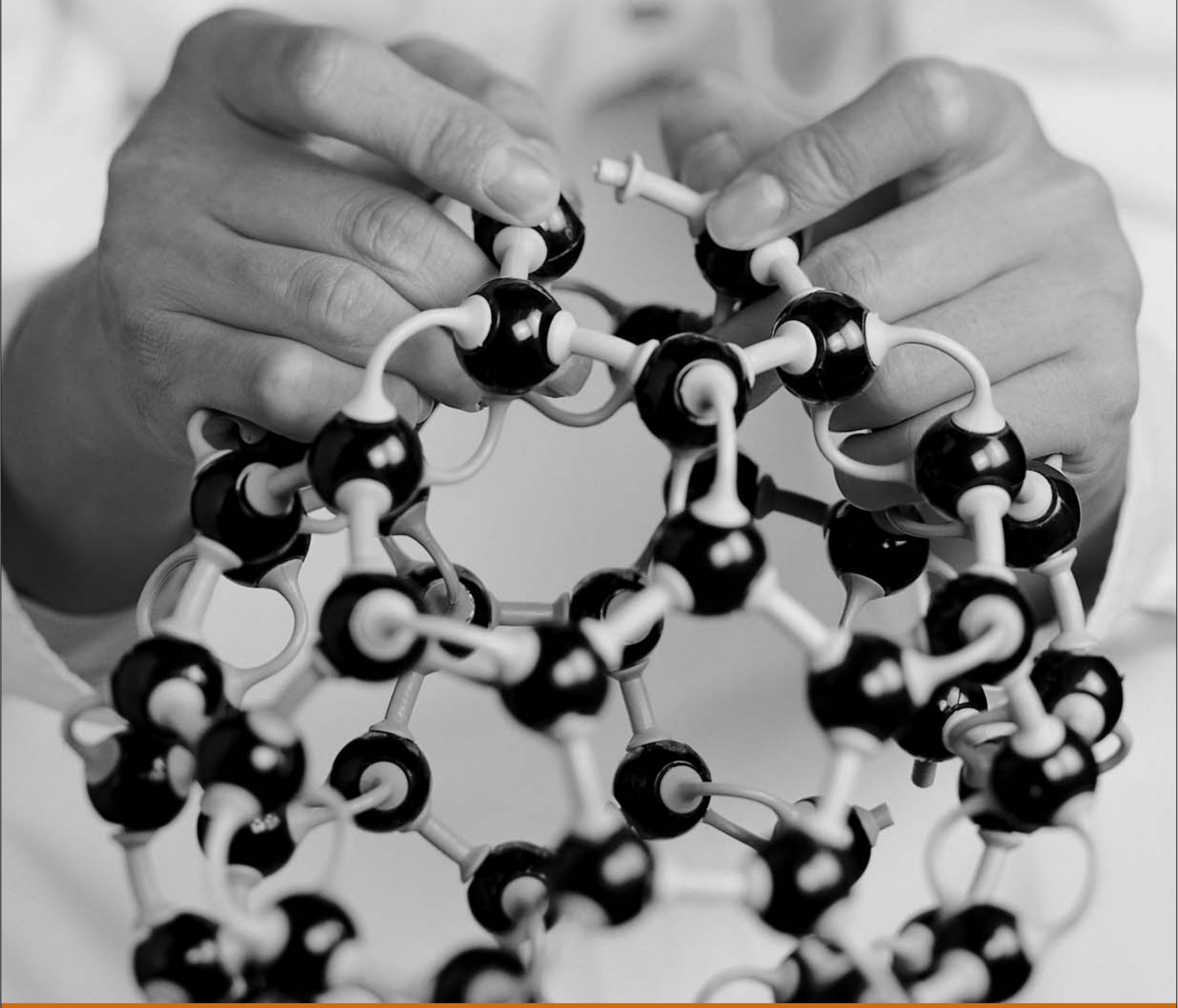
To provide an excellent working environment and growth potential for employees

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 our employees

During 2011, the Company continued its efforts to counter the challenging textile business environment, accelerate the progress of the Wind Power Project and explore opportunities in the alternative energy sector.



Exploring **Solutions**

Dawood Lawrencepur Limited was formed in 2004 by the amalgamation of Lawrencepur Woolen and Textile Mills Limited, Dawood Cotton Mills Limited, Burewala Textile Mills Limited and Dilon Limited. For the past half century, these companies have embodied tradition and quality, a common thread that now binds them together for the collective benefit of all customers, shareholders, employees and other stakeholders.

In 2008, we acquired a Wind Power Project which is progressing satisfactorily and is a first step towards establishing the Company's presence in the alternative energy domain.

Company Information

Board of Directors
Shahid H. Pracha (Chairman)
Inam ur Rahman (Chief Executive)
Shafiq Ahmed
S.M. Asghar
A. Samad Dawood
Shahzada Dawood
Haroon Mahenti
Sulaiman S. Mehdi
Mir Muhammad Nasir
Sarfaraz Ahmed Rehman

Board Audit Committee
S.M. Asghar (Chairman)
Sulaiman S. Mehdi
Haroon Mahenti
Shafiq Ahmed

CFO and Company Secretary
Hafsa Shamsie

Auditors
M. Yousuf Adil Saleem & Co.
(Chartered Accountants)

Bankers
Bank Al-Habib Limited
Habib Bank Limited
National Bank of Pakistan
MCB Bank Limited

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

Share Registrar
C&K Management Associates (Pvt.) Ltd.
404-Trade Tower, Abdullah Haroon Road,
Near Metropole Hotel, Karachi-75530

Registered / Head Office
3rd Floor, Dawood Centre,
M. T. Khan Road,
Karachi-75530
Ph#: 021-35686001-16
Fax#: 021- 35633970
E-mail: info.textiles@dawoodgroup.com
Website: www.dawoodlawrencepur.com

Mills
Landhi
Landhi Industrial Area,
Karachi.
Ph#: 021-35018476, 35018751
Fax#: 021- 35018463, 35024520

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

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

Operating Highlights

PARTICULARS	UNIT	December 2011			December 2010			December 2009 (Six months period)		
		Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
A) INCOME STATEMENT										
1 Sales Value	Rs. In (000)	374,667	7,465	382,132	380,862	11,502	392,364	193,365	24,388	217,753
2 Gross Profit / (Loss)	Rs. In (000)	35,106	1,737	36,843	50,656	1,276	51,932	52,924	3,621	56,545
3 Operating Profit / (Loss)	Rs. In (000)	(44,747)	(46,436)	(91,183)	(13,316)	(38,874)	(52,190)	30,602	(24,552)	6,050
4 Profit / (Loss) Before Taxation	Rs. In (000)	55,089	(30,535)	24,554	124,017	(40,452)	83,565	(84,337)	(22,639)	(106,976)
5 Profit / (Loss) After Taxation	Rs. In (000)	46,793	(30,535)	16,258	99,956	(40,452)	59,504	(85,426)	(22,639)	(108,065)
B) DIVIDEND										
1 Cash Dividend	%	10	-	10	5	-	5	-	-	-
2 Stock Dividend	%	-	-	-	15	-	15	-	-	-
C) BALANCE SHEET										
1 Total Assets Employed	Rs. In (000)	1,540,995	188,675	1,729,670	1,512,696	195,272	1,707,968	975,148	708,993	1,684,141
2 Current Assets	Rs. In (000)	1,133,714	-	1,133,714	1,262,848	-	1,262,848	549,450	-	549,450
3 Current Liabilities	Rs. In (000)	130,910	-	130,910	133,907	-	133,907	148,741	-	148,741
4 Paid Up Capital	Rs. In (000)	590,578	-	590,578	513,547	-	513,547	513,547	-	513,547
5 Shareholders Equity	Rs. In (000)	1,539,875	-	1,539,875	1,525,504	-	1,525,504	1,490,705	-	1,490,705
6 No. of Ordinary Shares	In (000)	59,058	-	59,058	59,058	-	59,058	59,058	-	59,058
D) RATIO ANALYSIS										
1 Gross Profit / (Loss)	%	9.36	23.26	9.64	13.30	11.09	13.24	27.36	14.84	25.97
2 Earning Per Share	Rs.	0.79	(0.52)	0.27	1.69	(0.68)	1.01	(1.44)	(0.38)	(1.82)
3 Dividend Yield	%	-	-	3	-	-	5	-	-	-
4 Return on Equity	%	-	-	1	-	-	3.90	-	-	(7.25)
5 Break-up Value of Shares	Rs.	-	-	26.07	-	-	25.80	-	-	25.24
6 Market Value of Shares	Rs.	-	-	31.46	-	-	43.47	-	-	59.02
7 Price Earning Ratio	Rs.	-	-	116.52	-	-	43.04	-	-	(32.42)
8 Dividend Payout Ratio	%	-	-	363	-	-	198	-	-	-
E) PRODUCTION										
1 Capacity										
Polyester Yarn	Kgs In (000)	-	-	-	-	-	-	-	700	700
Yarn	Kgs In (000)	358	-	358	358	-	358	179	12,581	12,760
Cloth	Mtrs In (000)	754	-	754	754	-	754	377	2,153	2,530
2 Actual Production										
Polyester Yarn	Kgs In (000)	-	-	-	-	-	-	-	-	-
Yarn Kgs	Kgs In (000)	136	-	136	170	-	170	93	-	93
Cloth Mtrs.	Mtrs In (000)	541	-	541	664	-	664	307	-	307
3 Capacity Utilization - Yarn	%	38	-	38	47.49	-	47.49	51.96	-	51.96
- Cloth	%	72	-	72	88.06	-	88.06	81.43	-	81.43
F) OTHERS										
1 Employees	Nos.	617	154	771	649	166	815	612	23	635
2 Capital Expenditures	Rs. In (000)	3,207	-	3,207	8,725	-	8,725	3,986	-	3,986

Note:
The earning per share, break-up value of shares, price earning ratio and dividend payout ratio for prior years have been restated to take into account the issue of bonus shares in 2007, 2008 & 2010.

June 2009			June 2008			June 2007 (Restated)		
Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
350,372	29,847	380,219	368,294	321,544	689,838	1,221,322	408,277	1,629,599
76,512	996	77,508	73,921	(240,918)	(166,997)	60,884	(43,275)	17,609
35,389	(91,111)	(55,722)	29,190	(292,087)	(262,897)	(39,056)	(67,849)	(106,905)
(94,956)	(92,328)	(187,284)	113,784	(300,826)	(187,042)	92,456	(72,349)	20,107
(104,156)	(92,179)	(196,335)	105,308	(302,433)	(197,125)	94,202	(74,390)	19,812
-	-	-	-	-	-	-	-	-
-	-	-	10	-	10	10	-	10
940,985	729,759	1,670,744	1,032,729	758,367	1,791,096	2,036,424	376,699	2,413,123
467,189	-	467,189	440,796	-	440,796	807,564	-	807,564
142,657	-	142,657	170,566	-	170,566	303,431	-	303,431
513,547	-	513,547	466,861	-	466,861	424,419	-	424,419
1,486,466	-	1,486,466	1,582,791	-	1,582,791	2,003,436	-	2,003,436
59,058	-	59,058	59,058	-	59,058	59,058	-	59,058
21.84	3.34	20.38	20.07	(74.93)	(24.21)	4.99	(10.60)	1.08
(1.76)	(1.56)	(3.32)	1.78	(5.12)	(3.34)	1.59	(1.25)	0.34
-	-	-	0.71	-	0.71	1.22	-	1.22
-	-	(13.21)	-	-	(12.45)	-	-	0.99
-	-	25.17	-	-	26.80	-	-	33.94
-	-	34.68	-	-	141.63	-	-	82.00
-	-	(10.44)	-	-	(42.40)	-	-	241.17
-	-	-	-	-	(29.95)	-	-	298.09
-	-	1,400	-	-	1,400	-	-	1,400
-	-	25,519	-	-	25,619	-	-	25,619
-	-	5,060	-	-	5,060	-	-	5,060
-	-	-	-	-	-	-	-	538
-	-	229	-	-	885	-	-	10,341
-	-	796	-	-	805	-	-	1,063
-	-	0.89	-	-	3.28	-	-	40.26
-	-	15.73	-	-	15.91	-	-	21.01
604	23	627	548	174	722	1,182	868	2,050
164,515	-	164,515	3,037	-	3,037	32,358	-	32,358

Notice of Annual General Meeting

Notice is hereby given that the Sixty Second Annual General Meeting of Dawood Lawrencepur Limited will be held at Karachi Marriott Hotel, 9, Abdullah Haroon Road, Karachi at 1130 hours on Monday, April 23, 2012, to transact the following business after recitation from the Holy Quran:

Ordinary Business

1. To receive, consider and adopt the Audited Accounts of the Company for the year ended December 31, 2011 together with the Auditors' and Directors' Reports thereon.

2. To consider and, if thought fit, approve payment of final cash dividend at the rate of Rs. 1/- per ordinary share of Rs. 10/- each (10%) for the year ended December 31, 2011 as recommended by the Board of Directors.

3. To appoint the Auditors for the year ending December 31, 2012 and to fix their remuneration. The retiring Auditors, Messrs M. Yousuf Adil Saleem & Company, being eligible, offer themselves for re-appointment.

Special Business

To consider and if thought fit, pass with or without modification(s) the following resolutions as special resolutions for alteration of the Object Clause III of the Memorandum of Association of the Company:

"RESOLVED that subject to the confirmation by the Securities and Exchange Commission of Pakistan (the "SECP"), the Clause III of the Memorandum of Association of the Company be and is hereby altered as under:

(i) The existing sub-clause (22) and sub-clause (57) be omitted and replaced with the following new sub-clause:

(22) To invest any of the moneys and funds of the Company from time to time in government securities or in securities guaranteed by any government or in debentures or other securities guaranteed by any government or in debentures or other securities for money issued by or on behalf of any municipal body or of any corporate body or in any shares or securities of any company (including any associate company(ies), subsidiaries or undertaking with whom this company has relationship or assistance) as may from time to time be determined by the directors or in the mortgage of immovable properties whether freehold or leasehold or of any other tenure or on the pledge of movable property as the directors may from time to time determine in their fixed deposits or by way of loans, on interest in any bank or with any firms, companies, or banks, including the (Agents of the Company) or in such other securities as may from time to time be determined by the directors and from time to time sell or vary all such investments as to execute all assignments, transfer receipts and documents that may be necessary in that behalf.

(57) To enter into any partnerships or into any arrangement to acquire majority or minority equity stake or management control of any company doing any business or trade which is (a) compatible with the objectives of the Company; or (b) related to alternative / renewable energy, which alternative / renewable energy business shall include but not be limited to (i) representing international brands, carrying out manufacturing, sales and distribution of alternative / renewable

energy products; (ii) entering into partnerships or joint ventures with international firms, local manufacturers and technology providers with group companies or other sales / distribution companies; (iii) providing after sales and other services in respect of alternative / renewable energy products; and (iv) exploring any potential investments with private equity / venture capital funds for the purposes of making investment in local and / or international alternative / renewable energy ventures. The Company shall be free to enter into the businesses mentioned herein through negotiation, bargaining, auction, stock exchange transaction or participation in Government Privatization program etc. and take all necessary or proper steps with the approval of the Government of Pakistan where required, with any provincial government or any foreign government or public authority, local municipal or otherwise or with any corporation or private persons or all or any of these purposes of directly or indirectly, for sharing profits, union of interests, co-operation, joint ventures, reciprocal concessions, or otherwise with any individual, form, co-operative or other company, associate, affiliate, association, corporate body, research and education institutions, affiliates, Government or local authority or other legal entity whether national or not as may be necessary or expedient for the purposes of carrying on the business of the Company.

(ii) A new sub-clause (59) be added:

(59) Subject to applicable law, the Company may (a) lend and advance money or give credit to any person or company (including its subsidiaries and affiliates); (b) issue/obtain the guarantee of repayment of any finance or debt or performance of any contract, obligation or promise or stand surety in respect thereof for any associated company, subsidiary or undertaking with whom this Company has relationship or assistance for mutual advantage and benefit and which may be conducive and/or incidental to the promotion or advancement of the business and operation of the Company; (c) guarantee and give guarantees or indemnities or other similar commitments for the payment of money or the performance of contracts or obligations by any person or company (including its subsidiaries and affiliate companies); (d) secure or undertake the repayment of money lent or advanced to or the liabilities incurred by any person or company; (e) issue corporate guarantees in favour of associated companies or subsidiaries or create any mortgage, hypothecation or floating charge or lien on all or any of the assets and properties of the Company for the purposes of securing obligations of any person including its associated companies or subsidiaries; and (f) otherwise assist any person or company.

(iii) After the existing sub-clause (16), the following new sub-clause (16A) is added:

(16A) To enter into any arrangements or contracts with any government or authority, supreme, municipal, local, international or otherwise, that may seem conducive to the Company's objects or any one of them, and to obtain from such institution, loans, credit and financial facilities in local and/or foreign currency from banks and other financial institutions operating in Pakistan and abroad, and subject to necessary approval from the Government of Pakistan, to secure foreign equity and technical collaboration financing from international sources, proceeds of which are to be used for the development, ownership and construction, operation and maintenance, any rights, authority, privileges and options, concessions and licenses, and to carry out, exercise or comply with any such arrangements, agreements, rights, privileges, concessions and licenses, and to procure the Company to be registered or recognized in any part of the world.

FURTHER RESOLVED that a petition be filed with the SECP under Section 21 of the Companies Ordinance, 1984 and the Chief Executive Officer and the Company Secretary be and are hereby jointly and severally authorized to undertake all such actions and to do all such things for and on behalf of the Company including all requisite legal and corporate formalities for effectuating the alteration of the Memorandum of Association."

For and on behalf of the Board

Karachi
March 1, 2012

Hafsa Shamsie
Company Secretary

Notes:

1. The register of members of the Company will remain closed and no transfer of shares will be accepted for registration from Monday, April 16, 2012 to Monday, April 23, 2012 (both days inclusive). Transfers received in order at the office of the Company's Share Registrar, M/s. C & K Management Associates (Private) Limited, 404-Trade Tower, Abdullah Haroon Road, Near Metropole Hotel, Karachi by the close of business (1600 hours) on Friday, April 13, 2012 will be treated in time for the purpose of attending the Annual General Meeting.

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

3. 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.

4. Members who have deposited their shares into Central Depository Company of Pakistan Limited ("CDC") will further have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan.

A. For Attending the Meeting

a. In case of Individuals, the account holder and/or sub-account holder whose registration details are uploaded as per the CDC Regulations, shall authenticate his/her identity by showing his/her original CNIC or, original Passport at the time of attending the Meeting.

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

B. For Appointing Proxies

a. In case of individuals, the account holder and/or sub-account holder whose registration details are uploaded as per the CDC Regulations, shall submit the Proxy Form as per above requirements.
b. The proxy form shall be witnessed by two persons, whose names, addresses and CNIC numbers shall be mentioned on the form.
c. Attested copies of the CNIC or the passport of beneficial owners and the proxy shall be furnished with the Proxy Form.
d. The proxy shall produce his / her original CNIC or original passport at the time of the Meeting.
e. In case of corporate entity, the Board's Resolution / Power of Attorney with specimen signature shall be furnished (unless it has been provided earlier) along with Proxy Form to the Company.

5. In order to be effective, Proxy Forms, duly filled and signed, must be received at the Company's Registered Office, not less than forty eight (48) hours before the Meeting. A blank Proxy Form is attached herewith.

STATEMENT OF MATERIAL FACTS UNDER SECTION 160(1)(b) OF THE COMPANIES ORDINANCE, 1984 RELATING TO THE SPECIAL BUSINESS TO BE TRANSACTED AT THE ANNUAL GENERAL MEETING SCHEDULED TO BE HELD ON APRIL 23, 2012

Alteration of Memorandum of Association

The Board of Directors of the Company has approved and recommended alteration in the Object Clause III of the Memorandum of Association of the Company to include therein the provision of security support and guarantees on behalf of associated companies and subsidiaries, to enlarge the scope of sub-clauses empowering the Company to invest funds in securities of associated companies and subsidiaries and to make investments in renewable energy projects as minority or majority partners etc. The proposed amendments will enlarge the scope of the object clause by allowing the Company to carry on the business not being the business specified in its existing Memorandum of Association.

The directors have no direct or indirect interest in the above said special business save their shareholding in the Company.

Directors' Report

For the year ended December 31, 2011.

The Directors of Dawood Lawrencepur Limited are pleased to present the Annual Report together with the audited Financial Statements for the year ended December 31, 2011 before the Sixty Second Annual General Meeting of the Company.

BUSINESS REVIEW

The main focus of the Company during 2011 was to accelerate progress on the Wind Power Project whilst also managing the multiple challenges in the textile market. The 50MW Wind Power Project is on track for its financial close by the third quarter 2012 and is presently awaiting tariff award by NEPRA. The textile market had a turbulent year with supply side shocks creating a cost imbalance that could only be partially mitigated by price increases. Market research has indicated that the Lawrencepur brand continues to be top of consumer mind in the menswear worsted suiting segment while fighting off challenges from cheaper imports and man-made fabrics.

