Dawood Lawrencepur Limited

New Horizons

Annual Report 2012

"We have always held to the hope, the belief, the conviction that there is a better life, a better world, beyond the horizon."

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

"Cultural and technological barriers need to be eliminated through insight to transform products into true business innovations."

"Passion is energy. Feel the power that comes from focusing on what excites you."

The Company successfully curtailed its overhead costs and material wastages through active energy saving measures and outsourcing of processes requiring high power consumption, resulting in an improvement in gross margin to 12% from 9% in 2011.

Company Information

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

Board Audit Committee
Ali Aamir (Chairman)
Sulaiman S. Mehdi
Haroon Mahenti
Shafiq Ahmed

Human Resource and Remuneration Committee
Shahid Hamid Pracha (Chairman)
A. Samad Dawood
Mir Muhammad Nasir
Sarfaraz Ahmed Rehman

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
Barclays Bank PLC

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@dawoodhercules.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 2012			December 2011			December 2010		
			Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
A)	INCOME STATEMENT										
1	Sales Value	Rs. In (000)	378,965	4,693	383,658	374,667	7,465	382,132	380,862	11,502	392,364
2	Gross Profit / (Loss)	Rs. In (000)	44,916	(1,489)	43,427	35,106	1,737	36,843	50,656	1,276	51,932
3	Operating Profit / (Loss)	Rs. In (000)	(29,091)	(69,900)	(98,991)	(44,747)	(46,436)	(91,183)	(13,316)	(38,874)	(52,190)
4	Profit / (Loss) Before Taxation	Rs. In (000)	123,421	(27,528)	95,893	55,089	(30,535)	24,554	124,017	(40,452)	83,565
5	Profit / (Loss) After Taxation	Rs. In (000)	118,607	(27,528)	91,079	46,793	(30,535)	16,258	99,956	(40,452)	59,504
B)	DIVIDEND										
1	Cash Dividend	%	50	-	50	10	-	10	5	-	5
2	Stock Dividend	%	-	-	-	-	-	-	15	-	15
C)	BALANCE SHEET										
1	Total Assets Employed	Rs. In (000)	1,550,451	194,529	1,744,980	1,540,995	188,675	1,729,670	1,512,696	195,272	1,707,968
2	Current Assets	Rs. In (000)	1,155,176	-	1,155,176	1,133,714	-	1,133,714	1,262,848	-	1,262,848
3	Current Liabilities	Rs. In (000)	99,854	-	99,854	130,910	-	130,910	133,907	-	133,907
4	Paid Up Capital	Rs. In (000)	590,578	-	590,578	590,578	-	590,578	513,547	-	513,547
5	Shareholders Equity	Rs. In (000)	1,573,354	-	1,573,354	1,539,875	-	1,539,875	1,525,504	-	1,525,504
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)	%	12	(32)	11	9	23	10	13	11	13
2	Earning Per Share	Rs.	2.01	(0.47)	1.54	0.79	(0.52)	0.28	1.69	(0.68)	1.01
3	Dividend Yield	%	-	-	2	-	-	3	-	-	5
4	Return on Equity	%	-	-	6	-	-	1	-	-	4
5	Break-up Value of Shares	Rs.	-	-	27	-	-	26	-	-	26
6	Market Value of Shares	Rs.	-	-	46	-	-	31	-	-	43
7	Price Earning Ratio	Rs.	-	-	30	-	-	117	-	-	43
8	Dividend Payout Ratio	%	-	-	648	-	-	3,63	-	-	198
E)	PRODUCTION										
1	Capacity										
	Polyester Yarn	Kgs In (000)	-	-	-	-	-	-	-	-	-
	Yarn	Kgs In (000)	358	-	358	358	-	358	358	-	358
	Cloth	Mtrs In (000)	754	-	754	754	-	754	754	-	754
2	Actual Production										
	Polyester Yarn	Kgs In (000)	-	-	-	-	-	-	-	-	-
	Yarn Kgs	Kgs In (000)	96	-	96	136	-	136	170	-	170
	Cloth Mtrs.	Mtrs In (000)	541	-	541	541	-	541	664	-	664
3	Capacity Utilization - Yarn	%	27	-	27	38	-	38	47	-	47
	- Cloth	%	72	-	72	72	-	72	88	-	88
F)	OTHERS										
1	Employees	Nos.	572	144	716	617	154	771	612	166	815
2	Capital Expenditures	Rs. In (000)	4,997	-	4,997	3,207	-	3,207	8,725	-	8,725

December 2009 (Six months period)			June 2009			June 2008		
Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
193,365	24,388	217,753	350,372	29,847	380,219	368,294	321,544	689,838
52,924	3,621	56,545	76,512	996	77,508	73,921	(240,918)	(166,997)
30,602	(24,552)	6,050	35,389	(91,111)	(55,722)	29,190	(292,087)	(262,897)
(84,337)	(22,639)	(106,976)	(94,956)	(92,328)	(187,284)	113,784	(300,826)	(187,042)
(85,426)	(22,639)	(108,065)	(104,156)	(92,179)	(196,335)	105,308	(302,433)	(197,125)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	10	-	10
975,147	708,993	1,684,140	940,085	729,759	1,670,744	1,032,729	758,367	1,791,096
549,450	-	549,450	467,189	-	467,189	440,796	-	440,796
148,742	-	148,742	142,657	-	142,657	170,566	-	170,566
513,547	-	513,547	513,547	-	513,547	466,861	-	466,861
1,490,705	-	1,490,705	1,486,466	-	1,486,466	1,582,791	-	1,582,791
59,058	-	59,058	59,058	-	59,058	59,058	-	59,058
27	15	25	21.84	3.34	20.39	20.07	(74.93)	(24.21)
(1.44)	(.38)	(2)	(1.76)	(1.56)	(3.32)	1.78	(5.12)	(3.34)
-	-	-	-	-	-	0.71	-	0.71
-	-	(7)	-	-	(13.21)	-	-	(12.45)
-	-	25	-	-	25.17	-	-	26.80
-	-	59	-	-	34.68	-	-	141.63
-	-	(32)	-	-	(10.43)	-	-	(42.40)
-	-	-	-	-	-	-	-	(29.95)
-	700	700	-	-	1,400	-	-	1,400
179	12,581	12,760	-	-	25,519	-	-	25,619
377	2,153	2,530	-	-	55,060	548	174	5,060
-	-	-	-	-	-	-	-	-
93	-	93	-	-	229	-	-	885
307	-	307	-	-	796	-	-	805
52	-	52	-	-	0.89	-	-	3.28
81	-	81	-	-	15.73	-	-	15.91
612	23	635	604	23	627	548	174	722
3,986	-	3,986	164,515	-	164,515	3,037	-	3,037



"Never look down to test the ground before taking your next step; only he who keeps his eye fixed on the far horizon will find the right road."

The Company plans to focus on the renewable energy business, for which substantial ground work has been completed.

Notice of Annual General Meeting

Notice is hereby given that the Sixty Third (63rd) Annual General Meeting of Dawood Lawrencepur Limited will be held at Karachi Marriot Hotel, 9, Abdullah Haroon Road, Karachi at 1130 hours on Monday, April 1, 2013, 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, 2012 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.5/- per share (50%) for the year ended December 31, 2012 as recommended by the Board of Directors.

3. To appoint the Auditors for the year ending December 31, 2013 and to fix their remuneration. The retiring Auditors, Messrs M. Yousuf Adil Saleem & Company, being eligible, offer themselves for re-appointment.

For and on behalf of the Board

Karachi
February 26, 2013

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, March 25, 2013 to Monday, April 1, 2013 (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, March 22, 2013 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 a 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 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.



"Successful people have a social responsibility to make the world a better place and not just take from it."

For Pakistan, with its abundant solar, biomass, hydel and wind resources, clean and increasingly price competitive renewable energy is an attractive option and underlies our strategy to lead developments in this sector with a hope of creating a better tomorrow for our future generations.

Directors' Report

The Directors are pleased to present their report together with the audited financial statements of the Company for the year ended December 31, 2012.

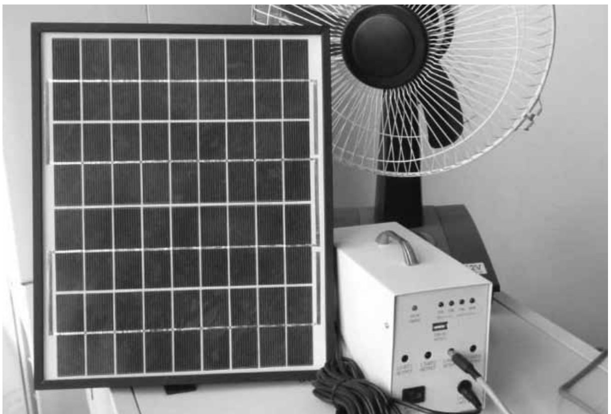
BUSINESS REVIEW

The change in both the fabric market and manufacturing dynamics has necessitated rethinking of the business strategy of the Company to safeguard shareholder interests. In the textile business, besides ensuring a sustainable return in the future as custodians of the Lawrencepur brand, the Company is making efforts to minimize losses of the Lawrencepur Woolen Textile Mills' (LWTM) manufacturing unit and also assessing plant viability. In the coming years, the Company plans to enhance focus on the renewable energy business, for which substantial ground work has been completed.

Textile Manufacturing

The nation's acute energy crisis continues to take its toll on the economy as the energy dependent industries continue to operate below capacity. Many businesses are now looking for opportunities to relocate their manufacturing facilities to other countries in the region or completely outsource their products. Power outages coupled with volatile fuel prices have created doubts about the viability of the manufacturing sector in the country.

On the demand side, customer preferences have changed over the years, transitioning from durability to feel and luster of the fabric. Additionally, the unorganized sector continues to grow stronger than ever eating into Lawrencepur market share with low priced fabric imported from China and the Far East.