The Company achieved sales of Rs. 374.7 million for the year against sales of Rs. 380.9 million last year on the back of demand side challenges. These challenges coupled with inflationary cost pressures resulted in the Company making an operating loss of Rs. 44.7 million from continuing operations as against an operating loss of Rs. 13.3 million last year. The loss from the closed down operations was Rs. 30.5 million in 2011 as against Rs. 40.5 million last year due to further scaling down of infrastructure and manpower. Profit before tax stood at Rs. 24.6 million as against a profit of Rs. 83.6 million last year.

Earnings per share of the Company on a standalone basis were Rs. 0.27 per share as compared to Rs. 1.01 last year.

On a Group basis, the operating loss from continuing operations for the year stood at Rs. 62 million as against profit of Rs. 25.1 million last year. With a loss from discontinued operations of Rs. 30.5 million (December 2010: Rs. 40.5 million) and share of profit from associate of Rs. 818.4 million (December 2010: Rs. 664.2 million), the profit before tax was Rs. 759.3 million as against a profit before tax of Rs. 641.1 million in 2010. The consolidated earnings per share were Rs. 9.51 per share as compared to Rs. 8.13 per share for last year.

Appropriations

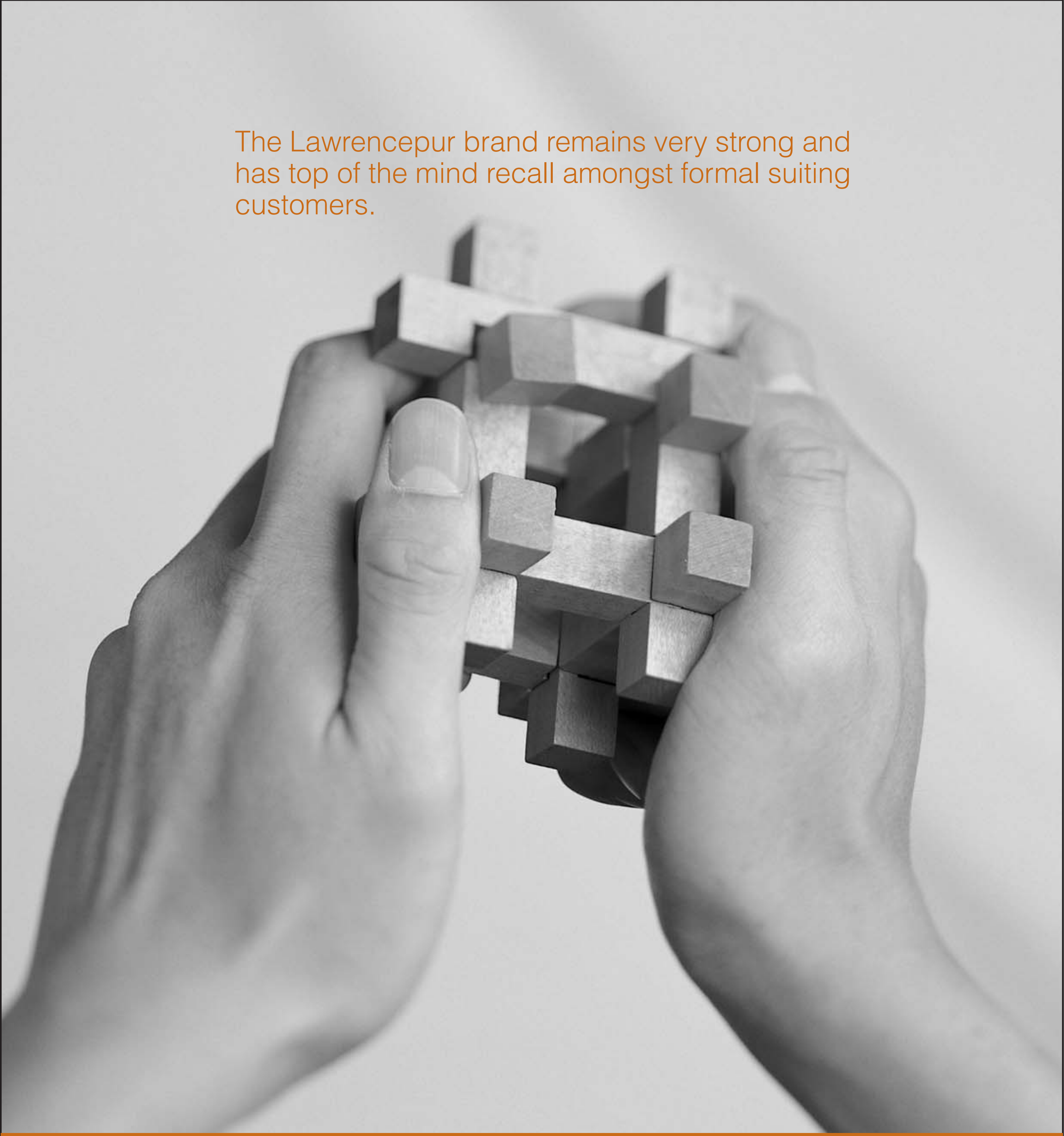
The Board has recommended a final cash dividend of Rs. 1.00 per share (10%) for approval by the shareholders in the 62nd Annual General Meeting.

Textile Operations and Market

2011 has been a challenging year for the textile business with demand being adversely affected by the economic situation, competitive landscape as well as natural disasters. The unorganized sector continued to increase its market share in the suiting fabric market with low price imported products from China and Far East giving tough competition to the Lawrencepur fabric. Floods and dengue epidemic resulted in market closure for long periods resulting in slowdown of economic activity and lower consumer purchasing power.

To exacerbate the situation, input costs soared on the back of an unprecedented rise (approx. 60%) in international wool prices during the first half of the year and an increase in utility costs due to electricity and natural gas outages. The LWTM plant did not have natural gas for almost 25% of the year. Wool prices continued to increase in the first half of the year owing to strong demand from China, Europe and North America after an economic recovery from the 2008 global financial crisis along with a constant year-on-year decline in wool production. The Company made all efforts to counter the situation by increasing efficiencies to minimize production losses, curtailing controllable expenditures and as a last resort, increasing fabric prices.

The Lawrencepur brand remains very strong and has top of the mind recall amongst formal suiting customers.



Exploring **Solutions**

Wind Energy Project

The wind based power project made considerable progress during the year and has achieved significant milestones. The EPC and O&M contracts have been agreed and initialed. O&M will be outsourced to an international contractor for a period of 10 years starting from the Commercial Operations Date. All the essential studies and approvals for the project i.e. Topographic Survey, approval of the IEE by SEPA, Grid Interconnection Study approval from CPPA and the Feasibility Study have been completed. The Tariff application was submitted to NEPRA on August 28, 2011 and with this submission, the Company has completed its commitments to the Alternate Energy Development Board (AEDB). Discussions with both local and international financial institutions have advanced and due diligence process by the lenders is currently under way. It is expected that the financial close for the Project will take place by the third quarter 2012. We remain amongst the first batch of developers who are leading this renewable energy initiative in Pakistan.

The key risk facing the wind energy project is the issue of circular debt. The recent track record indicates that the power purchaser has been unable to pay on time for the electricity that it buys from Independent Power Producers (IPPs). The Project Company is looking at effective ways and means to mitigate this uncertainty. However, unless a long term solution is found, the Government runs the risk of not being able to encourage new investment in this very critical sector.

The financial highlights of the Company are as under:

Particulars	For The Year Ended December 31, 2011 Rupees in '000	For The Year Ended December 31, 2010 Rupees in '000
Sales from continuing operations	374,667	380,862
Gross profit	35,106	50,656
Other Income	101,239	158,149
Provisions	(584)	(19,405)
Impairment loss on 'available for sale' investments	(819)	(1,411)
Profit before taxation from continuing operations	55,089	124,017
Profit after taxation from continuing operations	46,793	99,956
Loss from discontinued operations	(30,535)	(40,452)
Profit for the year	16,258	59,504
Un-appropriated profit brought forward	405,309	371,482
Un-appropriated profit carried forward	344,536	405,309
Earnings per share - basic and diluted (net)	Rs. 0.27	Rs. 1.01

Asset Disposal Program

During the year, the Directors recommended the sale of all assets including land, building/civil-works, plant, machinery etc. of the Company's discontinued units i.e. Burewala Textile Mills, Dawood Cotton Mills and Dilon Mills. Subsequent to the year end, the shareholders approved the planned sale in an Extraordinary General Meeting held on January 25, 2012 and the Company is working towards timely completion of this activity. In line with the Company's strategic intent, the Company will utilize the sales proceeds towards establishing its position in the renewable energy sector.

CORPORATE GOVERNANCE

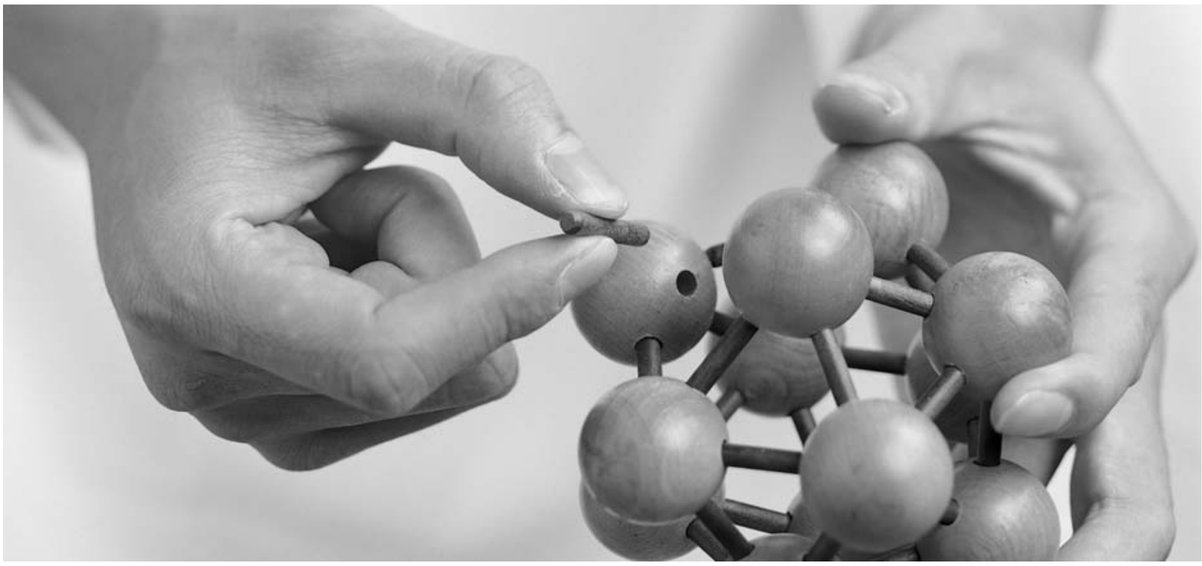
The management of the Company is committed to good corporate governance and complying with best practices. The requirements of the Code of Corporate Governance set out by the Karachi Stock Exchange and Lahore Stock Exchange in their Listing Regulations have been duly complied with. A Statement to this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

STATEMENT OF ETHICS AND BUSINESS PRACTICES

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

VISION AND MISSION

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



The wind based power project made considerable progress during the year and we remain among the first batch of developers leading the renewable energy initiative in Pakistan.

Exploring **Solutions**

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

It is certified that:

(i) The financial statements together with notes thereon have been drawn up by 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.

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

PATTERN OF SHAREHOLDING

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

KEY OPERATING AND FINANCIAL DATA

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

STATUTORY PAYMENTS

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

VALUE OF INVESTMENTS OF GRATUITY FUND AND PROVIDENT FUND

The face value of the investments of the Gratuity and Provident Fund of the management cadre staff was 11.65 million on the closing date.

TRADING IN COMPANY SHARES

The Directors, CEO, CFO and Company Secretary have not traded in Company shares during the year except Mr. A. Samad Dawood who purchased 169,943 shares of the company.

BOARD MEETINGS

During the year ended December 31, 2011, a total of ten meetings of the Board of Directors were held. The position of attendance during respective tenure was as follows:

	Meetings	
Name of Director	Held	Attended
Mr. Shahid Hamid Pracha	10	10
Mr. Inam ur Rahman	10	10
Mr. Isar Ahmad (Resigned)	9	9
Mr. Shahzada Dawood	10	3
Mr. A Samad Dawood	10	9
Mr. S. M. Asghar	10	6
Mr. Haroon Mahenti	10	6
Mr. Shafiq Ahmed	10	10
Mr. Mir Muhammad Nasir	10	6
Mr. Sulaiman Sadruddin Mehdi	10	9
Mr. Sarfaraz Ahmed Rehman	1	1

During the year Mr. Isar Ahmad resigned from the Board on December 14, 2011 and Mr. Sarfaraz Ahmed Rehman was appointed as Director in his place on December 21, 2011. The Board would like to record its appreciation for the distinctive and valuable contribution made by Mr. Isar Ahmad as Director and Chairman of the Board and welcomes Mr. Sarfaraz Rehman to the Board.

Mr. Shahid Hamid Pracha was appointed as Chairman of the Board on December 21, 2011 in place of Mr. Isar Ahmad.

CERTIFICATE OF RELATED PARTY TRANSACTIONS

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

FUTURE OUTLOOK

The Lawrencepur brand remains very strong and has top of the mind recall amongst formal suiting customers. Whilst overall economic recovery appears to be a challenge in the short term, the retail economy has begun showing some signs of improved activity at the start of 2012.The Company expects inflationary pressures to persist on account of rising utility costs and a weakening Rupee however, it anticipates the overall input cost rise to be tempered by a relatively stable wool market. The changing competitive landscape in the woolen textiles market has led the Company to reassess its operational strategy and the focus in the upcoming year will be upon rationalizing production costs, investing in human resources, building strategic alliances for a broader retail presence, powerful advertising, and redefining the sourcing strategy, in a bid to create the best value possible for the business going forward.

The 50 MW Wind Power Project being managed by Tenaga Generasi Limited has successfully met all pre-requisite milestones to date and post tariff approval by NEPRA, expects to achieve financial close by third quarter 2012 and commencement of construction thereafter.

The energy gap in the country continues to increase and the cost of energy has risen nearly 21% in 2011. Renewable energy, considered expensive and capital intensive a few years ago, is now cheaper than furnace oil driven thermal plants. All over the world, renewable energy is becoming an increasing proportion of the overall energy mix. The Company remains strategically committed to establishing its presence in the renewable energy sector and is working towards identifying and developing business opportunities in this sector which is so critical for the economic prosperity of the Country.

AUDITORS

The present auditors, M/s. Yousuf Adil Saleem & Co., Chartered Accountants, whose tenure finished on 31st December 2011, being eligible have offered themselves for reappointment. The Audit Committee has recommended the appointment of M/s. Yousuf Adil Saleem & Co., Chartered Accountants as the statutory auditors of the Company for the year ending December 31, 2012.

ACKNOWLEDGEMENT

The Directors acknowledge the contribution of each and every employee of the Company and would like to express their thanks to the customers for the trust shown in the Company's products. We are also grateful to our shareholders for their support and confidence in our management.

Shahid Hamid Pracha
Chairman

Inam Ur Rahman
Chief Executive

Karachi
March 1, 2012

Statement of Ethics and Business Practices

The Company strongly believes in conducting and growing its business on the principles of integrity, fairness and high ethical standards. The Company takes pride in adherence to its principles and shall continue to serve its customers, stakeholders and society on the basis of the following Business Code of Conduct:

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

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

3. The Company will ensure compliance with the laws of Pakistan.

4. The Company will ensure protection of Intellectual Property rights and comply with related legislation regarding protection of copyright, trade secrets, patents, etc. We expect our employees to comply with the Company policy on Information Protection and neither solicit confidential information from others nor disclose the Company's trade secrets, or any confidential information that may come into their knowledge during the course of their employment to any unauthorized person or party.

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

6. The Company expects employees to demonstrate integrity and honesty in doing business for the Company and dealing with people. Any unfair or corrupt practices either to solicit business for the Company or for personal gain of the employee is fundamentally inconsistent with the Company's Business Code of Conduct. Employees must avoid situations in which personal interest conflicts with or interferes with their duty to be loyal to the Company.

7. The Company's funds shall not be used, directly or indirectly, for the purpose of any unlawful payments.

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

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

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

11. All assets of the Company must be accounted for carefully and properly.

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

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

14. All employees, including managers, are expected to treat all other employees and subordinates with respect and fairness. Employees are encouraged to report incidents of violence or aggressive behaviour and managers are expected to investigate so that such incidents are not repeated.

15. The Company will not tolerate harassment of any sort. The Company and its employees shall comply with local legislation on preventing harassment at the workplace.

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

17. The Company will not allow improper use of email and internet. The employees are expected to read and comply with the Company policy on email and computer network use.

18. The Company will ensure its recruitment and selection process is of a high standard, based on merit and free from discrimination.

19. Employees need to ensure that they manage their time and resources efficiently and effectively and keep the tools and equipment provided to them by the Company in safe and good working condition.

20. The behavior of employees reflects the image of the Company. Employees are expected to act professionally and abide by the Companies policies, rules, regulations and code of conduct. Any violations must be reported to HR or the Chief Executive of the Company, who will ensure that any reported violations are investigated and upon being proven, proper action is taken.

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 ten Directors including the Chief Executive Officer (CEO). The Company encourages representation of independent non-executive Directors. At present, except CEO, all 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 Development Finance Institution or a Non-Banking Financial Company or, being a member of a Stock Exchange, has been declared as a defaulter by that Stock Exchange.

4. A casual vacancy occurred on the Board during the year on December 14, 2011, which was filled up within 30 days thereof.

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. All material information as required under relevant rules has been provided to the stock exchanges and to the Securities & Exchange Commission of Pakistan within the prescribed time limit.

10. The Board encourages the participation of its Directors and Executives in the orientation courses to apprise them of their duties and responsibilities.

11. The Board has approved appointment of Chief Financial Officer (CFO) and Company Secretary, including their remuneration and terms and conditions of employment as determined by the CEO.

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

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

14. The Directors, CEO and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholdings.

15. The Company has complied with all the corporate and financial reporting requirements of the Code.

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

17. 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 term of reference of the Committee have been formed and advised to the Committee for compliance.

18. The Board has set up an effective internal audit function.The personnel working in internal audit function are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they are involved in the internal audit function on a full time basis.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan, that they or any of their partners in 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 and Code of Ethics as adopted by Institute of Chartered Accountants of Pakistan.

20. All related party transactions entered during the year were on arm's length basis and these have been placed before the Audit Committee and Board of Directors. These transactions are duly reviewed and approved by the Audit Committee and Board of Directors.

21. 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.

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

Karachi
March 01, 2012

Shahid Hamid Pracha
Chairman

Inam Ur Rahman
Chief Executive

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Dawood Lawrencepur Limited to comply with the Listing Regulations No. 35 (Chapter XI) of the Karachi and Lahore Stock Exchanges, 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's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We 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 the internal control covers all controls and the effectiveness of such internal controls.

The Listing Regulations of the Karachi and Lahore Stock Exchanges requires Board of Directors to approve related party transactions bifurcating between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price. In this connection we are only required and have ensured compliance of requirement to the extent of Board of Directors approving the related party transactions in the aforesaid manner. We have not carried out any procedures to enable us to express an opinion as to whether the related party transactions were carried out at arm's length price.

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 December 31, 2011.

M. Yousuf Adil Saleem & Co.
Chartered Accountants

Karachi
Date: March 01, 2012

Financial Statements

Contents

Auditors' Report to the Members

We have audited the annexed balance sheet of Dawood Lawrencepur Limited (the Company) as at December 31, 2011 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

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

a. in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984,

b. in our opinion :

   i. the 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 accounts and are further in accordance with accounting policies consistently applied;

   ii. the expenditure incurred during the year was for the purpose of the Company's business; and

   iii. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c. in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2011 and of the profit, comprehensive income, its cash flows and changes in equity for the year then ended; and,

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

M. Yousuf Adil Saleem & Co.
Chartered Accountants

Engagement Partner
Mushtaq Ali Hirani

Karachi
Dated: March 01, 2012

Exploring **Solutions**

Balance Sheet

As at December 31, 2011

	Note	2011	2010
		Rupees in '000	
ASSETS			
Non-current assets			
Property, plant and equipment	4	55,336	63,172
Intangible assets	5	384	741
Long term investments	6	341,017	175,391
Long term deposits	7	10,544	10,544
		407,281	249,848
Current assets			
Stores and spares	8	45,206	49,119
Stock-in-trade	9	319,688	201,103
Trade debts	10	82,643	69,763
Loans and advances	11	12,948	14,398
Deposits, prepayments and other receivables	12	69,268	149,504
Short term investments	13	574,691	754,487
Cash and bank balances	14	29,270	24,474
		1,133,714	1,262,848
Assets classified as 'held for sale'	15	188,675	195,272
		1,729,670	1,707,968
SHARE CAPITAL AND RESERVES			
Share capital	16	590,578	513,547
Reserves		604,761	606,648
Unappropriated profit		344,536	405,309
		1,539,875	1,525,504
LIABILITIES			
Non-current liabilities			
Deferred liabilities	17	58,885	48,557
Current liabilities			
Trade and other payables	18	123,104	120,365
Provision for taxation		7,806	13,542
		130,910	133,907
		1,729,670	1,707,968
CONTINGENCIES & COMMITMENTS	19		

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

SHAHID HAMID PRACHA
Chairman

INAM UR RAHMAN
Chief Executive

Profit and Loss Account

For the year ended December 31, 2011

	Note	2011	2010
		Rupees in '000	
CONTINUING OPERATIONS			
Sales - net	20	374,667	380,862
Cost of goods sold	21	(339,561)	(330,206)
Gross profit		35,106	50,656
Other operating income	22	101,239	158,149
Selling and distribution expenses	23	(16,232)	(11,349)
Administrative expenses	24	(63,621)	(52,623)
Provisions / reversals	25	(584)	(19,405)
Impairment loss on 'available for sale' investments		(819)	(1,411)
		(81,256)	(84,788)
Profit before taxation		55,089	124,017
Taxation	26	(8,296)	(24,061)
Profit after taxation from continuing operations		46,793	99,956
DISCONTINUED OPERATIONS			
Loss from discontinued operations	27	(30,535)	(40,452)
Profit for the year		16,258	59,504
Earnings per share - Basic & diluted			
Continuing operations (Rs.)	28	0.79	1.69
Earnings per share - Basic & diluted			
Discontinued operations (Re.)	28	(0.52)	(0.68)

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

SHAHID HAMID PRACHA
Chairman

INAM UR RAHMAN
Chief Executive

Statement of Comprehensive Income

For the year ended December 31, 2011

	2011	2010
	Rupees in '000	
Profit for the year	16,258	59,504
Other comprehensive income		
(Deficit) / surplus on remeasurement of 'available for sale' investments	(1,887)	972
Total comprehensive income	14,371	60,476

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

SHAHID HAMID PRACHA
Chairman

INAM UR RAHMAN
Chief Executive

Cash Flow Statement
For the year ended December 31, 2011

	For the year ended December 31, 2011			For the year ended December 31, 2010		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	Rupees in '000					
A. CASH FLOWS FROM OPERATING ACTIVITIES						
Profit / (loss) before taxation	55,089	(30,535)	24,554	124,017	(40,452)	83,565
Adjustments for:						
Depreciation	6,419	2,486	8,905	6,192	3,008	9,200
Amortization	123	248	371	124	247	371
Provision for gratuity	20,677	751	21,428	9,363	582	9,945
Provision against stock in trade	-	-	-	4,688	2,619	7,307
Provision against stores and spares	1,177	-	1,177	13,904	1,447	15,351
Provision against sales tax refundable	-	-	-	-	8,128	8,128
(Reversal) / provision against trade debts	(593)	-	(593)	812	2,534	3,346
Gain on disposal of property, plant and equipment	(101)	(801)	(902)	(201)	(1,162)	(1,363)
Gain on disposal of assets classified as held for sale	-	-	-	-	(15)	(15)
Impairment loss on 'available for sale investments'	819	-	819	1,411	-	1,411
Dividend income	(20,283)	-	(20,283)	(96,177)	-	(96,177)
Insurance claim against 'held for sale assets'	-	-	-	-	(5,600)	(5,600)
Gain on sale of long-term investments	(722)	-	(722)	(22,335)	-	(22,335)
Gain on sale of short-term investments	(33,406)	-	(33,406)	(6,425)	-	(6,425)
Unrealized gain on short-term investments	(44,797)	-	(44,797)	(28,269)	-	(28,269)
Operating (loss) / profit before working capital changes	(15,598)	(27,851)	(43,449)	7,104	(28,664)	(21,560)
Increase / (decrease) in current assets						
Stores and spares	2,736	869	3,605	(14,148)	23,860	9,712
Stock in trade	(118,585)	5,728	(112,857)	10,522	10,226	20,748
Trade debts	(12,801)	515	(12,286)	(30,000)	641	(29,359)
Loans and advances	(2,154)	(406)	(2,560)	(141)	(404)	(545)
Deposits, prepayments and other receivables	(7,140)	86,130	78,990	(6,242)	(78,068)	(84,310)
Increase / (decrease) in current liabilities						
Trade and other payables	3,900	(1,134)	2,766	(11,139)	(7,186)	(18,325)
	(134,044)	91,702	(42,342)	(51,148)	(50,931)	(102,079)
Cash (used in) / generated from operations	(149,642)	63,851	(85,791)	(44,044)	(79,595)	(123,639)
Gratuity paid	(10,412)	(688)	(11,100)	(6,083)	-	(6,083)
Tax paid	(8,778)	-	(8,778)	8,929	(22,195)	(13,266)
Net cash (used in) / generated from operating activities	(168,832)	63,163	(105,669)	(41,198)	(101,790)	(142,988)

Cash Flow Statement

For the year ended December 31, 2011

	For the year ended December 31, 2011			For the year ended December 31, 2010		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	Rupees in '000					
B. CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of property, plant and equipment	(3,207)	-	(3,207)	(8,485)	(240)	(8,725)
Sale proceeds from disposal of property, plant and equipment	1,458	1,582	3,040	930	1,391	2,321
Purchase of intangible asset	(14)	-	(14)	-	-	-
Sale proceeds from disposal of assets classified as 'held for sale'	-	-	-	-	475,583	475,583
Proceeds from insurance claim	-	-	-	-	5,600	5,600
Investment in subsidiary	-	(170,000)	(170,000)	(30,410)	-	(30,410)
Purchase of short-term investments	(155,000)	-	(155,000)	(857,000)	-	(857,000)
Sale proceed from disposal of short-term investments	413,000	-	413,000	259,000	-	259,000
Fund transfer from operations	-	-	-	381,231	(381,231)	-
Sale proceeds from disposal of investments	-	2,390	2,390	227,493	-	227,493
Dividend received	-	20,283	20,283	96,177	-	96,177
Long term deposits	-	-	-	(262)	(879)	(1,141)
Net cash generated from / (used in) investing activities	256,237	(145,745)	110,492	68,674	100,224	168,898
C. CASH FLOWS FROM FINANCING ACTIVITIES						
Payment of dividend	(27)	-	(27)	(25,317)	-	(25,317)
Net cash used in financing activities	(27)	-	(27)	(25,317)	-	(25,317)
Net increase / (decrease) in cash and cash equivalent (A+B+C)	87,378	(82,582)	4,796	2,159	(1,566)	593
Cash and cash equivalents at beginning	23,061	1,413	24,474	20,902	2,979	23,881
Cash and cash equivalents at end	110,439	(81,169)	29,270	23,061	1,413	24,474

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

SHAHID HAMID PRACHA
Chairman

INAM UR RAHMAN
Chief Executive

Statement of Changes in Equity
For the year ended December 31, 2011

	Ordinary Shares	Capital Reserves				General Reserve	Unappropri-ated Profit	Unrealized gain / (loss) on remeasure-ment of available for sale investments	Total
		Merger Reserve	Share Premium	Capital Reserve	Capital Redemption Reserve Fund				
	Rupees in '000								
Balance at January 01, 2010	513,547	10,521	136,865	33,311	25,969	395,355	371,482	3,655	1,490,705
Total comprehensive income for the year ended December 31, 2010	-	-	-	-	-	-	59,504	972	60,476
Interim cash dividend for the quarter ended March 31, 2010 @ Rs. 0.5 per share	-	-	-	-	-	-	(25,677)	-	(25,677)
Balance at December 31, 2010	513,547	10,521	136,865	33,311	25,969	395,355	405,309	4,627	1,525,504
Total comprehensive income for the year ended December 31, 2011	-	-	-	-	-	-	16,258	(1,887)	14,371
Issue of bonus shares @ Rs. 1.5 for the year ended December 31, 2010	77,031	-	-	-	-	-	(77,031)	-	-
Balance at December 31, 2011	590,578	10,521	136,865	33,311	25,969	395,355	344,536	2,740	1,539,875

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

SHAHID HAMID PRACHA
Chairman

INAM UR RAHMAN
Chief Executive

1. GENERAL INFORMATION

1.1 Dawood Lawrencepur Limited, “the Company” was incorporated in Pakistan in 2004 as a public listed Company formed as a result of a Scheme of Arrangement for Amalgamation in terms of the provisions of the Companies Ordinance, 1984 between Dawood Cotton Mills Limited, Dilon Limited, Burewala Textile Mills Limited and Lawrencepur Woolen and Textile Mills Limited. The shares of the Company are listed on the Karachi and Lahore Stock Exchanges. The Company is principally engaged in the business of manufacture and sale of yarn and fabrics made from natural and man-made fibers and blends thereof. The registered office of the Company is situated at 3rd Floor, Dawood Centre, M.T. Khan Road, Karachi.

1.2 The Company in the year 2008 suspended its manufacturing operations located at Burewala, District Vehari and closed down the mill in 2009. The assets (plant, machinery and current assets) relating to the closed down unit have been classified as discontinued operations, and are accounted for as per the requirement of IFRS - 5 ‘non-current assets held for sale and discontinued operations’.

2. BASIS OF PREPARATION

2.1 Basis of measurement

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 certain investments which have been measured at fair market value.

2.2 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the provisions of and directives issued under the Companies Ordinance 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.3 Functional and presentation currency

These financial statements are presented in Pakistani Rupees which is the functional and presentation currency of the Company and figures are stated to the nearest thousand rupees.

2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates, if any, are recognized prospectively commencing from the period of revision.

Judgments and estimates made by the management that may have a significant risk of material adjustments to the financial statements in the subsequent years are as follows:

Useful life and depreciation rate of:
- Property, plant and equipment
- Intangible assets

Provision against stock in trade and stores and spares
Employee benefits
Taxation
Impairment loss of 'available for sale' investments

2.5 **Adoption of new standards, amendments and interpretations to the published approved accounting standards**

During the year, the following standards, amendments to standards and interpretations including amendments to interpretations became effective, however, the application of these amendments and interpretations did not have a material impact on the financial statements of the Company:

Standards/Amendments/Interpretations	Effective date (accounting period beginning on or after)
Amendment to IAS 1 - Presentation of Financial Statements	January 01, 2011
IAS 24 (as revised in 2009) - Related Party Disclosures	January 01, 2011
Amendment to IAS 27 (2008) - Consolidated and Separate Financial Statements	July 01,2010
Amendments to IAS 32 - Financial Instruments – Presentation	February 01, 2010
Amendment to IAS 34 - Interim Financial Reporting	January 01, 2011
Amendments to IFRS 7 - Financial Instruments – Disclosures	July 01,2010
Amendments to IFRS 3 (2008) - Business Combinations	July 01,2010
Amendments to IFRS 7 - Financial Instruments – Disclosures	January 01, 2011
IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments	July 01,2010
Amendment to IFRIC 13 - Customer Loyalty Programmes	January 01, 2011
Amendment to IFRIC 14 - Prepayments of a Minimum Funding Requirement	January 01, 2011

2.6 **Standards, interpretations and amendments to the published approved accounting standards not yet effective**

The following standards, amendments and interpretations are effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and amendments are either not relevant to the Company's operations or are not expected to have a significant impact on the Company's financial statements other than certain additional disclosures.

Standards/Amendments/Interpretations	Effective date (accounting period beginning on or after)
Amendments to IAS 1 - Presentation of Financial Statements	July 01, 2012
Amendments to IAS 12 - Income Taxes	January 01, 2012
Amendments to IAS 19 - Employee Benefits	January 01, 2013
Amendment to IFRS 7 - Enhanced Derecognition Disclosure Requirements	July 01, 2011
IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine	January 01, 2013

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been considered by the Company as the standards and their relevant amendments have not been adopted locally by the Securities and Exchange Commission of Pakistan:

IFRS 1 – First Time Adoption of International Financial Reporting Standards
IFRS 9 – Financial Instruments
IFRS 10 – Consolidated Financial Statements
IFRS 11 – Joint Arrangements
IFRS 12 – Disclosure of Interests in Other Entities
IFRS 13 – Fair Value Measurement
IAS 27 (Revised 2011) – Separate Financial Statements due to non-adoption of IFRS 10 and IFRS 11
IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures due to non-adoption of IFRS 10 and IFRS 11

3. 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.

3.1 Property, plant and equipment and capital work in progress

3.1.1 Recognition & measurement

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

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

3.1.2 Subsequent costs

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

3.1.3 Assets subject to finance lease

Lease in terms of which the Company assumes substantially all the risks and rewards of ownership, are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and present value of minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Outstanding obligations under the lease less finance cost allocated to future periods are shown as a liability.

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

3.1.4 Depreciation

Depreciation is charged to profit and loss account applying reducing balance method, whereby the cost of an asset is written off over its estimated useful life. Depreciation on additions is charged from the date on which the asset is available for use and on disposals up to the date of deletion. Freehold land is not depreciated. The residual value, depreciation method and the useful lives of each part of property, plant and equipment that is significant in relation to the total cost of the asset are reviewed, and adjusted if appropriate, at each reporting date.

3.1.5 Impairment

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

3.2 Intangible assets

3.2.1 Softwares

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

3.3 Financial instruments

All financial assets and liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets include trade debts, other receivables, loans, advances and deposits. These are recognized initially at cost plus directly attributable transaction costs, if any, and subsequently measured at fair value or amortized cost using effective interest rate method as the case may be less provision for impairment, if any. Exchange gains and losses arising in respect of financial assets or liabilities in foreign currency are added to the respective carrying amounts.

3.4 Investments

The Company recognizes an investment when it becomes a party to the contractual provisions of the instrument. A regular way purchase of financial assets is recognised using trade date accounting. From this date any gains and losses arising from changes in fair value of the financial assets or financial liabilities are recorded. Financial liabilities are not recognized unless one of the parties has performed its part of the contract or the contract is a derivative contract.

3.4.1 Investments in subsidiaries and associated companies

Investments in subsidiaries where control exists and associates where significant influence can be established are initially stated at cost. Subsequently, the recoverable amount is estimated to determine the extent of impairment losses, if any, and carrying amounts are adjusted accordingly. Impairment losses are recognized as expense in the profit and loss account. Where impairment losses subsequently reverse, the carrying amounts of the investments are increased to the revised recoverable amounts but limited to the extent of initial cost of investments. A reversal of impairment loss is recognized in the profit and loss account adjusted for impairment, if any, in the recoverable amounts of such investments.

3.4.2 Investments available for sale

Investments ‘available for sale’ are initially recognized at fair value, plus attributable transactions cost. Subsequent to initial recognition these are measured at fair value. Gains or losses on available-for-sale investments resulting from changes in fair value are recognized directly in equity until the investments are sold or disposed off, or until the investments are determined to be impaired, at that time cumulative gain or loss previously reported in equity is included in the current year’s profit and loss account.

All other investments in unquoted securities are stated at cost, less provision for impairment, if any.

3.4.3 Held-to-maturity investments

Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturities that the management has the positive intention and ability to hold to maturity. These are recorded at amortized cost using the effective interest rate method, less any amount written off to reflect impairment.

3.4.4 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified by the Company as fair value through profit or loss or available-for-sale. This includes receivable against sale of investments and other receivables.

3.4.5 Financial assets at fair value through profit or loss

An instrument is classified as ‘fair value through profit or loss’ if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sales decisions based on their fair values. Upon initial recognition, attributable transaction costs are recognized in the profit and loss account when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognized in the profit and loss account. Purchases and sales of investments are accounted for at trade date, i.e., the date that the Company commits itself to purchase or sell the investment.

3.4.6 Impairment

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

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

3.4.7 Derecognition

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with International Accounting Standard 39: Financial Instruments; Recognition and Measurement.

A financial liability is derecognized when the obligation specified in the contract is discharged, cancelled or expired.

3.5 Stores, spares and loose tools

Stores, spares and loose tools are valued at weighted average cost except for items in transit, which are stated at cost incurred up to 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 and for this, the Company reviews the carrying amount of stores and spares on a regular basis and accordingly a provision is made for obsolescence.

3.6 Stock-in-trade

Stock-in-trade is valued at the lower of cost and net realizable value. Cost is determined using weighted average method except for raw material in transit, which is stated at cost. Cost includes applicable purchase cost and manufacturing expenses. The cost of work in process includes material and proportionate conversion costs.

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

3.7 Provisions

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

3.8 Cash and cash equivalents

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

3.9 Non-current assets held for sale and discontinued operations

3.9.1 Non-current assets held for sale

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. The assets (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 recognized in profit or loss. Non-current assets classified as held for sale are not depreciated or amortized.

3.9.2 Discontinued operations

A discontinued operation is a component of the Company's business that represents a separate major line of business or geographical area of operations that has been disposed of or is being held for sale, or is a subsidiary acquired exclusively with a view of resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, whichever occurs earlier. When an operation is classified as a discontinued operation, the comparative profit and loss account is re-presented as if the operation had been discontinued from the start of the comparative period.

3.10 Employees' retirement benefits

3.10.1 Defined contribution plan

A defined contribution plan is a post – employment benefit plan under which the Company 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 employee benefit expense in profit or loss when they are due. The Company operates defined contribution provident fund for the permanent employees of its Burewala Unit. Monthly contributions are made both by the Company and employees to the fund at the rate of 8.33% of basic salary.

3.10.2 Defined benefit plan

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

Provisions are made in the financial statements to cover obligations under the scheme. The provisions require assumptions to be made of future outcome which mainly include increase in remuneration, expected return on plan assets and the discount rate used to convert future cash flows to current values. As per the actuarial valuation carried out as at December 31, 2011, following significant assumptions were used for determining the gratuity liability.

Discount rate 12.5%
Expected rate of salary increase 11.5%
Expected rate of return on plan assets 13%
Average expected remaining life of employees 9 years

Actuarial gains or losses in excess of the corridor limit of 10% of the difference between fair value of assets and present value of obligation are recognized over the estimated remaining service life of the employees.

3.10.3 Compensated absences

The Company provides for compensated absences of its employees on unavailed balance of leave in the period in which the leave is earned.

3.11 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit and loss except to the extent that it relates to items recognized directly in equity, in which case it is also directly recognized in equity.

3.11.1 Current

Provision for current taxation is based on income streams chargeable at current rate of taxation under the normal tax regime after taking into account tax credits and tax rebates available, if any. The charge for current tax include adjustments to charge for prior years, if any.

3.11.2 Deferred

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

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

3.12 Revenue recognition

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

3.12.1 Sale of goods

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

3.12.2 Interest income

Income from investments and deposits is recognized on accrual basis.

3.12.3 Dividend income

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

3.12.4 Capital gain

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

3.13 Borrowing costs

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

3.14 Foreign currency translation

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

3.15 Earnings per share

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

3.16 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 Company intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

4. Property, plant and equipment

Particulars	Cost at January 01, 2011	Additions/ (disposals)	Cost at December 31, 2011	Accumulated depreciation at January 01, 2011	Depreciation/ (Disposals) for the year	Accumulated depreciation at December 31, 2011	Carrying value at December 31, 2011	Annual rate of depreciation %
	Rupees in '000							
Freehold land	3,157	-	3,157	-	-	-	3,157	-
Leasehold land	1,081	-	1,081	481	6	487	594	1
Building on freehold land	70,557	-	70,557	61,267	758	62,025	8,532	5-10
Building on leasehold land	54,414	-	54,414	40,110	1,430	41,540	12,874	10
Plant and machinery	283,358	418	283,776	270,467	2,628	273,095	10,681	20
Furniture, fixtures and office equipment	25,959	210 (48)	26,121	17,668	866 (16)	18,518	7,603	10
Computer equipment	4,887	659	5,546	2,628	896	3,524	2,022	33
Vehicles	28,526	1,920 (4,551)	25,895	16,146	2,321 (2,445)	16,022	9,873	20
	471,939	3,207 (4,599)	470,547	408,767	8,905 (2,461)	415,211	55,336	

The above includes carrying value of freehold land, leasehold land, building on freehold land and building on leasehold land amounting to Rs. 3.10 million, Rs. 0.60 million, Rs. 4.89 million and Rs. 12.87 million respectively, aggregated to Rs. 21.46 million (2010: Rs. 24.07 million) held as idle assets which relates to discontinued units. On January 25, 2012 in the Extra Ordinary General Meeting, a resolution has been passed for authorizing the Board of Directors of the Company to dispose off these idle assets.