Solar Fan with solar cell

The major internal challenge for LWTM continues to be availability of quality human resource. Till the 1990's, the plant was at the forefront of bringing Pakistani origin worsted and wool experts from Italy and these skilled resources helped with both technology and management methods. However now it has become almost impossible to attract these people to Pakistan resulting in a decline in our resources. In the absence of any other similar factories, the worker side has also diminished in quality despite all training efforts.

Despite these challenging circumstances, the Company successfully curtailed its overhead costs and material wastages, whilst keeping production at par with last year, through active energy saving measures and outsourcing of processes requiring high power consumption, resulting in an improvement in gross margin to 12% from 9% in 2011.

Lawrencepur Brand Licensing

One key initiative by management to protect and preserve our textile heritage and increase shareholder value has been to non-exclusively license out the use of the Lawrencepur brand name.

During the year, the Company entered into a time-bound, non-exclusive licensing agreement with an associated concern for marketing and sales of products under the Lawrencepur brand name. The licensor plans to maximize brand equity by ensuring that product availability is in line with ever changing consumer needs. This will be done through a wider retail presence backed by a prudent marketing strategy and these initiatives are expected to revive demand for Lawrencepur products to their original glory. The Company's foremost commitment is to manage the brand in a way to ensure sustainable returns for stakeholders in the times to come.

Renewable Energy Business

With an ever growing energy gap and as yet undeveloped indigenous energy resources, the generation and supply of electric power will remain a high growth sector in the foreseeable future. At the same time, the yawning circular debt has stymied the level of investment required to address the generation gap and has given rise to a whole host of opportunities to diversify our sources of electricity for large scale on grid projects to off grid industrial and commercial level solutions as well as small scale consumer application products like UPS and emergency/backup lighting. For Pakistan, with its abundant solar, biomass, hydel and wind resources, clean and increasingly price competitive renewable energy is an attractive option and underlies our future strategy to lead developments this sector.

In 2012, the Company entered into a two-year agency agreement with an international manufacturer of portable solar lights and conducted a successful pilot project. Market launch initiatives for solar lights have already been initiated and the Company is hopeful of its market acceptability especially in light of the deepening energy crisis in the Country.

The Company is researching other renewable sources to ensure that it has a suite of products available to meet varying customer needs.

The Company is also engaged in exploration of diverse solar energy solutions to pitch to the market in 2013. These include trading of portable lights and various customized solutions catering to business and domestic customers' energy needs. Pilot projects of solar housing systems, solar street lights and solar water pumps for agricultural use are now success stories upon which the business for 2013 will be built. Whilst focusing on solar renewable products, the Company is researching other renewable sources like biogas, biomass and small hydroelectric projects, with an aim to bringing cost effective and efficient solutions to the common man for a better tomorrow.

Wind Energy Project

Whilst the energy crisis continues to deepen, the Government is seemingly unwilling to initiate key reforms for the sector. Circular debt continues to pile up at an alarming rate due to an oil-intensive generation mix; yet, much cheaper solutions like wind energy are being discouraged in spite of local and international developers in the market. NEPRA had announced a "feed-in-tariff" (FIT) in late 2011; however, security documents have still not been issued by the Alternative Energy Development Board (AEDB). This FIT expired on December 31, 2012 and now NEPRA has offered a substantially reduced new FIT option that does not leave any project commercially viable. This matter is up for a public hearing in the last week of February and its results will determine the course of the wind energy sector in the country.

Due to the uncertain environment, the Company's wholly owned subsidiary, Tenaga Generasi Ltd, has continued to proceed with caution and prudence by meeting all development milestones and yet keeping costs to a minimum. During the year, the Company obtained a Letter of Support (LOS) from AEDB based upon the awarded "cost-plus" tariff. TGL still has the right to opt for FIT whenever renewed and also has the "cost-plus" LOS valid till September 2013.

The financial highlights of the Company are as under:

	For the Year Ended December 31, 2012	For the Year Ended December 31, 2011
Sales from continuing operations	378,965	374,667
Gross profit	44,916	35,106
Other operating Income	154,306	101,239
Reversal of provisions	(1,794)	(584)
Profit after taxation from continuing operation	118,607	46,793
Loss from discontinued operations	(27,528)	(30,535)
Profit for the year	91,079	16,258
Un-appropriated profit brought forward	344,536	405,309
Un-appropriated profit carried forward	376,557	344,536
Earnings per share – basic and diluted (net)	Rs. 1.54	Rs. 0.28

The Company achieved sales revenue of Rs. 378.9 million for the year as compared to Rs. 374.7 million last year even though there was a decline towards the latter part of the year, as the Company was successful in boosting sales of higher margin yielding products resulting in a better gross profit. The successful licensing arrangement with an associated company resulted in savings in selling and distribution expenses which limited operating loss from continuing operations to Rs. 29.1 million as against an operating loss of Rs. 44.7 million last year.