For comparative year

Particulars	Cost at January 01, 2010	Additions/ (disposals)	Cost at December 31, 2010	Accumulated depreciation at January 01, 2010	Depreciation/ (Disposals) for the year	Accumulated depreciation at December 31, 2010	Carrying value at December 31, 2010	Annual rate of depreciation %
	Rupees in '000							
Freehold land	3,157	-	3,157	-	-	-	3,157	-
Leasehold land	1,081	-	1,081	475	6	481	600	1
Building on freehold land	70,557	-	70,557	60,435	832	61,267	9,290	5-10
Building on leasehold land	54,414	-	54,414	38,556	1,554	40,110	14,304	10
Plant and machinery	284,794	90 (1,526)	283,358	268,091	3,346 (970)	270,467	12,891	20
Furniture, fixtures and office equipment	25,808	151	25,959	16,672	996	17,668	8,291	10
Computer equipment	3,393	1,599 (105)	4,887	2,015	669 (56)	2,628	2,259	33
Vehicles	23,818	6,885 (2,177)	28,526	16,173	1,797 (1,824)	16,146	12,380	20
2010	467,022	8,725 (3,808)	471,939	402,417	9,200 (2,850)	408,767	63,172	

	Note	2011	2010
		Rupees in '000	
4.1 Depreciation for the year has been allocated as under:			
Cost of goods sold	21	4,489	4,395
Selling and distribution expenses	23	320	584
Administrative expenses	24	4,096	4,221
		8,905	9,200

4.2 The following assets were disposed off during the year:

Description	Cost	Accumulated depreciation	Carrying value	Sale proceed	Mode of disposal	Particulars of buyer
	Rupees in '000					
Office equipment	19	6	13	5	Negotiation	Mr. Altaf Moon
Office equipment	4	1	3	3	Company policy	Dawood Corporation (Pvt.) Limited
Office equipment	25	9	16	16	Transfer to subsidiary	TGL
Vehicle	616	432	184	184	Company policy	Mr. Zubair Abdullah
Vehicle	1,371	909	462	1,250	Tender	Car Corporation
Vehicle	90	86	4	13	Company policy	Mr. Muhammad Aslam Choudhary
Vehicle	285	195	90	190	Tender	Adil & Tahir Traders
Vehicle	1,695	464	1,231	1,231	Company policy	Dawood Corporation (Pvt.) Limited
Vehicle	494	359	135	149	Company policy	Mr. Aleem Baig
2011	4,599	2,461	2,138	3,040		
2010	3,808	2,850	958	2,321		

	Note	2011	2010
		Rupees in '000	
5. INTANGIBLE ASSETS			
Computer software	5.1	384	741
5.1 Computer software			
Cost			
Balance as on January 1		2,380	2,380
Charge for the year		14	-
Balance as on December 31		2,394	2,380
Amortization @ 33.33%			
Balance as on January 1		1,639	1,268
During the year		371	371
Balance as on December 31		2,010	1,639
Carrying amount		384	741
6. LONG TERM INVESTMENTS			
Investment in related parties at cost	6.1	335,822	165,822
Other investments	6.2	5,195	9,569
		341,017	175,391
6.1 Investment in related parties at cost			
Wholly owned subsidiary - unquoted			
Tenaga Generasi Limited			
Percentage holding 100% (December 31, 2010: 100%)			
24,600,000 (December 31, 2010: 7,600,000) fully paid ordinary shares of Rs. 10/- each		270,528	100,528
Associated Company - quoted			
Dawood Hercules Corporation Limited			
Percentage holding 16.19% (December 31, 2010: 16.19%)			
77,931,896 (December 31, 2010: 19,482,974) fully paid ordinary shares of Rs. 10/- each		65,294	65,294
Market value Rs. 3,273 million (December 31, 2010: 3,864 million)			
Chief Executive Officer: Mr. Shahid Hamid Pracha		335,822	165,822

			2011	2010
			Rupees in '000	
6.2 Other investments				
Available for sale investments				
2011	2010	Name of Investee		
No. of Shares / Units				
Listed Securities				
200,000	200,000	National Investment Trust Limited	5,180	6,284
-	801,900	Southern Electric Power Company Ltd.	-	1,788
-	69,137	Sui Southern Gas Company Limited	-	1,481
			5,180	9,553
Un-Listed Securities				
795,000	795,000	Karnaphuli Paper Mills Limited	-	-
100	100	Mianwali Central Co-operative Bank Ltd.	-	1
1,500	1,500	Asian Co-operative Society Limited	15	15
			15	16
			5,195	9,569

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

	Note	2011	2010
		Rupees in '000	
Fair value of investments		5,195	9,569
Surplus on remeasurement of investment recognized in equity		(2,740)	(4,627)
Impairment loss charged to profit and loss account			
- for the year		-	1,411
- in prior years		-	10,713
		(2,740)	7,497
Cost of investments		2,455	17,066

7. LONG TERM DEPOSITS

		2011	2010
Electricity and gas deposits		9,019	9,019
Others		1,525	1,525
		10,544	10,544

8. STORES AND SPARES

	Note	2011	2010
Stores		34,957	36,200
Spares		29,297	32,053
		64,254	68,253
Stores in transit		1,263	-
		65,517	68,253
Provision for slow moving and obsolete items	8.1	(20,311)	(19,134)
		45,206	49,119

	Note	2011	2010
		Rupees in '000	
8.1 Movement in provision for stores and spares			
Opening balance		19,134	5,230
Provision made during the year		1,177	13,904
Closing balance		20,311	19,134

9. STOCK IN TRADE

	Note	2011	2010
Raw material		56,764	11,566
Work in process		101,500	86,861
Finished goods		134,173	105,393
Waste		2,412	1,513
		294,849	205,333
Raw material in transit		39,833	10,764
		334,682	216,097
Provision for slow moving and obsolete items	9.1	(14,994)	(14,994)
		319,688	201,103
9.1 Provision for slow moving and obsolete items			
Raw material		4,915	4,915
Work in process		3,259	3,259
Finished goods		6,820	6,820
		14,994	14,994

10. TRADE DEBTS

	Note	2011	2010
Unsecured			
Considered good		82,643	69,763
Considered doubtful		22,467	23,060
		105,110	92,823
Provision against doubtful receivables	10.1	(22,467)	(23,060)
		82,643	69,763
10.1 Movement in provision for doubtful debt			
Opening balance		23,060	19,714
Provision made during the year		-	3,346
Reversal during the year		(593)	-
Closing balance		22,467	23,060

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

	Note	Amount Outstanding	Maximum month end balance
		Rupees in '000	
December 31, 2011			
Sach International (Private) Limited		18,114	22,686
December 31, 2010			
Sach International (Private) Limited		6,788	17,492

11. LOANS AND ADVANCES

	Note	2011	2010
		Rupees in '000	
Unsecured			
Considered good			
Advance tax		8,730	12,740
Loans and advances to employees		1,730	813
Advances to suppliers		1,365	594
Others		1,123	251
		12,948	14,398

12. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Note	2011	2010
Income tax refundable	12.1	55,039	56,285
Security deposits		921	386
Prepayments		3,120	1,912
Letters of credit		3,163	1,053
Receivable against disposal of 'held for sale' assets		-	86,500
Sales tax	12.2	1,382	3,324
Others	12.3	5,643	44
		69,268	149,504

12.1 Income tax refundable

		2011	2010
Advance		76,548	77,794
Provision against doubtful receivable		(21,509)	(21,509)
		55,039	56,285

12.2 Sales tax

		2011	2010
Sales tax		9,510	11,452
Provision against doubtful receivable		(8,128)	(8,128)
		1,382	3,324

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

	Note	Amount Outstanding	Maximum month end balance
		Rupees in '000	
December 31, 2011			
Sach International (Private) Limited		4,872	4,872
Tenaga Generasi Limited		762	1,304
Cyan Limited		9	376
December 31, 2010			
Dawood Hercules Corporation Limited		5	5,033
Tenaga Generasi Limited		39	804

13. SHORT TERM INVESTMENTS

	Note	2011	2010
		Rupees in '000	
Held for trading at fair value through Profit or Loss	13.1	574,691	754,487

2011	2010	Name of Investee	2011	2010
No. of Units				
3,560,143	4,906,434	Meezan Cash Fund	178,506	245,518
1,680,961	2,690,456	UBL Liquidity Plus Fund	168,911	269,575
1,746,133	2,342,233	MCB Cash Management Optimizer	179,652	239,394
4,675,740	-	NAFA Government Securities Liquid Fund	47,622	-
			574,691	754,487

13.1 Reconciliation between fair value and cost of investments classified as 'held for trading at fair value through profit or loss'

	2011	2010
Fair value of investments	574,691	754,487
Unrealized gain on remeasurement of investments recognised in profit or loss account		
- for the year	44,797	28,269
- in prior years	30,063	1,794
	(74,860)	(30,063)
Cost of investments	499,831	724,424

14. CASH AND BANK BALANCES

	Note	2011	2010
Cash in hand		764	1,103
Cash at banks		11,624	6,757
In current accounts	14.1	16, 882	16,614
In deposit accounts		28,506	23,371
		29,270	24,474

14.1 These represent deposits with commercial banks and carry profit at the rate of 5% (December 31, 2010: 5%) per annum.

15. ASSETS CLASSIFIED AS HELD FOR SALE

	Note	2011	2010
		Rupees in '000	
Plant and equipment	15.1	172,762	172,762
Stock-in-trade		6,218	11,946
Stores and spares		15,578	16,447
		194,558	201,155
Provision for slow moving / obsolescence on stock in trade and stores & spares	15.2	(5,883)	(5,883)
		188,675	195,272

15.1 Plant and equipments

Particulars	Cost at January 01, 2011	Disposals	Cost at December 31, 2011	Accumulated depreciation at January 01, 2011	Depreciation adjusted for the year	Accumulated depreciation at December 31, 2011	Carrying value at December 31, 2011
	Rupees in '000						
Plant and machinery	379,520	-	379,520	212,447	-	212,447	167,073
Electric installations	35,663	-	35,663	30,720	-	30,720	4,943
Tools and equipment	2,893	-	2,893	2,147	-	2,147	746
2011	418,076	-	418,076	245,314	-	245,314	172,762

For comparative year

Particulars	Cost at January 01, 2010	Disposals	Cost at December 31, 2010	Accumulated depreciation at January 01, 2010	Depreciation adjusted for the year	Accumulated depreciation at December 31, 2010	Carrying value at December 31, 2010
	Rupees in '000						
Plant and machinery	1,296,452	(916,932)	379,520	654,001	(441,554)	212,447	167,073
Furniture, fixtures and office equipment	1,169	(1,169)	-	1,063	(1,063)	-	-
Electric installations	36,712	(1,049)	35,663	31,685	(965)	30,720	4,943
Tools and equipment	2,893	-	2,893	2,147	-	2,147	746
2010	1,337,226	(919,150)	418,076	688,896	(443,582)	245,314	172,762

15.1.1 These represent the assets of Burewala unit for which approval of disposal has been obtained from shareholders.

	2011	2010
	Rupees in '000	
15.2 Movement in slow moving / obsolescence on stock in trade and stores & spares		
Opening balance	5,883	18,467
Provision made during the year	-	4,066
Stock in trade written off	-	(16,650)
Closing balance	5,883	5,883

16. SHARE CAPITAL

16.1 Authorized capital

2011	2010		2011	2010
Number of Shares			Rupees in '000	
75,000,000	75,000,000	Ordinary shares of Rs. 10/- each	750,000	750,000

16.2 Issued, subscribed and paid up capital

2011	2010		2011	2010
Number of Shares			Rupees in '000	
		Ordinary shares of Rs. 10/- each		
2,204,002	2,204,002	Fully paid in cash	22,040	22,040
12,805,118	12,805,118	Issued for consideration other than cash	128,051	128,051
44,048,739	36,345,540	Fully paid as bonus	440,487	363,456
59,057,859	51,354,660		590,578	513,547

	2011	2010
	No. of Shares	
16.2.1 Reconciliation of number of ordinary shares		
At January 01	51,354,660	51,354,660
Add: Issue of bonus shares during the year	7,703,199	-
At December 31	59,057,859	51,354,660
16.2.2 Associates holding of the Company's share capital as under:		
Dawood Corporation (Private) Limited	28,974,998	25,195,651
Patek Private Limited	3,501,884	3,045,117
Cyan Limited	3,215,095	2,795,735
Pebbles (Private) Limited	685,718	596,277
Dawood Industries (Private) Limited	154,921	105,959
Sach International (Private) Limited	3,776	3,284
	36,536,392	31,742,023

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

	Note	2011	2010
		Rupees in '000	
17. DEFERRED LIABILITIES			
Gratuity	17.1	58,885	48,557
Deferred taxation	17.2	-	-
		58,885	48,557
17.1 Movement in liability recognized in the balance sheet			
Opening balance		48,557	44,695
Net charge for the year	7.1.1	21,428	9,945
		69,985	54,640
Payments made during the year		(11,100)	(6,083)
Closing balance		58,885	48,557
17.1.1 Charge for defined benefit plan			
Current service cost		5,060	4,078
Interest cost		6,583	6,127
Return on plan assets		(271)	(260)
Past service cost	17.1.3	10,055	-
		21,428	9,945
17.1.2 Reconciliation			
Present value of defined benefit obligation		68,269	50,644
Fair value of plan assets		(2,132)	(2,082)
Actuarial losses to be recognized in later periods		(7,252)	(5)
		58,885	48,557

	December 2011	December 2010	December 2009	June 2009	June 2008
	Rupees in '000				
Present value of defined benefit obligation	68,269	50,644	51,059	47,107	29,616
Fair value of plan assets	(2,132)	(2,082)	(2,163)	(2,163)	(2,163)
Surplus in the plan	66,137	48,562	48,896	44,944	27,453
Unrecognized actuarial (loss) / gain	(7,252)	(5)	(4,201)	(3,323)	10,287
Liability in balance sheet	58,885	48,557	44,695	41,621	37,740
Experience adjustment arising on plan liabilities losses / (gain)	7,026	(4,537)	749	12,580	4,054
Experience adjustment arising on plan assets losses	(221)	(341)	(130)	(216)	(216)

17.1.3 During the year, the Company has made an amendment in the plan according to which gratuity obligation will be based on gross salary instead of basic salary of the entitled employees.

17.2 Deferred taxation

Deferred tax asset is Rs. 180.27 million (Dec. 2010: Rs. 135.43 million). However, it is likely that the income of the Company will be taxable based on tunrover tax and under final tax regime in future, as a matter of prudence, deferred tax asset is not recognized.

18. TRADE AND OTHER PAYABLES

	Note	2011	2010
		Rupees in '000	
Creditors		18,004	22,400
Accrued expenses		32,819	30,410
Gratuity to ex staff		295	6,104
Advances from customers and others		10,777	3,770
Unclaimed dividend		21,031	21,058
Due to Islamic Development Bank	18.1	25,969	25,969
Deposits	18.2	1,115	719
Workers' welfare fund		2,423	1,705
Withholding tax		142	93
Advance against scrap sales		10,529	7,690
Others	18.3	-	447
		123,104	120,365

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

18.2 All deposits are interest free and re-payable on demand.

18.3 These include amount due to the following related parties:

	2011	2010
	Rupees in '000	
Sach International (Private) Limited	-	275
Dawood Corporation (Private) Limited	-	155
The Dawood Foundation	-	9
Cyan Limited	-	8

19. CONTINGENCIES AND COMMITMENTS

19.1 Contingencies

a) The Taxation Officer while framing assessment for the tax year 2003 made errors in allowing expenses relating to gratuity, lease rentals, employee perquisites, utilities amounting to Rs. 29.34 million, and for tax years 2004 to 2005 had made additions on account of allocation of expenses between the normal and presumptive income of the Company amounting to Rs. 136.10 million and had disallowed Rs. 20.62 million as adjustment of brought forward losses of the Company.

During the year, Appellate Tribunal Inland Revenue (ATIR) has decided the issue of brought forward losses against the Company, however, the Company has filed an appeal before the High Court and a decision is awaited. The remaining issues have been set aside by the said Tribunal and remanded to the taxation officer for reconsideration. The tax impact of all cases amounts to Rs. 65.12 million.

b) The Company is contingently liable against the guarantees and the counter guarantees amounting to Rs 11.91 million (December 31, 2010: Rs. 64.37 million). These are secured against margins.

19.2 Commitments

The Company has commitments against letters of credit for purchases amounting to Rs. 28.6 (December, 31, 2010: Rs. 42.44 million).

The Company has a commitment to supply fabric to a customer amounting to Rs. 9.8 million (December 31, 2010: Rs. 16.79 million).

20. SALES

	2011	2010
	Rupees in '000	
Fabric	377,807	387,208
Yarn	9,642	6,055
Waste	-	3,805
	387,449	397,068
Less: brokerage, commission and discount	(5,317)	(4,704)
	382,132	392,364
Related to discontinued operations		
Fabric	(7,465)	(11,502)
	374,667	380,862

	Note	2011	2010
		Rupees in '000	
21. COST OF GOODS SOLD			
Raw material consumed	21.1	168,388	122,362
Salaries, wages and allowances	21.2	105,893	96,171
Electricity, gas and water		72,145	61,869
Stores and spares consumed	21.3	24,710	24,289
Depreciation		4,489	4,395
Insurance		1,635	1,532
Repairs and maintenance		726	305
Workers' canteen		1,247	1,251
Travelling and conveyance		2,822	2,078
Postage and telephone		327	339
Other manufacturing overheads		1,497	1,139
		383,879	315,730
Work in process			
Opening balance		88,374	101,853
Closing balance		(103,912)	(88,374)
		(15,538)	13,479
Cost of goods manufactured		368,341	329,209
Finished goods			
Opening balance		117,268	128,491
Closing balance		(140,320)	(117,268)
		(23,052)	11,223
Cost of goods sold		345,289	340,432
Related to discontinued operations		(5,728)	(10,226)
		339,561	330,206

21.1 Raw material consumed

	2011	2010
At January 01	11,637	7,638
Purchases and related expenses	213,586	126,361
	225,223	133,999
At December, 31	(56,835)	(11,637)
	168,388	122,362

21.2 Staff salaries and benefits include Rs. 11.6 million (December 31, 2010: Rs. 5.3 million) in respect of staff retirement benefits.

21.3 Stores and spares consumed

	2011	2010
	Rupees in '000	
At January 01	68,253	54,105
Purchases and related expenses	20,711	38,437
	88,964	92,542
At December 31	(64,254)	(68,253)
	24,710	24,289

	Note	2011	2010
		Rupees in '000	
22. OTHER OPERATING INCOME			
Income from financial assets			
Dividend Income			
Dawood Hercules Corporation Limited		19,483	95,644
National Investment Trust Limited		800	450
Sui Southern Gas Company Limited		-	83
		20,283	96,177
Profit on deposits		1,771	1,321
Capital gain on sale of investments			
- available for sale		722	22,335
- held for trading		33,406	6,425
Unrealized gain on short term investments		44,797	28,269
		80,696	58,350
		100,979	154,527
Income from non financial assets			
Profit on sale of property, plant and equipment		902	1,363
Profit on sale of assets classified as held for sale		-	15
Interest on security deposits		344	344
Sundry sales and receipts		367	2,789
Insurance claim		-	5,600
Profit on short term loan to subsidiary		303	-
Other income		1,284	1,450
Storage income		12,961	4,882
Liabilities written back		-	328
		16,161	16,771
		117,140	171,298
Related to discontinued operations		(15,901)	(13,149)
		101,239	158,149

23. SELLING AND DISTRIBUTION EXPENSES

	Note	2011	2010
Salaries and allowances	23.1	10,905	6,319
Sales promotion		1,788	1,517
Storage and forwarding		1,100	932
Depreciation		320	584
Conveyance and travelling		614	500
Rent, rates and taxes		389	401
Printing and stationery		103	395
Repair and maintenance		160	153
Freight and insurance		354	147
Advertisement		197	136
Postage and telephone		165	111
Entertainment		72	88
Electricity and gas		64	62
Miscellaneous		1	4
		16,232	11,349

23.1 This includes staff retirement benefits of Rs. 2.4 million (December 31, 2010: Rs. 1.1 million)

24. ADMINISTRATIVE EXPENSES

	Note	2011	2010
		Rupees in '000	
Salaries and allowances	24.1	71,589	53,524
Printing and stationery		2,561	1,636
Rent, rates and taxes		8,625	6,006
Electricity and gas		6,886	6,220
Conveyance and travelling		2,429	3,028
Postage and telephone		1,994	2,053
Insurance		2,173	2,741
Repairs and maintenance		2,046	1,241
Legal and professional		2,303	3,497
Auditors' remuneration	24.2	510	466
Fees and subscription		3,425	2,753
Entertainment		604	623
Workers' welfare fund		718	1,705
Depreciation		4,096	4,221
Amortization		371	371
Bank charges and zakat		541	1,694
Miscellaneous		923	994
		111,794	92,773
Related to discontinued operations		(48,173)	(40,150)
		63,621	52,623

24.1 Staff salaries and benefits include Rs. 7.4 million (December 31, 2010 : Rs. 2.9 million) in respect of staff retirement benefits.