The loss from the closed down operations of Rs. 27.5 million in 2012 was a reduction over Rs. 30.5 million last year due to management initiative of selling idle assets. Resultantly, profit before tax for the year from continuing operations stood at Rs. 95.9 million as compared to Rs. 24.6 million last year.

Aggregate earnings per share for the year from continuing and discontinued operations on a standalone basis were Rs. 1.54 as compared to Rs. 0.27 last year.

The consolidated operating loss from continuing operations of the Group for the year stood at Rs. 44.4 million as against profit of Rs. 62 million last year with a share of profit from associate of Rs. 266.2 million as against Rs. 818.4 million last year. The consolidated profit before tax from continuing operations for the year was Rs. 237.9 million as against Rs. 759.3 million in 2011.

The consolidated aggregate earnings per share for the year from continuing and discontinued operations were Rs. 3.47 as compared to Rs. 9.51 for last year.

Asset Disposal Program

Last year, the Board and the shareholders approved sale of assets at the discontinued textile units. The sale of the Burewala Textile Mills Unit is in the final stages of negotiation whilst the disposal process for Dawood Cotton Mills and Dilon Mills has commenced. In line with the Company's strategic intent, sales proceeds will be utilized towards establishing its position in the renewable energy sector.

FUTURE OUTLOOK

The power production and distribution situation in the country has created a market for various unconventional power solutions to meet the nation's energy deficit of about 5000 MW. With fast depleting natural resources, the need for alternate energy solutions cannot be overemphasized. The potential market size that runs into several billions of dollars, by some estimates, remains largely untapped. On the supply side, abundant sunlight available all round the year, organic waste generated in huge quantities and perennial canals in Sind and Punjab regions present a huge business potential.

The Government's outstanding liabilities have resulted in a circular debt all along the energy chain that runs into hundreds of billions of rupees. Considering the credit risk associated with NTDC, the Company's immediate focus is on the Bilateral Independent Power Producer, the business to business (B2B) and the business to customer (B2C) markets.

With low awareness and limited purchasing power of the common man, the target market for DLL's solar energy business will be the commercial sector, agricultural community, home customers needing off-grid solutions, urban areas with major power shortages and affluent early adopters. In light of the country's demographics, this customer base is extremely sizeable and capturing this market can lead to healthy business returns.

Whilst the solar energy business is planned to take off shortly, the Company is researching the potential of other renewable sources i.e. small hydro power and biomass projects, to ensure that it has a suite of products available to meet varying customer demands.

The solution to the country's energy crisis is nowhere in sight. With increasing cost, declining supply and ever increasing demand of unconventional sources of energy, consumer awareness as well as economics of renewable energy solutions is expected to improve in the coming years. This is an opportunity for early movers in the industry to establish their presence in the market. The Company is all set for a market launch of solar products in 2013, while biogas and small hydel projects will be initiated further down the line, following prefeasibility studies.

CORPORATE GOVERNANCE

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

CODE OF CONDUCT

The Company has adopted a Code of Conduct and all employees are aware of and have signed off on a statement evidencing their consent for compliance therewith. The Code of Conduct is rigorously followed throughout the organization as all employees observe the rules of business conduct laid down therein.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

It is certified that:

(i) The financial statements together with the 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 the 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 the financial statements and there has been no departure therefrom.

(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 this report.

KEY OPERATING AND FINANCIAL DATA

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

VALUE OF INVESTMENTS OF GRATUITY FUND AND PROVIDENT FUND

The face value of the investments of the Gratuity and Provident Funds of the management cadre staff was Rs 6.97 million as at December 31, 2012 as opposed to Rs 11.65 last year.

TRADING IN COMPANY SHARES

The Directors have traded in Company shares during the year as under;

Name	Dated	Purchase	Sale	Rate Rs./Share
A. Samad Dawood	Jun 27	-	48,509	66.98
Inam ur Rahman	Jan 02	1,000	-	33.08
	Jan 02	8,000	-	33.11
	May 18	-	4,500	53.96
	May 21	1,624	-	56.93
	May 21	10	-	56.93

All the above trading has been done through the Karachi Stock Exchange.

BOARD MEETINGS

During the year ended December 31, 2012, a total of six meetings of the Board of Directors were held. The position of attendance was as follows:

Name of Director	Meetings Held	Meetings Attended
Mr. Shahid H. Pracha	6	6
Mr. Inam ur Rahman	6	6
Mr. Shafiq Ahmed	6	5
Mr. S.M. Asghar (Resigned 18-12-2012)	5	3
Mr. A. Samad Dawood	6	6
Mr. Shahzada Dawood	6	2
Mr. Haroon Mahenti	6	1
Mr. Sulaiman S. Mehdi	6	2
Mr. Mir Muhammad Nasir	6	1
Mr. Sarfaraz Ahmed Rehman	6	6
Mr. Ali Aamir (Appointed 04-01-2013)	-	-

RELATED PARTY TRANSACTIONS

The Board has reviewed and approved all related party transactions during the year, as recommended by the Audit Committee.

AUDITORS

The present auditors, M/s. Yousuf Adil Saleem & Co., Chartered Accountants, whose tenure finished on December 31, 2012, being eligible, have offered themselves for reappointment. The Board of Directors has recommended the appointment of M/s. Yousuf Adil Saleem & Co., Chartered Accountants as statutory auditors of the Company for the year ending December 31, 2013.

ACKNOWLEDGEMENT

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

Inam Ur Rahman
Chief Executive

Shahid Hamid Pracha
Chairman

Karachi:
February 26, 2013

Code of Conduct

The Company strongly believes in conducting and growing its business on the principles of integrity, fairness and high ethical standards. The Company takes pride in 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

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in 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 CCG in the following manner:

1. The Company encourages representation of independent non-executive Directors and Directors representing minority interests on its Board of Directors. At present the Board includes:

Category	Names
Non-Executive Directors	1. Mr. Shahid Hamid Pracha 2. Mr. Shafiq Ahmed 3. Mr. A. Samad Dawood 4. Mr. Shahzada Dawood 5. Mr. Haroon Mahenti 6. Mr. Sulaiman S. Mehdi 7. Mr. Mir Muhammad Nasir 8. Mr. Sarfaraz Ahmed Rehman 9. Mr. Ali Aamir
Executive Director	1. Mr. Inam ur Rahman

The condition of clause 1(b) of the CCG in relation to independent directorship will be applicable after election of next Board of Directors of the Company.

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

3. All the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI. None of the Directors is a member of any of the Stock Exchanges.

4. A casual vacancy occurred in the Board on December 18, 2012 and was filled up by the Directors within 17 days.

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

6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive Directors, have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board Meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Board is acquainted with the Code, applicable laws and their duties and responsibilities to enable them to effectively manage the affairs of the Company for and on behalf of the shareholders. One (1) Director completed the directors' training program during the year which now makes a total of three duly certified Directors from Pakistan Institute of Corporate Governance in the Board. In future, arrangements will also be made for other Directors to acquire certification under the directors' training program.

10. No new appointments of the Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit were made during the year.

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

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

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

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

15. The Board has formed an Audit Committee. It comprises of four (4) members, all of whom are non-executive Directors including Chairman of the Committee.

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

17. The Board has formed a Human Resource and Remuneration Committee. It comprises of four (4) members, all of whom are non-executive Directors including the Chairman of the Committee.

18. The board has set up an effective Internal Audit function which is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to Directors, employees and Stock Exchanges.

22. Material / price sensitive information has been disseminated among all market participants at once through Stock Exchanges.

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

Rahman

Inam ur Rahman
Chief Executive

Dated: February 26, 2013

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 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 of Corporate Governance.

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement 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, 2012.

M. Yousuf Adil Saleem & Co.
Chartered Accountants

Karachi
Dated: February 26, 2013

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, 2012 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;

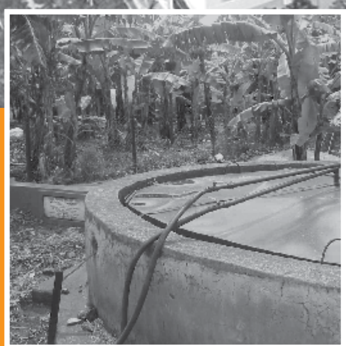
c. in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, gives 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, 2012 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 established under section 7 of that Ordinance.

M. Yousuf Adil Saleem & Co.
Chartered Accountants

Engagement Partner
Mushtaq Ali Hirani

Karachi
Dated: February 26, 2013


PACKAGING SYSTEMS INC.



Balance Sheet
As at December 31, 2012

	Note	2012	2011
		Rupees in '000	
ASSETS			
Non-current assets			
Property, plant and equipment	4	40,962	55,169
Intangible assets	5	1,294	551
Long term investments	6	342,475	341,017
Long term deposits	7	10,544	10,544
		395,275	407,281
Current assets			
Stores and spares	8	37,531	45,206
Stock-in-trade	9	295,152	319,688
Trade debts	10	159,017	82,643
Loans and advances	11	15,651	12,948
Deposits, prepayments and other receivables	12	69,983	69,268
Short term investments	13	554,448	574,691
Cash and bank balances	14	23,394	29,270
		1,155,176	1,133,714
Assets classified as 'held for sale'	15	194,529	188,675
		1,744,980	1,729,670
SHARE CAPITAL AND RESERVES			
Share capital	16	590,578	590,578
Reserves		606,219	604,761
Unappropriated profit		376,557	344,536
		1,573,354	1,539,875
LIABILITIES			
Non current liabilities			
Deferred liabilities	17	61,166	58,885
Current liabilities			
Trade and other payables	18	99,854	123,104
Provision for taxation		10,606	7,806
		110,460	130,910
		1,744,980	1,729,670
CONTINGENCIES AND 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, 2012