24.2 Auditors' remuneration	2011	2010
	Rupees in '000	
Annual audit fee	330	300
Audit fee of consolidated financial statements	40	40
Half yearly review and other certification fee	140	126
	510	466

25. PROVISIONS / (REVERSALS)

	2011	2010
Stores and spares	1,177	15,351
Stock in trade	-	7,307
Debtors	-	3,346
Sales tax refundable	-	8,128
Reversal of provision for doubtful debts	(593)	-
	584	34,132
Related to discontinued operations	-	(14,727)
	584	19,405

26. TAXATION

	2011	2010
	Rupees in '000	
Current year	7,806	13,542
Prior years	490	10,519
	8,296	24,061

26.1 Relationship between tax expense and accounting profit

The relationship between tax expense and accounting profit has not been presented in these financial statements as the total income falls under: (a) turnover tax provided under section 113; (b) and income that are separately taxed under respective section of the Income Tax Ordinance, 2001.

27. LOSS FROM DISCONTINUED OPERATIONS

	Note	2011	2010
		Rupees in '000	
Sales - net		7,465	11,502
Cost of goods sold	27.1	(5,728)	(10,226)
Gross profit		1,737	1,276
Other income	22	15,901	13,149
Administrative expenses		(48,173)	(40,150)
Provisions		-	(14,727)
Net loss from discontinued operations		(30,535)	(40,452)

27.1 Cost of good sold

	2011	2010
Raw material		
Opening inventory	71	71
Less: closing inventory	(71)	(71)
Raw materials consumed	-	-
Add: opening inventory of finished goods	11,875	22,101
Less: closing inventory of finished goods	(6,147)	(11,875)
Cost of goods sold	5,728	10,226

28. EARNINGS PER SHARE

- Basic & diluted

There is no dilutive effect on the basic earnings per share of the Company which is based on:-

28.1 Continuing operations

	2011	2010
Profit after taxation	46,793	99,956
Weighted average number of ordinary shares outstanding during the year	59,058	59,058
Earnings per share (Rs.)	0.79	1.69

28.2 Discontinued operations

	2011	2010
Loss after taxation	(30,535)	(40,452)
Weighted average number of ordinary shares outstanding during the year	59,058	59,058
Earnings per share (Re.)	(0.52)	(0.68)

29. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

	2011		2010	
	Chief Executive	Executives	Chief Executive	Executives
	Rupees in '000			
Remuneration	1,421	7,376	1,669	5,553
House rent allowance	710	2,722	835	1,681
Utilities	355	535	417	482
Retirement benefits	78	435	348	120
Other allowance	1,410	4,546	778	2,104
	3,974	15,614	4,047	9,940
No. of person(s)	1	8	1	6

Chief executive and executives of the Company are entitled to use of Company maintained vehicle.

30. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of a subsidiary company, associated companies, directors and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties, directors and key management personnel are shown under respective notes of receivables and payables. Remuneration of directors and key management personnel is disclosed in note 29. Other significant transactions with related parties are as follows:

Relationship	Nature of transaction	2011	2010
		Rupees in '000	
a. Subsidiary company			
Tenaga Generasi Limited	Subscription of ordinary shares	170,000	30,409
	Short term loan paid	25,000	-
	Short term loan recovered	25,000	-
	Markup on short term loan	303	-
	Purchase of office equipment	16	-
	Reimbursement of expenses	8,682	4,390
b. Associated companies			
Dawood Hercules Corporation Ltd	Dividend income	19,483	95,644
	Reimbursement of expenses	823	-
Sach International (Private) Limited	Sale of fabric	49,309	28,968
	Reimbursement of expenses	5,529	-

Cyan Limited	Premium paid	-	3,201
	Insurance premium refund	371	-
	Insurance claims received	43	-
	Reimbursement of expenses	9	-
c. Other related parties			
Sui Northern Gas Pipelines Limited	Utility charges	21,288	23,342
The Dawood Foundation	Rental charges	7,306	6,353
	Maintenance and utility charges	1,280	-
Dawood Corporation (Pvt) Limited	Reimbursement of expenses	155	-
	Payment against assets transferred	1,233	-
Inbox Business Technologies (Pvt) Limited	Purchase of computer equipment	501	174
	Payment of hardware maintenance charges	250	-

31. FINANCIAL RISK MANAGEMENT

The Company's principal financial liabilities comprise trade and other payables. The Company's financial assets comprise of trade debts, prepayments, other receivables, bank balances, investments in equity securities and units of mutual fund that derive directly from its operations. The Company also holds loans, advances and deposits.

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including cash flow interest rate risk, currency risk, equity price risk and fair value interest rate risk).

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

31.1 Credit risk and concentration of credit risk

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations.

The Company is exposed to credit risk from its operating activities (primarily for trade receivables and loans and advances, deposits, other receivables) and from its investing activities, including investment in securities, deposits with banks and other financial instruments.

Out of the total financial assets of Rs. 1,048.95 million (2010: Rs. 1,123.25 million), the financial assets which are subject to credit risk amounted to Rs. 1,048.18 million (2010: Rs. 1,122.14 million).

31.1.1 Credit risk related to receivables

The Company only deals in local sales. Customer credit risk is managed by business unit subject to the Company's established policy, procedures and controls relating to customer credit risk management. The Company mainly deals with customers of high credit rating based on their internal assessment, taking account of financial position, past experience and other factors. In addition, outstanding customer receivables are regularly monitored and appropriate actions are taken to minimize risk of bad debts.

At December 31, 2011, the Company had approximately 150 customers (2010: 186 customers) that owed Rs. 82.64 million (2010: Rs. 69.76 million). There were 4 customers (2010: 3 customers) with balances greater than Rs. 5 million covering over 44% (2010: 34%) of trade debts.

31.1.2 Credit risk related to financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by chief executive officer and chief financial officer in accordance with the Company's policy.

The credit risk on liquid funds (cash and bank balances) is limited because the counter parties are banks with a reasonably high credit rating. The names and credit rating of major banks as at December 31, 2011, where the Company maintains its major bank balances are as follows:

Name of bank	Rating agency	Credit rating	
		Short-term	Long-term
Bank Al Habib Limited	PACRA	A1+	AA+
Habib Bank Limited	JCR-VIS	A-1+	AA+

31.2 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

The Company is equity financed and is not required to enter into any borrowing to support its financing requirement, therefore Company is not materially exposed to liquidity risk as it is already surplus in funds. The contractual obligations to the Company mainly through trade and other payable amounts to Rs. 123.10 million (2010: Rs. 120.4 million) having adequate liquidity backup against the currents assets of Rs. 697.39 million (2010: Rs. 937.3 million).

31.3 Market risk management

Market risk is the risk that changes in market prices, such as interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising returns.

31.3.1 Interest rate risk management

As the Company has no significant interest-bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates. However, the Company has short term investments in units of money market mutual funds, the value of which will have direct impact due to change in interest rate. (Refer note 13).

31.3.2 Foreign exchange risk management

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities which mainly include payable to foreign suppliers of goods in foreign currency. The Company deals completely in local sales and does not have any foreign currency exports against foreign debtors.

At December 31, 2011, considering the total outstanding exposure in foreign currency, if the Rupee had weakened / strengthened by 5% against the US dollar with all other variables held constant, profit for the year would have been higher / lower by Rs. 0.0435 million (2010: Rs. 1.10 million), mainly as a result of foreign exchange gains / losses on translation of foreign currency import loans.

31.3.3 Equity price risk management

The Company has investments in top listed and unlisted equity securities. These securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company manages the equity price risk through diversification and proper review of individual and total equity investments. Reports on the equity portfolio are submitted to the Company's senior management on a regular basis.

a) Investments at Fair Value through profit or loss - listed units of Mutual Funds

At the balance sheet date, the exposure to listed units of mutual funds at fair value is Rs. 574.69 million (2010: Rs. 754.49 million). A decrease / increase of 5% in the net asset value per unit would have an impact of approximately Rs. 2.24 million (2010: Rs. 1.41 million) on the income of the Company, depending on whether or not the decline is significant and prolonged.

b) Investment at 'Available for sale' - Equity securities

At the balance sheet date, the exposure to listed equity securities at fair value is Rs. 5.18 million (2010: Rs. 9.55 million). A decrease / increase of 5% on the KSE market index would have an impact of approximately Rs. 0.0943 million (2010: Rs. 0.0486 million) on the other comprehensive income of the Company, depending on whether or not the decline is significant and prolonged .

c) Investment in subsidiary and associated companies

The Company has exposure of Rs. 270.5 million (2010: Rs. 100.53 million) to unlisted equity securities in a wholly owned subsidiary and in listed equity securities carried at cost as investment in associate of Rs. 65.29 million (2010: Rs. 65.29 million) having fair value of Rs. 3,273 million (2010: Rs. 3,864 million) are held for strategic rather than trading purpose. The Company does not actively trade in these securities. A decrease / increase of 5% on the KSE market index would have an impact of approximately Rs .163.65 million (2010: Rs. 193.20 million) on the fair value of these listed equity securities, there will be no financial impact as such, as these are carried at cost.

31.4 Determination of fair values

31.4.1 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction other than in a forced or liquidation sale.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

31.5 Financial instruments by category

The accounting policies for financial instruments have been applied for line items below:

	Loan & advances	Available for sale	Fair value through profit or loss	Total
	Rupees in ‘000			
Assets as per balance sheet - December 31, 2011				
Long term investments	-	341,017	-	341,017
Long term deposits	10,544	-	-	10,544
Trade debts - net	82,643	-	-	82,643
Loans and advances	4,218	-	-	4,218
Deposits, other receivables	6,564	-	-	6,564
Short term investments	-	-	574,691	574,691
Cash and bank balances	29,270	-	-	29,270
	133,239	341,017	574,691	1,048,947

	At amortized cost	Total
	Rupees in ‘000	
Liabilities as per balance sheet - December 31, 2011		
Trade and other payables	123,104	123,104
	123,104	123,104

	Loan & advances	Available for sale	Fair value through profit or loss	Total
	Rupees in '000			
Assets as per balance sheet - December 31, 2010				
Long term investments	-	175,391	-	175,391
Long term deposits	10,544	-	-	10,544
Trade debts - net	69,763	-	-	69,763
Loans and advances	1,658	-	-	1,658
Deposits, other receivables	86,930	-	-	86,930
Short term investments	-	-	754,487	754,487
Cash and bank balances	24,474	-	-	24,474
	193,369	175,391	754,487	1,123,247

	At amortized cost	Total
	Rupees in '000	
Liabilities as per balance sheet - December 31, 2010		
Trade and other payables	120,365	120,365
	120,365	120,365

31.6 Fair value hierarchy

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

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

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
	Rupees in '000			
Financial assets at fair value through profit or loss				
Short term investments	574,691	-	-	574,691
Available for sale				
Long term investments	70,489	270,528	-	341,017

32. CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through optimization of the debt and equity balance.

Currently Company is free from any sort of borrowings and is fully equity based and has adequate funds to meet its short term and long term liabilities.

During the year, the management has issued bonus shares of Rs. 77.03 million to it's existing shareholders.

33. PLANT CAPACITY AND ACTUAL PRODUCTION

	Unit	December 31, 2011		December 31, 2010	
		Capacity	Actual	Capacity	Actual
Yarn	Kgs.	358,000	136,063	358,000	170,000
Fabric	Meters	754,000	540,938	754,000	664,000

The main reason for low production is lower market demand.

34. SEGMENT REPORTING

The Company's core business is manufacturing and sale of fabrics and yarn and it generates more than 78% of its revenue from this business. Decision making process is centralized at Head Office led by the Chief Executive Officer who is continuously involved in day to day operations and regularly reviews operating results, assesses performance and makes necessary decisions regarding resources to be allocated to the segments. Currently the Company has one operating manufacturing unit at Attock and other unit at Burewala where operations have been discontinued since 2008. The assets and results of the discontinued operations are separately disclosed in note 15 and 27 of these financial statements respectively. The Company also holds investments in listed securities and units of open-end funds. Further, the Company also holds long term strategic investments in a wholly owned subsidiary and an associated company, performance results of which are disclosed in note 6 and note 13 to these financial statements.

35. CORRESPONDING FIGURES

The comparative information has been re-classified, re-arranged or additionally incorporated in these financial statements, wherever necessary to facilitate comparison and to conform with changes in presentation in the current year.

36. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on March 01, 2012 by the Board of Directors of the Company.

37. POST BALANCE SHEET EVENTS

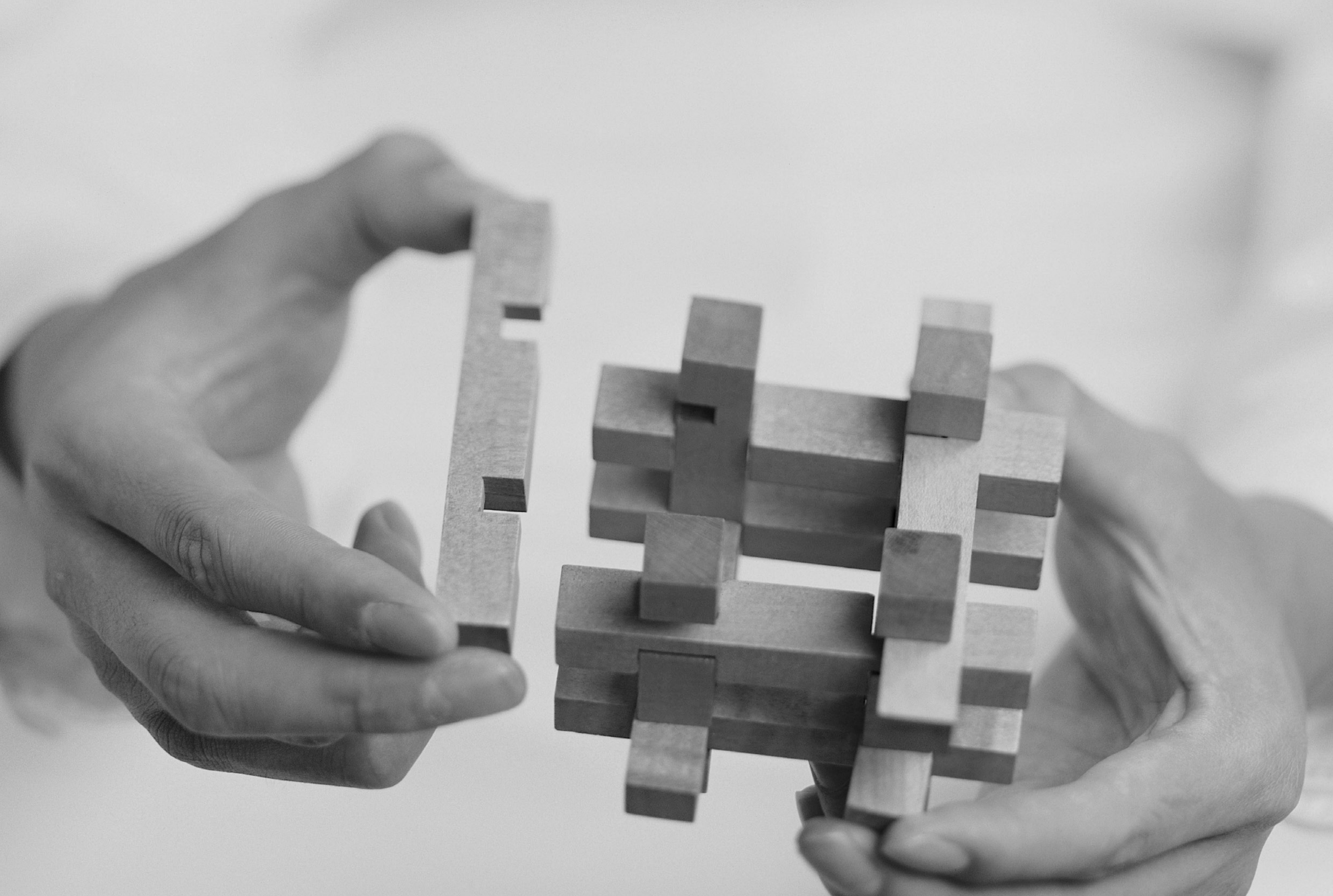
The Board of Directors at its meeting held on March 01, 2012 has proposed a final cash dividend @ Rs. 1/- per share amounting to Rs. 59,057,859 for the year ended December 31, 2011 for approval at the Annual General Meeting to be held on April 23, 2012. These financial statements do not reflect this proposed dividend.

38. GENERAL

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

SHAHID HAMID PRACHA
Chairman

INAM UR RAHMAN
Chief Executive



Consolidated Financial Statements

Contents

Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Dawood Lawrencepur Limited (the Holding Company) and its subsidiary company, (the Group) as at December 31, 2011 and the related consolidated profit and loss account, consolidated statement of comprehensive income, 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 opinions on the financial statements of Dawood Lawrencepur Limited and its subsidiary company. These consolidated financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

Our audit was conducted in accordance with the auditing standards as applicable in Pakistan and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2011 and the results of their operations, cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

M. Yousuf Adil Saleem & Co.
Chartered Accountants

Engagement Partner
Mushtaq Ali Hirani

Karachi
Dated: March 01, 2012

Consolidated Balance Sheet

As at December 31, 2011

	Note	2011	Restated 2010	Restated 2009
			Rupees in '000	
ASSETS				
Non-current assets				
Property, plant and equipment	4	188,524	119,959	105,925
Intangible assets	5	23,218	23,575	23,945
		211,742	143,534	129,870
Long term investments	6	4,083,174	3,597,367	3,297,128
Long term deposits	7	10,544	10,544	9,403
		4,305,460	3,751,445	3,436,401
Current assets				
Stores and spares	8	45,206	49,119	48,875
Stock-in-trade	9	319,688	201,103	216,313
Trade debts	10	82,643	69,763	43,750
Loans and advances	11	13,080	14,463	78,564
Deposits, prepayments and other receivables	12	69,901	149,686	17,235
Short term investments	13	654,837	761,362	121,794
Cash and bank balances	14	52,314	26,633	24,052
		1,237,669	1,272,129	550,583
Assets classified as held for sale	15	188,675	195,272	708,993
		5,731,804	5,218,846	4,695,977
SHARE CAPITAL AND RESERVES				
Share capital	16	590,578	513,547	513,547
Reserves		580,393	644,932	569,726
Unappropriated profit		4,357,199	3,872,669	3,418,223
		5,528,170	5,031,148	4,501,496
LIABILITIES				
Non-current liabilities				
Deferred liabilities	17	59,674	48,557	44,695
Current liabilities				
Trade and other payables	18	135,419	125,550	139,375
Provision for taxation		8,541	13,591	10,411
		143,960	139,141	149,786
		5,731,804	5,218,846	4,695,977
CONTINGENCIES & COMMITMENTS	19			

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

SHAHID HAMID PRACHA	INAM UR RAHMAN
Chairman	Chief Executive

Consolidated Profit and Loss Account

For the year ended December 31, 2011

	Note	2011	2010
		Rupees in '000	
CONTINUING OPERATIONS			
Sales - net	20	374,667	380,862
Cost of goods sold	21	(339,561)	(330,206)
Gross profit		35,106	50,656
Other operating income	22	92,247	63,380
Selling and distribution expenses	23	(16,232)	(11,349)
Administrative expenses	24	(80,906)	(64,431)
Provisions / reversals	25	(584)	(19,405)
Impairment loss on 'available for sale' investments			
Holding Company		(819)	(1,411)
Associated Company		(57,388)	-
		(155,929)	(96,596)
Share of profit from associates excluding impairment loss on 'available for sale' investments		818,449	664,164
Profit before taxation		789,873	681,605
Taxation	26	(197,777)	(161,029)
Profit after taxation from continuing operations		592,096	520,575
DISCONTINUED OPERATIONS			
Loss from discontinued operations	27	(30,535)	(40,452)
Profit for the year		561,561	480,123
Earnings per share - Basic and diluted Continuing operations (Rs.)	28	10.03	8.81
Earnings per share - Basic and diluted Discontinued operations (Re.)	28	(0.52)	(0.68)

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

SHAHID HAMID PRACHA
Chairman

INAM UR RAHMAN
Chief Executive

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2011

	2011	Restated 2010
	Rupees in '000	
Profit after taxation	561,561	480,123
Other comprehensive income		
(Deficit) / Surplus on remeasurement of 'available for sale investments'- Holding Company	(1,887)	972
Share of other comprehensive income of Associated Company	(62,652)	74,234
	(64,539)	75,206
Total comprehensive income	497,022	555,329