	Note	2012	2011
		Rupees in '000	
CONTINUING OPERATIONS			
Sales - net	20	378,965	374,667
Cost of goods sold	21	(334,049)	(339,561)
Gross profit		44,916	35,106
Other operating income	22	154,306	101,239
Selling and distribution expenses	23	(7,941)	(16,232)
Administrative expenses	24	(66,066)	(63,621)
Provisions and impairment / (reversals)	25	(1,794)	(584)
Impairment loss on 'available for sale' investments		-	(819)
		(75,801)	(81,256)
Profit before taxation		123,421	55,089
Taxation	26	(4,814)	(8,296)
Profit after taxation from continuing operations		118,607	46,793
DISCONTINUED OPERATIONS			
Loss from discontinued operations	27	(27,528)	(30,535)
Profit for the year		91,079	16,258
Earnings per share - Basic and diluted			
Continuing operations (Rs.)	28	2.01	0.79
Earnings per share - Basic and diluted			
Discontinued operations (Re.)	28	(0.47)	(0.52)

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, 2012

	2012	2011
	Rupees in '000	
Profit after taxation	91,079	16,258
Other comprehensive income		
Surplus / (Deficit) on remeasurement of 'available for sale investments'	1,458	(1,887)
Total comprehensive income	92,537	14,371

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, 2012

	For the year ended December 31, 2012			For the year ended December 31, 2011		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	Rupees in '000					
A. CASH FLOWS FROM OPERATING ACTIVITIES						
Profit / (loss) before taxation	123,421	(27,528)	95,893	55,089	(30,535)	24,554
Adjustments for :						
Depreciation	6,210	2,052	8,262	6,419	2,486	8,905
Amortization	537	-	537	123	248	371
Provision for gratuity	14,732	447	15,179	20,677	751	21,428
Provision against stores and spares	-	-	-	1,177	-	1,177
Impairment on fixed assets	1,430	-	1,430	-	-	-
Provision against trade debts	2,322	-	2,322	-	-	-
Reversal of provision against trade debts	(1,958)	(4,400)	(6,358)	(593)	-	(593)
Debtors written off during the year	(5,092)	-	(5,092)	-	-	-
Gain on disposal of property, plant and equipment	(15,824)	(1,395)	(17,219)	(101)	(801)	(902)
Impairment loss on 'available for sale' investments	-	-	-	819	-	819
Dividend income	(78,632)	-	(78,632)	(20,283)	-	(20,283)
Gain on sale of long-term investments	-	-	-	(722)	-	(722)
Gain on sale of short-term investments	(33,004)	-	(33,004)	(33,406)	-	(33,406)
Unrealized gain on short-term investments	(22,754)	-	(22,754)	(44,797)	-	(44,797)
Operating loss before working capital changes	(8,612)	(30,824)	(39,436)	(15,598)	(27,851)	(43,449)
(Increase) / decrease in current assets						
Stores and spares	7,675	-	7,675	2,736	869	3,605
Stock in trade	24,536	6,183	30,719	(118,585)	5,728	(112,857)
Trade debts	(72,298)	652	(71,646)	(12,801)	515	(12,286)
Loans and advances	1,175	-	1,175	(2,154)	(406)	(2,560)
Deposits, prepayments and other receivables	11,653	-	11,653	(7,140)	86,130	78,990
Increase/ (decrease) in current liabilities						
Trade and other payables	(24,356)	-	(24,356)	3,900	(1,134)	2,766
	(51,615)	6,835	(44,780)	(134,044)	91,702	(42,342)
Cash (used in) / generated from operations	(60,227)	(23,989)	(84,216)	(149,642)	63,851	(85,791)
Gratuity paid	(18,540)	-	(18,540)	(10,412)	(688)	(11,100)
Tax paid	(12,618)	-	(12,618)	(8,778)	-	(8,778)
Net cash (used in) / generated from operating activities	(91,385)	(23,989)	(115,374)	(168,832)	63,163	(105,669)
B. CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of property, plant and equipment	(4,997)	-	(4,997)	(3,207)	-	(3,207)
Sale proceeds from disposal of property, plant and equipment	19,096	-	19,096	1,458	1,582	3,040
Purchase of intangible assets	(1,280)	-	(1,280)	(14)	-	(14)
Investment in a subsidiary	-	-	-	(170,000)	-	(170,000)
Purchase of short-term investments	(115,000)	-	(115,000)	(155,000)	-	(155,000)
Sales proceeds from diposal of short-term investments	191,000	-	191,000	413,000	-	413,000
Sale proceeds from disposal of investments	-	-	-	-	2,390	2,390
Dividend received	78,632	-	78,632	-	20,283	20,283
Net cash generated from investing activities	167,451	-	167,451	86,237	24,255	110,492
C. CASH FLOWS FROM FINANCING ACTIVITIES						
Payment of dividend	(57,953)	-	(57,953)	(27)	-	(27)
Net cash used in financing activities	(57,953)	-	(57,953)	(27)	-	(27)
Net increase / (decrease) in cash and cash equivalent (A+B+C)	18,113	(23,989)	(5,876)	(82,622)	87,418	4,796
Cash and cash equivalent at beginning	(59,561)	88,831	29,270	23,061	1,413	24,474
Cash and cash equivalent at end	(41,448)	64,842	23,394	(59,561)	88,831	29,270