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

SHAHID HAMID PRACHA
Chairman

INAM UR RAHMAN
Chief Executive

Consolidated Cash Flow Statement

For the year ended December 31, 2011

	For the year ended December 31, 2011			For the year ended December 31, 2010		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	Rupees in '000					
A. CASH FLOWS FROM OPERATING ACTIVITIES						
Profit / (loss) before taxation	789,873	(30,535)	759,338	681,605	(40,452)	641,152
Adjustments for:						
Depreciation	7,066	2,486	9,552	6,829	3,008	9,837
Amortization	123	248	371	124	247	371
Provision for gratuity	21,466	751	22,217	9,363	582	9,945
Provision against stock-in-trade	-	-	-	4,688	2,619	7,307
Provision against stores and spares	1,177	-	1,177	13,904	1,447	15,351
Provision against sales tax refundable	-	-	-	-	8,128	8,128
(Reversal) / provision against trade debts	(593)	-	(593)	812	2,534	3,346
Gain on disposal of property, plant and equipment	(101)	(801)	(902)	(201)	(1,162)	(1,363)
Gain on disposal of assets classified as held for sale	-	-	-	-	(15)	(15)
Impairment loss on 'available for sale investments'	819	-	819	1,411	-	1,411
Impairment loss on 'available for sale investments' in associate	57,388	-	57,388	-	-	-
Share of profit from associate	(818,449)	-	(818,449)	(664,164)	-	(664,164)
Dividend income	(800)	-	(800)	(533)	-	(533)
Interest income	(2,024)	-	(2,024)	-	-	-
Insurance claim against held for sale assets	-	-	-	-	(5,600)	(5,600)
Gain on sale of long-term investments	(722)	-	(722)	(22,335)	-	(22,335)
Gain on sale of short-term investments	(35,837)	-	(35,837)	(6,918)	-	(6,918)
Unrealized gain on short-term investments	(51,137)	-	(51,137)	(28,651)	-	(28,651)
Operating loss before working capital changes	(31,751)	(27,851)	(59,602)	(4,066)	(28,664)	(32,731)
(Increase) / decrease in current assets						
Stores and spares	2,736	869	3,605	(14,148)	23,860	9,712
Stock in trade	(118,585)	5,728	(112,857)	10,522	10,226	20,748
Trade debts	(12,801)	515	(12,286)	(30,000)	641	(29,359)
Loans and advances	(2,156)	(406)	(2,562)	551	(404)	147
Deposits, prepayments and other receivables	(6,544)	86,130	79,586	(6,227)	(78,068)	(84,295)
Increase / (decrease) in current liabilities						
Trade and other payables	11,016	(1,134)	9,882	(7,000)	(7,186)	(14,186)
	(126,334)	91,702	(34,632)	(46,302)	(50,931)	(97,233)
Cash (used in) / generated from operations	(158,085)	63,851	(94,234)	(50,368)	(79,595)	(129,964)
Gratuity paid	(10,412)	(688)	(11,100)	(6,083)	-	(6,083)
Tax paid	(8,911)	-	(8,911)	8,870	(22,195)	(13,325)
Net cash (used in) / generated from operating activities	(177,408)	63,163	(114,245)	(47,581)	(101,790)	(149,372)

Consolidated Cash Flow Statement

For the year ended December 31, 2011

	For the year ended December 31, 2011			For the year ended December 31, 2010		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	Rupees in '000					
B. CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of property, plant and equipment	(4,279)	-	(4,279)	(8,558)	(240)	(8,798)
Capital work in progress	(75,959)	-	(75,959)	(15,965)	-	(15,965)
Purchase of intangible asset	(14)	-	(14)	-	-	-
Sale proceeds from disposal of property, plant and equipment	1,458	1,582	3,040	930	1,391	2,321
Sale proceeds from disposal of assets classified as held for sale	-	-	-	-	475,583	475,583
Proceeds from insurance claim	-	-	-	-	5,600	5,600
Purchase of short-term investments	(219,500)	-	(219,500)	(863,000)	-	(86,3000)
Sales proceed from disposal of short-term investments	413,000	-	413,000	259,000	-	259,000
Fund transfer from operations	-	-	-	381,231	(381,231)	-
Sale proceeds from disposal of investments	-	2,390	2,390	227,493	-	227,493
Dividend received from associate	19,483	-	19,483	95,644	-	95,644
Dividend received	800	-	800	533	-	533
Interest received	992	-	992	-	-	-
Long term deposits	-	-	-	(262)	(879)	(1,141)
Net cash generated from investing activities	135,981	3,972	139,953	77,046	100,224	177,270
C. CASH FLOWS FROM FINANCING ACTIVITIES						
Payment of dividend	(27)	-	(27)	(25,317)	-	(25,317)
Net cash used in financing activities	(27)	-	(27)	(25,317)	-	(25,317)
Net (decrease) / increase in cash and cash equivalent (A+B+C)	(41,454)	67,135	25,681	4,148	(1,566)	2,581
Cash and cash equivalent at beginning	25,220	1,413	26,633	21,073	2,979	24,052
Cash and cash equivalent at end	(16,234)	68,548	52,314	25,221	1,413	26,633

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

SHAHID HAMID PRACHA
Chairman

INAM UR RAHMAN
Chief Executive

Consolidated Statement of Changes in Equity

For the year ended December 31, 2011

	Ordinary Shares	Capital Reserves: Merger Reserve	Capital Reserves: Share Premium	Capital Reserves: Capital Reserve	Capital Reserves: Capital Redemption Reserve Fund	General Reserve	Unappropriated Profit	Unrealized gain / (loss) on remeasurement of available for sale investments	Share of other comprehensive income of associated Company	Total
	Rupees in '000									
Balance at January 01, 2010	513,547	10,521	136,865	33,311	25,969	395,355	3,418,223	3,655	-	4,537,446
Effect of prior year adjustment (note 6.1)									(35,950)	(35,950)
Balance at January 1, 2010 - restated	513,547	10,521	136,865	33,311	25,969	395,355	3,418,223	3,655	(35,950)	4,501,496
Total comprehensive income for the year ended December 31, 2010	-	-	-	-	-	-	480,123	972	74,234	555,329
Interim cash dividend for the quarter ended March 31, 2010 @ Rs. 0.5 per share	-	-	-	-	-	-	(25,677)	-		(25,677)
Balance at December 31, 2010 - restated	513,547	10,521	136,865	33,311	25,969	395,355	3,872,669	4,627	38,284	5,031,148
Total comprehensive income for the year ended December 31, 2011	-	-	-	-	-	-	561,561	(1,887)	(62,652)	497,022
Issue of bonus shares @ Rs. 1.5 for the year ended December 31, 2010	77,031	-	-	-	-	-	(77,031)	-	-	-
Balance at December 31, 2011	590,578	10,521	136,865	33,311	25,969	395,355	4,357,199	2,740	(24,368)	5,528,170

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

SHAHID HAMID PRACHA
Chairman

INAM UR RAHMAN
Chief Executive

1. GENERAL INFORMATION

1.1 Dawood Lawrencepur Limited, "the Holding Company" was incorporated in Pakistan in the year 2004 as a public limited company formed as a result of a Scheme of Arrangement for Amalgamation in terms of the provisions of the Companies Ordinance, 1984 between Dawood Cotton Mills Limited, Dilon Limited, Burewala Textile Mills Limited and Lawrencepur Woolen and Textile Mills Limited. The shares of the Holding Company are listed on the Karachi and Lahore Stock Exchanges. The Holding Company is principally engaged in the business of manufacture and sale of yarn and fabrics made from natural and man-made fibers and blends thereof. The registered office of the Holding Company is situated at 3rd Floor, Dawood Centre, M.T. Khan Road, Karachi.

1.2 The Holding Company in the year 2008 suspended its manufacturing unit operations located at Dawoodabad, Burewala, District Vehari, and closed down the mill in 2009. The assets (plant, machinery and current assets) relating to the closed down unit have been classified as discontinued operations and are accounted for as per the requirements of IFRS-5 'non-current assets held for sale and discontinued operations'.

1.3 The Holding Company has a wholly owned subsidiary namely Tenaga Generasi Limited "the Subsidiary Company". The Subsidiary Company was incorporated in 2005 as an unlisted public limited company under the Companies Ordinance, 1984 to primarily carry out the business of power generation as an independent power producer of wind power and other alternative energy sources. The Subsidiary Company is in the process of setting up a wind energy project at Mirpur Sakro, District Thatta, Sind. The registered office of the Subsidiary Company is situated at Dawood Centre, M.T. Khan Road, Karachi.

2. BASIS OF PREPARATION

2.1 Basis of measurement

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, certain investments which have been measured at fair market value and investment in associate is accounted for using equity method.

2.2 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.

2.3 Basis of consolidation

The consolidated financial statements include the financial statements of the Holding Company and the Subsidiary Company together constituting "the Group" financial statements. Subsidiaries are those enterprises in which the Holding 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.

These 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, expenses, 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 obtained control, and continue to be consolidated until the date that such control ceases.

These standards are either not relevant to the Group's operations or are not expected to have significant impact on the Group's financial statements other than increased disclosures in certain cases.

2.4 Functional and presentation currency

These financial statements are presented in Pakistani Rupees which is the functional currency of the Group and figures are stated to the nearest thousand rupees.

2.5 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards require management to use judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and judgments are continually evaluated, based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Significant areas of estimates are:-

Useful life and depreciation rate of:
- Property, plant and equipment
- Intangible assets

Provision against stock in trade and stores and spares
Employee benefits
Taxation
Impairment loss of 'available for sale' investments

2.6 Application of new and revised accounting standards

During the year, the following standards, amendments to standards and interpretations including amendments to interpretations became effective, however, the application of these amendments and interpretations did not have a material impact on the financial statements of the Holding Company:

Standards/Amendments/Interpretations	Effective date (accounting period beginning on or after)
Amendment to IAS 1 - Presentation of Financial Statements	January 01, 2011
IAS 24 (as revised in 2009) - Related Party Disclosures	January 01, 2011
Amendment to IAS 27 (2008) - Consolidated and Separate Financial Statements	July 01,2010
Amendments to IAS 32 - Financial Instruments – Presentation	February 01, 2010
Amendment to IAS 34 - Interim Financial Reporting	January 01, 2011
Amendments to IFRS 7 - Financial Instruments – Disclosures	July 01,2010
Amendments to IFRS 3 (2008) - Business Combinations	July 01,2010
Amendments to IFRS 7 - Financial Instruments – Disclosures	January 01, 2011
IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments	July 01,2010
Amendment to IFRIC 13 - Customer Loyalty Programmes	January 01, 2011
Amendment to IFRIC 14 - Prepayments of a Minimum Funding Requirement	January 01, 2011

2.7 Standards, interpretations and amendments to the published approved accounting standards not yet effective:

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and amendments are either not relevant to the Company's operations or are not expected to have a significant impact on the Company's financial statements other than certain additional disclosures.

Standards/Amendments/Interpretations	Effective date (accounting period beginning on or after)
Amendments to IAS 1 - Presentation of Financial Statements	July 01, 2012
Amendments to IAS 12 - Income Taxes	January 01, 2012
Amendments to IAS 19 - Employee Benefits	January 01, 2013
Amendment to IFRS 7 - Enhanced Derecognition Disclosure Requirements	July 01, 2011
IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine	January 01, 2013

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been considered by the Company as the standards and their relevant amendments have not been adopted locally by the Securities and Exchange Commission of Pakistan:

IFRS 1 – First Time Adoption of International Financial Reporting Standards
IFRS 9 – Financial Instruments
IFRS 10 – Consolidated Financial Statements
IFRS 11 – Joint Arrangements
IFRS 12 – Disclosure of Interests in Other Entities
IFRS 13 – Fair Value Measurement
IAS 27 (Revised 2011) – Separate Financial Statements due to non-adoption of IFRS 10 and IFRS 11
IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures due to non-adoption of IFRS 10 and IFRS 11

3. 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.

3.1 Property, plant and equipment and capital work in progress

3.1.1 Recognition & measurement

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

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

3.1.2 Subsequent costs

The cost 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 Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day to day servicing of property, plant and equipment are recognized in profit or loss as they are incurred.

3.1.3 Assets subject to finance lease

Lease in terms of which the Group assumes substantially all the risks and rewards of ownership, are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value or present value of minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Outstanding obligations under the lease less finance cost allocated to future periods are shown as a liability.

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

3.1.4 Depreciation

Depreciation is charged to profit and loss account applying reducing balance method, whereby the cost of an asset is written off over its estimated useful life. Depreciation on additions is charged from the date on which asset is available for use and on disposals, up to the date of deletion. Freehold land is not depreciated. The residual value, depreciation method and the useful lives of each part of property, plant and equipment that is significant in relation to the total cost of the asset are reviewed, and adjusted if appropriate, at each reporting date.

3.1.5 Impairment

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

3.2 Intangible assets

3.2.1 Goodwill

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

3.2.2 Softwares

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. Software is stated at cost less accumulated amortization and accumulated impairment losses, if any. These are amortized using the 'Straight Line Method' from the month the software is available for use upto the month of its disposal at the rate mentioned in note 5.2. The residual values, useful lives and amortization method are reviewed and adjusted, if appropriate, at each balance sheet date.

3.3 Financial instruments

All financial assets and liabilities are recognized at the time when the Group becomes a party to the contractual provisions of the instrument. Financial assets include trade debts, other receivables, loans, advances and deposits. These are recognized initially at cost plus directly attributable transaction costs, if any, and subsequently measured at fair value or amortized cost using effective interest rate method as the case may be less provision for impairment, if any. Exchange gains and losses arising in respect of financial assets or liabilities in foreign currency are added to the respective carrying amounts.

3.4 Investments

The Group recognizes an investment when it becomes a party to the contractual provisions of the instrument. A regular way purchase of financial assets is recognized using trade date accounting. From this date any gains and losses arising from changes in fair value of the financial assets or financial liabilities are recorded. Financial liabilities are not recognized unless one of the parties has performed its part of the contract or the contract is a derivative contract.

3.4.1 Investments in associated company

Associates are entities over which the Company has significant influence but not control, generally represented by a shareholding of 20% to 50% of the voting rights or by virtue of common directorship. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. The Holding Company's share of its associates' post acquisition profits or losses is recognized in profit and loss account and its share in post acquisition comprehensive income is recognized in Holding Company's other comprehensive income.

3.4.2 Investments available for sale

Investments 'available for sale' are initially recognized at fair value, plus attributable transaction costs. Subsequent to initial recognition these are measured at fair value. Gains or losses on available-for-sale investments resulting from changes in fair value are recognized directly in equity until the investments are sold or disposed off, or until the investments are determined to be impaired, at that time cumulative gain or loss previously reported in equity is included in the current year's profit and loss account.

All other investments in unquoted securities are stated at cost, less provision for impairment, if any.

3.4.3 Held-to-maturity investments

Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity. These are recorded at amortized cost using the effective interest rate method, less any amount written off to reflect impairment.

3.4.4 Financial assets at fair value through profit or loss

An instrument is classified as 'fair value through profit or loss' if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sales decisions based on their fair value. Upon initial recognition, attributable transaction costs are recognized in the profit and loss account when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognized in the profit and loss account. Purchases and sales of investments are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the investment.

3.4.5 Impairment

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

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

3.4.6 Derecognition

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with International Accounting Standard 39: Financial Instruments; Recognition and Measurement.

A financial liability is derecognized when the obligation specified in the contract is discharged, cancelled or expired.

3.5 Stores, spares and loose tools

Stores, spares and loose tools are valued at weighted average cost except for items in transit, which are stated at cost incurred up to the balance sheet date. For items which are slow moving and / or identified as surplus to the Group requirements, adequate provision is made for any excess book value over estimated realizable value and for this, the Group reviews the carrying amount of stores and spares on a regular basis and accordingly provision is made for obsolescence.

3.6 Stock-in-trade

Stock-in-trade is valued at the lower of cost and net realizable value. Cost is determined using weighted average method except for raw material in transit, which is stated at cost. Cost includes applicable purchase cost and manufacturing expenses. The cost of work in process includes material and proportionate conversion costs.

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

3.7 Provisions

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

3.8 Cash and cash equivalents

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

3.9 Non-current assets held for sale and discontinued operations

3.9.1 Non-current assets

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as 'held for sale'. The assets (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 recognized in profit or loss. Non-Current assets classified as held for sale are not depreciated or amortized.

3.9.2 Discontinued operations

A discontinued operation is a component of the Holding Company's business that represents a separate major line of business or geographical area of operations that has been disposed of or is being 'held for sale' or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative profit and loss account is re-presented as if the operation had been discontinued from the start of the comparative period.

3.10 Employees' retirement benefits

3.10.1 Defined contribution plan

A defined contribution plan is a post – employment benefit plan under which the Group 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 employee benefit expense in profit or loss when they are due. The Group operates defined contribution provident fund for the permanent employees at Burewala Unit. Monthly contributions are made both by the Group and employees to the fund at the rate of 8.33% of basic salary.

3.10.2 Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a 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 periods and that benefit is discounted to determine its present value. The calculation is performed at least once annually, by a qualified actuary using the projected unit credit method. The Group operates a Defined Benefit 'Gratuity' Plan, for its regular permanent employees who have completed qualifying period of service. A funded Gratuity scheme is in place for the Management employees of the Group's 'Lawrencepur Woolen and Textile Mills Unit', and unfunded gratuity scheme is followed for other employees.

Provisions are made in the financial statements to cover obligations under the scheme. The provision requires assumptions to be made of future outcome which mainly include increase in remuneration, expected return on plan assets and the discount rate used to convert future cash flows to current values as per the actuarial valuation carried out as at December 31, 2011, following significant assumptions were used for determining the gratuity liability.

Discount rate 12.5%
Expected rate of salary increase 11.5%
Expected rate of return on plan assets 13%
Average expected remaining life of employees 9 years

Actuarial gains or losses in excess of corridor limit of 10% of the difference between fair value of assets and present value of obligation are recognized over the estimated remaining service life of the employees.

3.10.3 Compensated absences

The Group provides for compensated absences of its employees on unavailed balance of leave in the period in which the leave is earned.

3.11 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is also directly recognized in equity.

3.11.1 Current

Provision for current taxation is based on income streams chargeable at current rate of taxation under the normal tax regime after taking into account tax credits and tax rebates available, if any. The charge for current tax include adjustments to charge for prior years, if any.

3.11.2 Deferred

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

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

3.12 Revenue recognition

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

3.12.1 Sale of goods

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

3.12.2 Interest income

Income from investments and deposits is recognized on accrual basis.

3.12.3 Dividend income

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

3.12.4 Capital gain

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

3.13 Borrowing costs

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

3.14 Foreign currency translation

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

3.15 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. Diluted

EPS is determined by adjusting the profit or loss attributable to ordinary share holders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.16 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.

	Note	2011	2010
		Rupees in '000	
4. PROPERTY PLANT AND EQUIPMENT			
Operating assets	4.1	60,296	67,690
Capital work in progress	4.4	128,228	52,269
		188,524	119,959

4.1 Operating Assets

Particulars	Cost at January 01, 2011	Additions/ (disposals)	Cost at December 31, 2011	Accumulated depreciation at January 01, 2011	Depreciation/ (Disposals) for the year	Accumulated depreciation at December 31, 2011	Carrying value at December 31, 2011	Annual rate of depreciation %
	Rupees in '000							
Freehold land	3,157	-	3,157	-	-	-	3,157	-
Leasehold land	1,081	-	1,081	481	6	487	594	1
Building on freehold land	70,557	-	70,557	61,268	758	62,026	8,531	5-10
Building on leasehold land	54,414	-	54,414	40,110	1,430	41,540	12,874	10
Plant and machinery	283,358	418	283,776	270,467	2,628	273,095	10,681	20
Wind measuring equipment	3,881	-	3,881	388	349	737	3,144	10
Furniture, fixtures and office equipment	25,987	210 (23)	26,174	17,673	874 (7)	18,540	7,634	10
Computer equipment	5,033	817	5,850	2,667	961	3,628	2,222	33
Vehicles	29,834	2,834 (4,551)	28,117	16,558	2,546 (2,446)	16,658	11,459	20
2011	477,302	4,279 (4,574)	477,007	409,612	9,552 (2,453)	416,711	60,296	

The above includes carrying value of freehold land, leasehold land, building on freehold land and building on leasehold land amounting to Rs. 3.10 million, Rs. 0.60 million, Rs. 4.89 million and Rs. 12.87 million respectively, aggregated to Rs. 21.46 million (2010: Rs. 24.07 million) held as idle assets which relates to discontinued units. On January 25, 2012 in the Extra Ordinary General Meeting, a resolution has been passed for authorizing the Board of Directors of the Company to dispose off these idle assets.

For comparative year

Particulars	Cost at January 01, 2010	Additions/ (disposals)	Cost at December 31, 2010	Accumulated depreciation at January 01, 2010	Depreciation/ (Disposals) for the year	Accumulated depreciation at December 31, 2010	Carrying value at December 31, 2010	Annual rate of depreciation %
	Rupees in '000							
Freehold land	3,157	-	3,157	-	-	-	3,157	-
Leasehold land	1,081	-	1,081	475	6	481	600	1
Building on freehold land	70,557	-	70,557	60,435	833	61,268	9,289	5-10
Building on leasehold land	54,414	-	54,414	38,556	1,554	40,110	14,304	10
Plant and machinery	284,794	90	283,358	268,091	3,346	270,467	12,891	20
		(1,526)			(970)			
Wind measuring equipment	-	3,881	3,881	-	388	388	3,493	10
Furniture, fixtures and office equipment	25,836	151	25,987	16,674	999	17,673	8,314	10
Computer equipment	3,466	1,672	5,033	2,032	691	2,667	2,366	33
		(105)			(56)			
Vehicles	25,125	6,886	29,834	16,362	2,020	16,558	13,276	20
		(2,177)			(1,824)			
2010	468,430	12,680	477,302	402,625	9,837	409,612	67,690	
		(3,808)			(2,850)			

4.2 Depreciation for the year has been allocated as under:

	Note	2011	2010
		Rupees in '000	
Cost of goods sold	21	4,489	4,395
Selling and distribution expenses	23	320	584
Administrative expenses	24	4,743	4,858
		9,552	9,837

4.3 The following assets were disposed off during the year:

Description	Cost	Accumulated depreciation	Carrying value	Sale proceed	Mode of disposal	Particulars of buyer
	Rupees in '000					
Office equipment	19	6	13	5	Negotiation	Mr. Altaf Moon
Office equipment	4	1	3	3	Company policy	Dawood Corporation (Pvt) Limited
Vehicle	616	432	184	184	Company policy	Mr. Zubair Abdullah
Vehicle	1,371	909	462	1,250	Tender	Car Corporation
Vehicle	90	86	4	13	Company policy	Muhammad Aslam Chaudary
Vehicle	285	195	90	190	Tender	Adil & Tahir Traders
Vehicle	1,695	464	1,230	1,230	Company policy	Dawood Corporation (Pvt) Limited
Vehicle	494	359	135	149	Company policy	Mr. Aleem Baig
2011	4,574	2,452	2,122	3,024		
2010	3,808	2,850	958	2,321		

	Note	2011	2010
		Rupees in '000	
4.4 Capital work in progress			
This represents cost incurred in respect of the following:			
Lease hold land		23,296	23,296
Survey and consulting charges		23,095	13,816
Professional fee		65,506	7,508
Travelling, boarding and lodging		15,186	6,683
Soil investigations and grid inter connection study		147	147
Advances		998	818
		128,228	52,268

5. INTANGIBLE ASSETS

	Note	2011	2010
Goodwill	5.1	22,834	22,834
Computer software	5.2	384	741
		-	-
		23,218	23,575

5.1 Goodwill

During the year 2008, the Company acquired 100% shareholding of Tenaga Generasi Limited (TGL). 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 these consolidated financial statements.

	Note	2011	2010
		Rupees in '000	
5.2 Computer software			
Cost			
Balance as on January 1		2,380	2,380
Addition during the year		14	-
Balance as on December 31		2,394	2,380
Amortization @ 33.33%			
Balance as on January 1		1,639	1,269
During the year	24	371	370
Balance as on December 31		2,010	1,639
Carrying amount		384	741

	Note	2011	Restated 2010	Restated 2009
			Rupees in '000	
6. LONG TERM INVESTMENTS				
Investment in associated company	6.1	4,077,979	3,587,798	3,081,962
Other investments	6.2	5,195	9,569	215,166
		4,083,174	3,597,367	3,297,128

	2011	Restated 2010	Restated 2009
		Rupees in '000	
6.1 Investment in associated company			
Associated Company - quoted			
Dawood Hercules Corporation Limited (DHCL)			
Percentage holding 16.19% (December 31, 2010: 16.19%)			
77,931,896 (December 31, 2010: 19,482,974) fully paid ordinary shares of Rs. 10/- each	65,294	65,294	65,294
Market value Rs. 3.273 billion (December 31, 2010: 3.864 billion)			
Chief Executive Officer: Mr. Shahid Hamid Pracha			
	65,294	65,294	65,294
Opening balance			
Share of post-acquisition profits	3,484,219	3,052,618	3,265,678
Share of other comprehensive income of associated company	38,284	(35,950)	(284,704)
	3,522,503	3,016,668	2,980,974
Add: Share of profit before taxation	818,449	664,164	290,211
Share of other comprehensive income of associated company	(62,652)	74,234	248,754
Less: Share of taxation	(188,744)	(136,919)	(85,111)
Share of impairment loss	(57,388)	-	(365,025)
	4,032,168	3,618,148	3,069,803
Less: Dividend received	(19,483)	(95,644)	(53,135)
	4,077,979	3,587,798	3,081,962

6.1.1 The financial year end of DHCL is December 31, 2011. Financial results as of September 30, 2011 have been used for the purpose of application of equity method.

6.1.2 Summarised financial information of DHCL is as follows:

	2011	2010
	Rupees in '000	
Total assets	31,892,059	30,726,354
Total liabilities	7,168,889	8,568,291
For 12 months - October 01, 2010 till September 30, 2011		
- Revenue	8,929,339	9,705,928
- Profit after taxation	3,535,004	872,955
- Dividend	360,966	350,027

6.1.3 The Holding 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.

6.1.4 During the year, financial statements of the associated company have been restated with respect to other comprehensive income as required under the provision of IAS 28 "Investments in Associates". In this consolidated financial statements the effect of share of the restatement has also been incorporated and presented as per the requirement of IAS 1 "presentation of financial statements". There was no impact on the profit and earnings per share due to the said restatements, however the impact on Balance Sheet and Equity is as follows:

The effect of retrospective restatement for 2009 and 2010 is tabulated below:

	2010	2009
	Rupees in '000	
Balance sheet		
Increase / (decrease) in long term investments	991	(35,950)
Statement of changes in equity		
Increase/(decrease) in share of other comprehensive income of Associated Company	991	(35,950)

6.2 Other investments

Available for sale investments

2011 No. of Shares / Units	2010 No. of Shares / Units	Name of Investee	2011 Rupees in '000	2010 Rupees in '000
Listed Securities				
200,000	200,000	National Investment Trust Limited	5,180	6,284
-	801,900	Southern Electric Power Company Ltd.	-	1,788
-	69,137	Sui Southern Gas Company Limited	-	1,481
			5,180	9,553
Un-Listed Securities				
795,000	795,000	Karnaphuli Paper Mills Limited	-	-
100	100	Mianwali Central Co-operative Bank Ltd.	-	1
1,500	1,500	Asian Co-operative Society Limited	15	15
			15	16
			5,195	9,569

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

	Note	2011 Rupees in '000	2010 Rupees in '000
Fair value of investments		5,195	9,569
Gain on remeasurement of investment recognized in equity		(2,740)	(4,627)
Impairment loss charged to profit and loss account			
- for the year		-	1,411
- in prior years		-	10,713
		(2,740)	7,497
Cost of investments		2,455	17,066

7. LONG TERM DEPOSITS

	2011	2010
Electricity and gas deposits	9,019	9,019
Others	1,525	1,525
	10,544	10,544

8. STORES AND SPARES

	Note	2011	2010
Stores		34,957	36,200
Spares		29,297	32,053
		64,254	68,253
Stores in transit		1,263	-
		65,517	68,253
Provision for slow moving and obsolete items	8.1	(20,311)	(19,134)
		45,206	49,119

8.1 Movement in provision for stores and spares

	Note	2011	2010
		Rupees in '000	
Opening balance		19,134	5,230
Provision made during the year		1,177	13,904
Closing balance		20,311	19,134

9. STOCK IN TRADE

	Note	2011	2010
Raw material		56,764	11,566
Work in process		101,500	86,862
Finished goods		134,173	105,393
Waste		2,412	1,513
		294,849	205,334
Raw material in transit		39,833	10,763
		334,682	216,097
Provision for slow moving and obsolete items	9.1	(14,994)	(14,994)
		319,688	201,103

9.1 Provision for slow moving and obsolete items

	Note	2011	2010
Raw material		4,915	4,915
Work in process		3,259	3,259
Finished goods		6,820	6,820
		14,994	14,994

10. TRADE DEBTS

	Note	2011	2010
Unsecured			
Considered good		82,643	69,763
Considered doubtful		22,467	23,060
		105,110	92,823
Provision against doubtful receivable	10.1	(22,467)	(23,060)
		82,643	69,763

10.1 Movement in provision for doubtful debt

	Note	2011	2010
Opening balance		23,060	19,714
Provision made during the year		-	3,346
Reversal during the year		(593)	-
Closing balance		22,467	23,060

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

	Amount Outstanding	Maximum month end balance
	Rupees in '000	
December 31, 2011		
Sach International (Private) Limited	18,114	22,686
December 31, 2010		
Sach International (Private) Limited	6,788	17,492

11. LOANS AND ADVANCES

	Note	2011	2010
		Rupees in '000	
Unsecured			
Considered good			
Advance tax		8,862	12,805
Loans and advances to employees		1,730	813
Advances to suppliers		1,365	594
Others		1,123	251
		13,080	14,463

12. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Note	2011	2010
Profit on TDRs		1,033	-
Income tax refundable	12.1	55,053	56,284
Security deposits		921	386
Prepayments		3,463	2,134
Letters of credit		3,163	1,053
Receivable against disposal of held for sale assets		-	86,500
Sales tax	12.2	1,382	3,324
Others	12.3	4,886	5
		69,900	149,686

12.1 Income tax refundable

	2011	2010
Advance	76,562	77,793
Provision against doubtful receivable	(21,509)	(21,509)
	55,053	56,284

	2011	2010
	Rupees in '000	
12.2 Sales tax		
Sales tax	9,510	11,452
Provision against doubtful receivable	(8,128)	(8,128)
	1,382	3,324

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

	Amount Outstanding	Maximum month end balance
	Rupees in '000	
December 31, 2011		
Sach International (Private) Limited	4,872	4,872
Cyan Limited	9	376
December 31, 2010		
Dawood Hercules Corporation Limited	5	5,033

13. SHORT TERM INVESTMENTS

	Note	2011	2010
		Rupees in '000	
Held for trading at fair value through Profit and Loss	13.1	656,837	761,362

Held for trading at fair value through Profit and Loss

2011	2010	Name of Investee	2011	2010
No. of Units				
3,560,143	4,906,434	Meezan Cash Fund	178,506	245,518
1,680,961	2,690,456	UBL Liquidity Plus Fund	168,911	269,575
2,525,114	2,409,499	MCB Cash Management Optimizer	259,798	246,269
4,675,740	-	NAFA Government Securities Liquid Fund	47,622	-
			654,837	761,362

13.1 Reconciliation between fair value and cost of investments classified as 'held for trading at fair value through profit or loss'

	Note	2011	2010
		Rupees in '000	
Fair value of investments		654,837	761,362
Unrealized gain on remeasurement of investments recognized in profit or loss account			
- for the year		51,137	28,651
- in prior years		30,445	1,794
		(81,582)	(30,445)
Cost of investments		573,255	730,917

14. CASH AND BANK BALANCES

	Note	2011	2010
Cash in hand		799	1,118
Cash at banks			
In current accounts		12,646	8,901
In deposit accounts	14.1	38,889	16,614
		51,535	25,515
		52,314	26,633

14.1 These represent deposits with commercial banks and carry profit at the rate of 5% (December 31, 2010: 5%) per annum.

15. ASSETS CLASSIFIED AS HELD FOR SALE

	Note	2011	2010
		Rupees in '000	
Plant and equipment	15.1	172,762	172,762
Stock-in-trade		6,218	11,946
Stores and spares		15,578	16,447
		194,558	201,155
Provision for slow moving and obsolete stock in trade and stores & spares	15.2	(5,883)	(5,883)
		188,675	195,272

15.1 Plant and equipment

Particulars	Cost at January 01, 2011	Disposals	Cost at December 31, 2011	Accumulated depreciation at January 01, 2011	Depreciation adjusted for the year	Accumulated depreciation at December 31, 2011	Carrying value at December 31, 2011
	Rupees in '000						
Plant and machinery	379,520	-	379,520	212,447	-	212,447	167,073
Electric installations	35,663	-	35,663	30,720	-	30,720	4,943
Tools and equipment	2,893	-	2,893	2,147	-	2,147	746
2011	418,076	-	418,076	245,314	-	245,314	172,762

For comparative year

Particulars	Cost at January 01, 2010	Disposals	Cost at December 31, 2010	Accumulated depreciation at January 01, 2010	Depreciation adjusted for the year	Accumulated depreciation at December 31, 2010	Carrying value at December 31, 2010
	Rupees in '000						
Plant and machinery	1,296,452	(916,932)	379,520	654,001	(441,554)	212,447	167,073
Furniture, fixtures and office equipment	1,169	(1,169)	-	1,063	(1,063)	-	-
Electric installations	36,712	(1,049)	35,663	31,685	(965)	30,720	4,943
Tools and equipment	2,893	-	2,893	2,147	-	2,147	746
2010	1,337,226	(919,150)	418,076	688,896	(443,582)	245,314	172,762

15.1.1 These represent the assets of Burewala unit for which approval of disposal has been obtained from shareholders.

15.2 Movement in slow moving and obsolete stock in trade and stores & spares

	2011	2010
	Rupees in '000	
Opening balance	5,883	18,467
Provision made during the year	-	4,066
Stock in trade written off	-	(16,650)
Closing balance	5,883	5,883

16. ISSUED SUBSCRIBED AND PAID UP CAPITAL

16.1 Authorized capital

2011	2010		2011	2010
Number of Shares			Rupees in '000	
75,000,000	75,000,000	Ordinary shares of Rs. 10/- each	750,000	750,000

16.2 Issued, subscribed and paid up capital

2011	2010		2011	2010
Number of Shares			Rupees in '000	
		Ordinary shares of Rs. 10/- each		
2,204,002	2,204,002	Fully paid in cash	22,040	22,040
12,805,118	12,805,118	Issued for consideration other than cash	128,051	128,051
44,048,739	36,345,540	Fully paid as bonus	440,487	363,456
59,057,859	51,354,660		590,578	513,547

16.2.1 Reconciliation of number of ordinary shares

	2011	2010
	No. of shares	
At January 01	51,354,660	51,354,660
Add: Issue of bonus shares during the year	7,703,199	-
At December 31	59,057,859	51,354,660

16.2.2 Associates holding of the Company's share capital as under:

	2011	2010
	No. of shares	
Dawood Corporation (Private) Limited	28,974,998	25,195,651
Patek Private Limited	3,501,884	3,045,117
Cyan Limited	3,215,095	2,795,735
Pebbles (Private) Limited	685,718	596,277
Dawood Industries (Private) Limited	154,921	105,959
Sach International (Private) Limited	3,776	3,284
	36,536,392	31,742,023

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

17. DEFERRED LIABILITIES

	Note	2011	2010
		Rupees in '000	
Gratuity	17.1	59,674	48,557
Deferred taxation	17.2	-	-
		59,674	48,557

17.1 Movement in the liability recognized in the balance sheet

	Note	2011	2010
Opening balance		48,557	44,695
Net charge for the year	17.1.1	22,217	9,945
		70,774	54,640
Payments made during the year		(11,100)	(6,083)
Closing balance		59,674	48,557

17.1.1 Charge for defined benefit plan

	Note	2011	2010
Current service cost		5,615	4,078
Interest cost		6,583	6,127
Return on plan assets		(271)	(260)
Past service cost	17.1.3	10,290	-
		22,217	9,945

17.1.2 Reconciliation

	2011	2010
Present value of defined benefit obligation	69,058	50,644
Fair value of plan assets	(2,132)	(2,082)
Actuarial losses to be recognized in later periods	(7,252)	(5)
	59,674	48,557

	December 2011	December 2010	December 2009	June 2009	June 2008
	Rupees in '000				
Present value of defined benefit obligation	69,058	50,644	51,059	47,107	29,616
Fair value of plan assets	(2,132)	(2,082)	(2,163)	(2,163)	(2,163)
Surplus in the plan	66,926	48,562	48,896	44,944	27,453
Unrecognized actuarial (loss) / gain	(7,252)	(5)	(4,201)	(3,323)	10,287
Liability in balance sheet	59,674	48,557	44,695	41,621	37,740
Experience adjustment arising on plan liabilities losses / (gain)	7,026	(4,537)	749	12,580	4,054
Experience adjustment arising on plan assets losses	(221)	(341)	(130)	(216)	(216)

17.1.3 During the year, the Company has made an amendment in the plan according to which gratuity obligation will be based on gross salary instead of basic salary of the entitled employees.

17.2 Deferred taxation

Deferred tax asset works out to Rs. 180.27 million (December 31,2010: Rs. 135.43 million). However, it is likely that the income of the Holding Company will be taxable based on turnover tax and under final tax regime in future, hence, as a matter of prudence, deferred tax asset is not recognized.

18. TRADE AND OTHER PAYABLES

	Note	2011	2010
		Rupees in '000	
Creditors		18,004	22,400
Accrued expenses		42,022	33,968
Gratuity to ex staff		295	6,104
Advance from customers and others		10,777	3,770
Unclaimed dividend		21,031	21,058
Due to Islamic Development Bank	18.1	25,969	25,969
Deposits	18.2	1,115	719
Workers' welfare fund		2,423	1,705
Withholding tax		142	93
Advance against scrap sales		10,529	7,690
Staff allowances and benefits		3,112	1,627
Others	18.3	-	447
		135,419	125,550

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

18.2 All deposits are interest free and re-payable on demand.

18.3 These represent amount due to the following related parties:

	2011	2010
	Rupees in '000	
Sach International (Private) Limited	-	275
Dawood Corporation (Private) Limited	-	155
The Dawood Foundation	-	9
Cyan Limited	-	8

19. CONTINGENCIES AND COMMITMENTS

19.1 Contingencies

a) The Taxation Officer while framing assessment for the tax year 2003 made errors in allowing expenses relating to gratuity, lease rentals, employee perquisites and utilities amounting to Rs. 29.34 million, and for tax years 2004 to 2005 had made additions on account of allocation of expenses between the normal and presumptive income of the Company amounting to Rs. 136.10 million and had disallowed Rs. 20.62 million as adjustment of brought forward losses of the Company.

During the year, Appellate Tribunal Inland Revenue (ATIR) has decided the issue of brought forward losses against the Company, however, the Company has filed an appeal before the High Court and a decision is awaited. The remaining issues have been set aside by the said Tribunal and remanded to the taxation officer for reconsideration. The tax impact of all cases amounts to Rs. 65.12 million.

b) The subsidiary company has arranged a bank guarantee of USD 250,000 (2010: USD 50,000 arranged by Holding Company on behalf of the Company) to Alternative Energy Development Board (AEDB) for Letter of Interest. The guarantee is valid upto December 31, 2011.

c) The Holding Company is contingently liable against guarantees and counter guarantees amounting to Rs. 11.91 million (December 31, 2010: Rs. 64.37 million). These are secured against margins.

19.2 Commitments

The Holding Company has commitments against letters of credit for purchase of raw material amounting to Rs. 28.6 million (December, 2010: Rs. 42.44 million).

The Holding Company has a commitment to supply fabric to a customer amounting to Rs. 9.8 million (December 31, 2010: Rs. 16.79 million).

	Note	2011	2010
		Rupees in '000	
20. SALES - NET			
Fabric		377,807	387,208
Yarn		9,642	6,055
Waste		-	3,805
		387,449	397,068
Less: Brokerage, commission and discount		(5,317)	(4,704)
		382,132	392,364
Related to discontinued operations			
Fabric		(7,465)	(11,502)
		374,667	380,862
21. COST OF GOODS SOLD			
Raw material consumed	21.1	168,388	122,362
Salaries, wages and allowances	21.2	105,893	96,171
Electricity, gas and water		72,145	61,869
Stores and spares consumed	21.3	24,710	24,289
Depreciation		4,489	4,395
Insurance		1,635	1,532
Repairs and maintenance		726	305
Workers' canteen		1,247	1,251
Travelling and conveyance		2,822	2,078
Postage and telephone		327	339
Other manufacturing overheads		1,497	1,139
		383,879	315,730
Work in process			
Opening balance		88,374	101,853
Closing balance		(103,912)	(88,374)
		(15,538)	13,479
Cost of goods manufactured		368,341	329,209
Finished goods			
Opening balance		117,268	128,491
Closing balance		(140,320)	(117,268)
		(23,052)	11,223
Cost of goods sold		345,289	340,432
Related to discontinued operations		(5,728)	(10,226)
		339,561	330,206

	2011	2010
	Rupees in '000	
21.1 Raw material consumed		
At January 01	11,637	7,638
Purchases and related expenses	213,586	126,361
	225,223	133,999
At December 31	(56,835)	(11,637)
	168,388	122,362

21.2 Staff salaries and benefits include Rs. 11.6 million (December 31, 2010: Rs. 5.3 million) in respect of staff retirement benefits.