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, 2012

	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	Total
	Rupees in '000								
Balance at January 01, 2011	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 @ 15% 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
Total comprehensive income for the year ended December 31, 2012	-	-	-		-	-	91,079	1,458	92,537
Final cash dividend for the year ended December 31, 2011 @ Re. 1 per share		-	-	-	-	-	(59,058)	-	(59,058)
Balance at December 31, 2012	590,578	10,521	136,865	33,311	25,969	395,355	376,557	4,198	1,573,354

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

SHAHID HAMID PRACHA
Chairman

INAM UR RAHMAN
Chief Executive

Notes to the Financial Statements
For the year ended December 31, 2012

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 fabrics made from natural and man-made fibers and blends thereof. The Company is also engaged in the business of trading and marketing renewable energy solutions, mainly solar, to domestic and industrial consumers. 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. All 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'. The Company is in final stages of negotiation for sale of these assets.

2. BASIS OF PREPARATION

2.1 Basis of measurement

These financial statements have been prepared on 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 the 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 Companies Ordinance, 1984, 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.

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
Employees benefits
Taxation
Impairment loss of 'available for sale ' investments

2.5 Standards, interpretation and amendment adopted during the year

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 material impact on the financial statements of the Company:

Standards/Amendments/Interpretations	Effective for periods beginning on or after
Amendments to IFRS 7 - Financial Instruments: Disclosures - Transfer of financial assets	July 1, 2011
Amendments to IAS 12 - Income Taxes – Deferred Tax: Recovery of Underlying Assets	January 1, 2012

2.6 New, revised and amended standards and IFRIC interpretations that are 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 the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Standards/Amendments/Interpretations	Effective for periods beginning on or after
Amendments to IAS 1 - Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income	July 1, 2012
Amendments to IAS 1 - Presentation of Financial Statements – Clarification of Requirements for Comparative information	January 1, 2013
Amendments to IAS 16 - Property, Plant and Equipment – Classification of servicing equipment	January 1, 2013
Amendments to IAS 19 - Employee Benefits	January 1, 2013
Amendments to IAS 32 Financial Instruments: Presentation - Tax effects of distributions to holders of an equity instrument, and transaction costs of an equity transaction	January 1, 2013
Amendments to IAS 32 Financial Instruments: Presentation - Offsetting financial assets and financial liabilities	January 1, 2014
Amendments to IAS 34 - Interim Financial Reporting - Interim reporting of segment information for total assets and total liabilities	January 1, 2013
Amendments to IFRS 7 Financial Instruments: Disclosures - Offsetting financial assets and financial liabilities	January 1, 2013
IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine	January 1, 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 - Separate Financial Statements due to non-adoption of IFRS 10 and IFRS 11 (Revised)
IAS 28 - Investments in Associates and Joint Ventures due to non- adoption of IFRS 10 and IFRS 11 (Revised)

There is no potential impact of standards, amendments and interpretations not yet effective on the financial statements of the Company.

The amendments to IAS 19 Employee Benefits are effective for annual period beginning on or after January 1, 2013. The amendments eliminate the corridor approach and therefore require an entity to recognise changes in defined benefit plans obligations and plan assets when they occur. All actuarial gains or losses arising during the year are recognized immediately through other comprehensive income. The amendments also require additional disclosures and retrospective application with certain exceptions. Management anticipates that the amendments will be adopted in the Company's financial statements for annual period beginning on or after January 1, 2013, and the application of amendments may have an impact on amounts reported in respect of defined benefit plans.

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 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 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 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 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 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 a defined contribution provident fund for the permanent employees at 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, 2012, following significant assumptions were used for determining the gratuity liability.

Discount rate 11%
Expected rate of salary increase 10%
Expected rate of return on plan assets 12.5%
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.

3.11 Taxation

Income tax expense comprises current tax, which 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 an 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.