21.3 Stores and spares consumed

	2011	2010
	Rupees in '000	
At January 01	68,253	54,105
Purchases and related expenses	20,711	38,437
	88,964	92,542
At December 31	(64,254)	(68,253)
	24,710	24,289

22. OTHER OPERATING INCOME

	2011	2010
Income from financial assets		
Dividend Income		
National Investment Trust Limited	800	450
Sui Southern Gas Company Limited	-	83
	800	533
Profit on deposits	3,794	1,321
Capital gain on sale of investments		
- available for sale	722	22,335
- held for trading	35,837	6,918
Unrealized gain on short term investments	51,137	28,651
	91,490	59,225
Income from non financial assets		
Profit on sale of property, plant and equipment	902	1,363
Profit on sale of assets classified as held for sale	-	15
Interest on security deposits	344	344
Sundry sales and receipts	367	2,789
Insurance claim	-	5,600
Other income	1,284	1,450
Storage income	12,961	4,882
Liabilities written back	-	328
	15,858	16,771
	108,148	76,529
Related to discontinued operations	(15,901)	(13,149)
	92,247	63,380

23. SELLING AND DISTRIBUTION EXPENSES

	Note	2011 Rupees in '000	2010 Rupees in '000
Salaries and allowances	23.1	10,905	6,319
Sales promotion		1,788	1,517
Storage and forwarding		1,100	931
Depreciation		320	584
Conveyance and travelling		614	500
Rent, rates and taxes		389	401
Printing and stationery		103	395
Repairs and maintenance		160	153
Freight and insurance		354	147
Advertisement		197	136
Postage and telephone		165	111
Entertainment		72	88
Electricity and gas		64	63
Miscellaneous		1	4
		16,232	11,349

23.1 This includes staff retirement benefits of Rs. 2.4 million (December 31, 2010: Rs. 1.1 million)

24. ADMINISTRATIVE EXPENSES

	Note	2011 Rupees in '000	2010 Rupees in '000
Salaries and allowances	24.1	80,536	61,751
Printing and stationery		2,571	1,677
Rent, rates and taxes		10,086	7,277
Electricity and gas		7,044	6,343
Conveyance and travelling		2,588	3,103
Postage and telephone		2,108	2,152
Insurance		2,538	2,780
Repairs and maintenance		2,046	1,241
Legal and professional		2,333	3,550
Auditors' remuneration	24.2	585	541
Fees and subscription		8,333	3,754
Entertainment		664	690
Workers' welfare fund		718	1,705
Depreciation		4,743	4,858
Amortization	5.1	371	370
Bank charges and Zakat		815	1,771
Miscellaneous		1,000	1,018
		129,079	104,581
Related to discontinued operations		(48,173)	(40,150)
		80,906	64,431

24.1 Staff salaries and benefits include Rs. 7.4 million (December 31, 2010: Rs. 2.9 million) in respect of staff retirement benefits.

24.2 Auditors' remuneration

	2011	2010
	Rupees in '000	
Annual audit fee	405	375
Audit fee of consolidated financial statements	40	40
Half yearly review and other certification fee	140	126
	585	541

25. PROVISIONS / (REVERSALS)

	2011	2010
Stores and spares	1,177	15,351
Stock in trade	-	7,307
Debtors	-	3,346
Sales tax refundable	-	8,128
Reversal of provision for doubtful debts	(593)	-
	584	34,132
Related to discontinued operations	-	(14,727)
	584	19,405

26. TAXATION

	2011	2010
Current year	8,541	13,591
Prior year	492	10,519
Share of taxation from associated company	188,744	136,919
	197,777	161,029

26.1 Relationship between tax expense and accounting profit

The relationship between tax expense and accounting profit has not been presented in these financial statements as the total income falls under: (a) turnover tax provided under section 113 (b) and income that are separately taxed under respective sections of the Income Tax Ordinance, 2001.

27. LOSS FROM DISCONTINUED OPERATIONS

	Note	2011	2010
		Rupees in '000	
Sales - net		7,465	11,502
Cost of goods sold	27.1	(5,728)	(10,226)
Gross profit		1,737	1,276
Other income	22	15,901	13,149
Administrative expenses		(48,173)	(40,150)
Provisions		-	(14,727)
Net loss from discontinued operations		(30,535)	(40,452)

	2011	2010
	Rupees in '000	
27.1 Cost of goods sold		
Raw material		
Opening inventory	71	71
Less: closing inventory	(71)	(71)
Raw material consumed	-	-
Add: opening inventory of finished goods	11,875	22,101
Less: closing inventory of finished goods	(6,147)	(11,875)
Cost of goods sold	5,728	10,226

28. EARNINGS PER SHARE

- Basic & diluted

There is no dilutive effect on the basic earnings per share of the Company which is based on:-

	2011	2010
28.1 Continuing operations		
Profit after taxation	592,096	520,575
Weighted average number of ordinary shares outstanding during the year	59,058	59,058
Earnings per share (Rs.)	10.03	8.81
28.2 Discontinued operations		
Loss after taxation	(30,535)	(40,452)
Weighted average number of ordinary shares outstanding during the year	59,058	59,058
Earnings per share (Re.)	(0.52)	(0.68)

Number of ordinary shares outstanding as at December 31, 2010 have been increased to reflect the bonus shares issued during the year.

29. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

	2011		2010	
	Chief Executive	Executives	Chief Executive	Executives
	Rupees in '000			
Remuneration	4,115	10,423	4,348	8,424
House rent allowance	2,038	4,135	2,174	2,969
Utilities	1,019	1,131	1,087	1,036
Retirement benefits	78	435	347	207
Other allowance	2,513	5,841	1,714	3,537
	9,763	21,965	9,670	16,173
No. of person(s)	1	8	1	7

Chief Executive and executives of the Company are entitled to use of Company maintained vehicle.

30. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of associated companies, directors and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties, directors and key management personnel are shown under respective notes of receivables and payables. Remuneration of directors and key management personnel is disclosed in note 29. Other significant transactions with related parties are as follows:

Relationship	Nature of transaction	2011	2010
		Rupees in '000	
a. Associated companies			
Dawood Hercules Corporation Limited	Dividend income	19,483	95,644
	Reimbursement of expenses	823	-
Sach International (Private) Limited	Sale of fabric	49,309	28,968
	Reimbursement of expenses	5,529	-
Cyan Limited	Premium paid	-	3,240
	Insurance premium refund	371	-
	Insurance claims received	43	-
	Reimbursement of expenses	9	-
b. Other related parties			
Sui Northern Gas Pipelines Limited	Utility charges	21,288	23,342
The Dawood Foundation	Rental charges	7,306	6,353
	Maintenance and utility charges	1,280	-
Dawood Corporation (Pvt) Limited	Reimbursement of expenses	155	-
	Payment against assets transferred	1,233	-
Inbox Business Technologies (Pvt) Limited	Purchase of computer equipment	501	174
	Payment of hardware maintenance charges	250	-

31. FINANCIAL RISK MANAGEMENT

The Group's principal financial liabilities comprise trade and other payables. The Group's financial assets comprise of trade debts, prepayments, other receivables, bank balances and investments in equity securities and units of mutual fund that derive directly from its operations. The Group also holds loans, advances and deposits.

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including cash flow interest rate risk, currency risk, equity price risk and fair value interest rate risk).

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

31.1 Credit risk and concentration of credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the trade debts, loans and advances, trade deposits and other receivables.

The Group is exposed to credit risk from its operating activities (primarily for trade receivables and loans and advances, deposits, other receivables) and from its investing activities, including investment in securities, deposits with banks and other financial instruments.

Out of the total financial assets of Rs. 4,894.56 million (2010: Rs. 4,554.22 million), the financial assets which are subject to credit risk amounted to Rs. 4,893.78 million (2010: Rs. 4,553.10 million).

31.1.1 Credit risk related to receivables

The Holding Company only deals in local sales. Customer credit risk is managed by business unit subject to the Holding Company's established policy, procedures and controls relating to customer credit risk management. Holding Company mainly deals with customers of high credit rating based on its internal assessment, taking account of financial position, past experience and other factors. In addition outstanding customer receivables are regularly monitored and appropriate actions are taken to minimize risk of bad debts.

At December 31, 2011, the Holding Company had approximately 150 customers (2010:186 customers) that owed Rs. 82.64 million (2010: Rs. 69.76 million). There were 4 customers (2010:3 customers) with balances greater than Rs. 5 million covering over 44% (2010: 34%) of trade debts.

31.1.2 Credit risk related to financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by chief executive officer and chief financial officer in accordance with the Group's policy.

The credit risk on liquid funds (cash and bank balances) is limited because the counter parties are banks with a high credit rating. The names and credit rating of major banks as at December 31, 2011, where the Company maintains its major bank balances are as follows:

Name of bank	Rating agency	Credit rating	
		Short-term	Long-term
Bank Al Habib Limited	PACRA	A1+	AA+
Habib Bank Limited	JCR-VIS	A-1+	AA+

31.2 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

The Group is equity financed and is not required to enter into any borrowing to support its financing requirement, therefore the Group is not materially exposed to liquidity risk as it is already surplus in funds. The contractual obligations to the Group is mainly through trade and other payable amounts to Rs. 135.41 million (2010: Rs. 125.55 million) having adequate liquidity backup against the currents assets of Rs. 799.8 million (2010: Rs. 946.30 million).

31.3 Market risk management

Market risk is the risk that changes in market prices, such as interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising returns.

31.3.1 Interest rate risk management

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. However, the Group has short term investments in units of money market mutual funds, the value of which will have direct impact due to change in interest rate. (Refer note 13)

31.3.2 Foreign exchange risk management

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Holding Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Holding Company's operating activities which mainly include amounts payable to foreign suppliers for goods in foreign currency. The Holding Company deals completely in local sales and does not have any foreign currency exports against foreign debtors.

At December 31, 2011, considering the total outstanding exposure in foreign currency, if the Pakistani Rupee had weakened / strengthened by 5% against the US dollar with all other variables held constant, profit for the year would have been higher / lower by Rs. 0.047 million (2010: Rs. 1.10 million), mainly as a result of foreign exchange gains / losses on translation of foreign currency import loans.

31.3.3 Equity price risk management

The Group has investments in top listed and unlisted equity securities. These securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company manages the equity price risk through diversification and conducts proper review of individual and total equity instruments. Reports on the equity portfolio are submitted to the Company's senior management on a regular basis.

a) Investments at Fair Value through profit or loss - listed units of Mutual Funds

At the balance sheet date, the exposure to listed units of mutual funds at fair value is Rs. 654.83 million (2010: Rs. 761.36 million). A decrease / increase of 5% in the net asset value per unit would have an impact of approximately Rs. 2.56 million (2010: Rs. 1.43 million) on the income of the Company, depending on whether or not the decline is significant and prolonged.

b) Investments at 'Available for sale' - Equity securities

At the balance sheet date, the exposure to listed equity securities at fair value is Rs. 5.18 million (2010: Rs. 9.55 million). A decrease / increase of 5% on the KSE market index would have an impact of approximately Rs. 0.0943 million (2010: Rs. 0.0486 million) on the other comprehensive income of the Holding Company, depending on whether or not the decline is significant and prolonged .

31.4 Determination of fair values

31.4.1 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction other than in a forced or liquidation sale.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

31.5 Financial instruments by category

The accounting policies for financial instruments have been applied for line items below:

	Loan & advances	Available for sale	Fair value through profit or loss	Total
	Rupees in '000			
Assets as per balance sheet				
- December 31, 2011				
Long term investments	-	4,083,175	-	4,083,175
Long term deposits	10,544	-	-	10,544
Trade debts - net	82,643	-	-	82,643
Loans and advances	4,218	-	-	4,218
Deposits and other receivables	6,835	-	-	6,835
Short term investments	-	-	654,837	654,837
Cash and bank balances	52,314	-	-	52,314
	156,554	4,083,175	654,837	4,894,566

	At amortized cost	Total
	Rupees in '000	
Liabilities as per balance sheet - December 31, 2011		
Trade and other payables	135,417	135,417
	135,417	135,417

	Loan & advances	Available for sale	Fair value through profit or loss	Total
	Rupees in '000			
Assets as per balance sheet - December 31, 2010 (Restated)				
Long term investments	-	3,597,367	-	3,597,367
Long term deposits	10,544	-	-	10,544
Trade debtors	69,763	-	-	69,763
Loans and advances	1,658	-	-	1,658
Deposits and other receivables	86,891	-	-	86,891
Short term investments	-	-	761,362	761,362
Cash and bank balances	26,633	-	-	26,633
	195,489	3,597,367	761,362	4,554,218

	At amortized cost	Total
	Rupees in '000	
Liabilities as per balance sheet - December 31, 2011		
Trade and other payables	125,549	125,549
	125,549	125,549

31.6 Fair value hierarchy

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

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

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
	Rupees in '000			
Financial assets at fair value through profit or loss				
Short term investments	654,837	-	-	654,837
Available for sale				
Long term investments	70,489	270,528	-	341,017

32. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through optimisation of the debt and equity balance.

Currently the Group is free from any sort of borrowings and is fully equity based and has adequate funds to meet its short term and long term liabilities.

During the year, the Holding Company has issued bonus shares of Rs. 77.03 million to it's existing shareholders.

33. PLANT CAPACITY AND ACTUAL PRODUCTION

	Unit	December 31, 2011		December 31, 2010	
		Capacity	Actual	Capacity	Actual
Yarn	Kgs.	358,000	136,063	358,000	170,000
Fabric	Meters	754,000	540,938	754,000	664,000

The main reason for low production is lower market demand.

34. SEGMENT REPORTING

The Holding Company's core business is manufacturing and sale of fabrics and yarn and it generates more than 78% of its revenue from this business. Decision making process is centralized at Head Office led by the Chief Executive Officer who is continuously involved in day to day operations and regularly reviews operating results, assesses performance and makes necessary decisions regarding resources to be allocated to the segments. Currently the Holding Company has one operating manufacturing unit at Attock and other unit at Burewala where operations have been discontinued since 2008. The assets and results of the discontinued operations are separately disclosed in note 15 and 27 of these financial statements respectively. The Holding Company also holds investments in listed securities and units of open-end funds. Further, the Company also holds long term strategic investments in a wholly owned subsidiary and an associated company, performance results of which are disclosed in note 6 and note 13 to these financial statements.

35. CORRESPONDING FIGURES

Comparative information has been re-classified, re-arranged or additionally incorporated in these financial statements, wherever necessary, to facilitate comparison and to conform with changes in presentation in the current year.

36. DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorized for issue on March 01, 2012 by the Board of Directors of the Holding Company.

37. POST BALANCE SHEET EVENTS

The Board of Directors of the Holding Company at its meeting held on March 01, 2012 has proposed a final cash dividend @ Rs. 1/- per share amounting to Rs. 59,057,859 for the year ended December 31, 2011 for approval at the Annual General Meeting to be held on April 23, 2012. These financial statements do not reflect this proposed dividend.

38. GENERAL

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

SHAHID HAMID PRACHA
Chairman

INAM UR RAHMAN
Chief Executive

Pattern of Shareholding

As at December 31, 2011

Number of Shareholders	Type of Shareholdings			Total Shares Held
2,770	1	TO	100	115,473
1,841	101	TO	500	460,353
595	501	TO	1,000	438,351
767	1,001	TO	5,000	1,669,562
121	5,001	TO	10,000	841,979
38	10,001	TO	15,000	449,377
19	15,001	TO	20,000	323,276
12	20,001	TO	25,000	269,685
7	25,001	TO	30,000	190,015
2	30,001	TO	35,000	66,508
3	35,001	TO	40,000	109,598
3	40,001	TO	45,000	131,640
2	45,001	TO	50,000	97,895
1	50,001	TO	55,000	52,500
2	55,001	TO	60,000	113,037
1	65,001	TO	70,000	67,639
1	70,001	TO	75,000	74,935
1	110,001	TO	115,000	115,000
1	115,001	TO	120,000	117,000
1	125,001	TO	130,000	128,319
1	135,001	TO	140,000	135,412
1	150,001	TO	155,000	154,921
1	275,001	TO	280,000	275,595
1	415,001	TO	420,000	418,341
1	555,001	TO	560,000	556,639
1	570,001	TO	575,000	575,000
1	685,001	TO	690,000	685,718
1	715,001	TO	720,000	719,808
3	1,015,001	TO	1,020,000	3,048,589
1	1,080,001	TO	1,085,000	1,081,357
2	1,175,001	TO	1,180,000	2,353,492
1	1,185,001	TO	1,190,000	1,186,139
1	2,975,001	TO	2,980,000	2,979,324
1	3,215,001	TO	3,220,000	3,215,095
1	3,360,001	TO	3,365,000	3,363,405
1	3,500,001	TO	3,505,000	3,501,884
1	28,970,001	TO	28,975,000	28,974,998
6,208			TOTAL	59,057,859

Pattern of Shareholding
As at December 31, 2011

Catagories of Shareholders as at December 31, 2011	Number of Shareholders	Total Shares Held	Percentage
Individuals	5,658	17,782,749	30.11
Investment Companies	5	14,239	0.02
Insurance Companies	4	570,265	0.97
Joint Stock Companies	44	36,695,293	62.13
Financial Institutions	18	391,258	0.66
Mutual Funds	1	275,595	0.47
Others			
Other Trusts	7	3,035,382	5.14
Charitable Organisations	1	36,366	0.06
Co-operative Societies	466	117,181	0.20
Administrator, Abandoned Properties Organization	2	137,908	0.23
Administrator General of Sindh	1	1,596	0.00
Kukab Agencies (Pakistan)	1	27	0.00
Total	6,208	59,057,859	100.00

Disclosure Requirement under Code of Corporate Governance

			Shares Held
1	**Directors, and CEO**		
	Shahid Hamid Pracha	Chairman	1,265
	Inam ur Rahman	Chief Executive	1,150
	Shahzada Dawood	Director	1,016,196
	A. Samad Dawood	Director	1,186,139
	S.M. Asghar	Director	1,265
	Haroon Mahenti	Director	15,315
	Shafiq Ahmed	Director	1,154
	Mir Muhammad Nasir	Director	1,150
	Sulaiman Sadruddin Mehdi	Director	1,150
2	**Associated Companies**		
	Cyan Limited		3,215,095
	Dawood Corporation (Pvt.) Ltd.		28,974,998
	Sach International (Pvt.) Ltd.		3,776
	Dawood Industries (Pvt.) Ltd.		154,921
	Patek (Pvt.) Ltd.		3,501,884
	Pebbles (Pvt.) Ltd.		685,718
3	**N I T and I C P**		
	National Investment Trust		6,842
	Investment Corporation of Pakistan		1,593
4	**Banks, DFI, NBFI, Insurance Companies, Modaraba and Mutual Funds**		1,228,683
5	**Investment Companies**		14,239
6	**Joint Stock Companies**		158,901
7	**Others (Detail below)**		
	Other Trusts		3,035,382
	Charitable Organisation		36,366
	Co-operative Societies		117,181
	Administrator General of Sindh		1,596
	Kaukab Agencies (Pakistan)		27
	Administrator, Abandoned Properties Organizations		137,908
8	**Shareholders holding ten percent or more shares**		
	Dawood Corporation (Pvt.) Ltd.		28,974,998

9. Detail of purchase/sale of shares by Directors/Company Secretary/Chief Financial Officer and their spouses/minor children during 2011

Name	Dated	Purchase	Sale	Rate Rs./ Share
Shahid Hamid Pracha	May 24	165*		
Inam ur Rahman	May 24	150*		
Shahzada Dawood	May 24	132,547*		
A. Samad Dawood	May 24	132,547*		
	Sep 26	21,599**		23.51
	Sep 27	59**		23.56
	Oct 26	52,358**		25.09
	Oct 27	11,885**		25.06
	Oct 28	1,199**		25.06
	Nov 02	4,700**		25.06
	Nov 10	4,970**		25.06
	Nov 17	15,408**		25.02
	Nov 21	7,000**		25.06
	Nov 22	3,837**		25.04
	Nov 23	9,099**		25.06
	Nov 24	990**		25.06
	Dec 02	35,839**		25.06
	Dec 07	1,000**		25.06
S.M. Asghar	May 24	165*		
Haroon Mahenti	May 24	1,997*		

* 15% Bonus Shares
** Shares purchased from Karachi Stock Exchange

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 Sixty Second Annual General Meeting of the Company to be held on Monday April 23, 2012 at Karachi Marriott Hotel, 9 Abdullah Haroon Road, Karachi and at any adjournment thereof.

Signed this ____________ day of ____________ 2012.

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.

AFFIX
CORRECT
POSTAGE

The Company Secretary
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3rd Floor, Dawood Centre, M.T. Khan Road,
Karachi-75530
Tel: +92 21 35686001 Fax: +92 21 35633970
www.dawoodlawrencepur.com

Dawood Lawrencepur Limited

Registered Office / Head Office / Shares Department:
Dawood Centre, M.T. Khan Road, Karachi-75530
Tel: (92-21) 35686001-16
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E-mail: info.textiles@dawoodgroup.com Website: www.dawoodlawrencepur.com