Notes to the Financial Statements

For the year ended December 31, 2012

4. Property, plant and equipment

Particulars	Cost at January 01, 2012	Additions/ (disposals) (Impairment)*	Transfer (Refer note 4.1)	Cost at December 31, 2012	Accumulated depreciation at January 01, 2012	Depreciation/ (Disposals)/ (Impairment)* for the year	Transfer (Refer note 4.1)	Accumulated depreciation at December 31, 2012	Carrying value at December 31, 2012	Annual rate of depreciation %
	----------	----------	----------	----------	Rupees in '000	----------	----------	----------	----------	
Freehold land	3,157	-	(3,1 09)	48	-	-	-	-	48	-
Leasehold land	1,081 -	- -	-	1,081	487	6	-	493	588	1
Building on freehold land	70,557	-	(31,263)	39,294	62,025	691	(26,735)	35,981	3,313	5-10
Building on leasehold land	54,414	-	-	54,414	41,540	1,287	-	42,828	11,586	10
Plant and machinery	283,776	- (56,063)	-	227,713	273,095	2,122 (55,524)	-	219,693	8,020	20
Furniture, fixtures and office	22,855	2,108 (3,319) *	-	21,644	15,729	725 (1,889) *	-	14,565	7,079	10
Computer equipment	8,168	486	-	8,654	5,836	840	-	6,676	1,978	33
Vehicles	25,895	2,403	-	22,111	16,022	2,591	-	13,762	8,349	20
2012	**469,903**	**4,997 (62,250) (3,319)**	**(34,372)**	**374,959**	**414,734**	**8,262**	**(26,735) (60,375) (1,889)**	**333,998**	**40,962**	

4.1 Assets relating to discontinued unit at Burewala, district Vehari are transferred to 'Assets classified as held for sale' (refer note 15.1).

4.2 The above includes carrying value of leasehold land, building on leasehold land, furnitures fixtures & office equipment and others amounting to Rs. 0.588 million, Rs. 11.586 million, Rs. 1.482 million and Rs.0.518 million respectively, aggregated to Rs. 14.174 million (2011: Rs 21.46 million) held as idle assets which relates to discontinued units and are in the process of being sold.

For comparative year

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	22,693	210 (48)	22,855	14,879	866 (16)	15,729	7,126	10
Computer equipment	7,509	659	8,168	4,940	896	5,836	2,332	33
Vehicles	28,526	1,920 (4,551)	25,895	16,146	2,321 (2,445)	16,022	9,873	20
2011	471,295	3,207 (4,599)	469,903	408,290	8,905 (2,461)	414,734	55,169	

	Note	2012	2011
		Rupees in '000	

4.3 Depreciation for the year has been allocated as under:

	Note	2012	2011
Administrative expenses	24	4,604	4,096
Cost of goods sold	21	3,370	4,489
Selling and distribution expenses	23	239	320
Administrative expenses - RE	22	49	-
		8,262	8,905

4.4 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					
Machinery	56,064	55,524	539	15,836	Tender	Mr. Sohail Ahmed
Vehicle	836	646	190	209	Company policy	Mr. Amin dawood (Employee)
Vehicle	369	328	42	222	Tender	Mr. Sohail Ahmed
Vehicle	855	574	281	388	Company policy	Anwar ul Hasnain Haidri (Employee)
Vehicle	114	111	4	170	Tender	Mr. Shahid ullah Jan
Vehicle	78	76	2	145	Tender	Mr. Shahid ullah Jan
Vehicle	89	87	3	170	Tender	Mr. Shahid ullah Jan
Vehicle	384	383	1	170	Tender	Mr. Shahid ullah Jan
Vehicle	74	72	2	170	Tender	Mr. Shahid ullah Jan
Vehicle	350	321	29	221	Tender	Mr. Shahid ullah Jan
Vehicle	409	313	95	95	Transfer	Sach International (Pvt) Ltd (Associated Company)
Vehicle	611	465	145	206	Company policy	Mr. Saleem Aba Tayyab (Employee)
Vehicle	611	475	136	197	Company policy	Mr. Sadiq M. Haroon (Employee)
Vehicle	600	468	132	192	Company policy	Mr. Walayat Abdullah (Employee)
Vehicle	225	0	225	248	Company policy	Mr. Aman ul Haq (Employee)
Vehicle	508	459	49	130	Tender	Mr. Javaid Iqbal
Vehicle	75	73	2	10	Company policy	Mr. Tariq Mahmood (Employee)
2012	62,251	60,375	1,877	18,779		
2011	4,599	2,461	2,138	3,040		

Notes to the Financial Statements
For the year ended December 31, 2012

	Note	2012	2011
		Rupees in '000	
5. INTANGIBLE ASSETS			
Computer software	5.1	1,294	551

5.1 Computer software

		2012	2011
Cost			
Balance as on January 1		3,038	3,024
Addition during the year		1,280	14
Balance as on December 31		4,318	3,038
Amortization @ 33%			
Balance as on January 1		2,487	2,116
During the year		537	371
Balance as on December 31		3,024	2,487
Carrying amount		1,294	551

6. LONG TERM INVESTMENTS

	Note	2012	2011
Investment in related parties at cost	6.1	335,822	335,822
Other investments	6.2	6,653	5,195
		342,475	341,017

6.1 Investment in related parties - at cost

	2012	2011
Wholly owned subsidiary - unquoted Tenaga Generasi Limited Percentage holding 100% (December 31, 2011: 100%) 24,600,000 (December 31, 2011: 24,600,000) fully paid ordinary shares of Rs. 10/- each Chief Executive Officer: Mr. Inam Ur Rahman	270,528	270,528
Associated Company - quoted Dawood Hercules Corporation Limited Percentage holding 16.19% (December 31, 2011: 16.19%) 77,931,896 (December 31, 2011: 77,931,896) fully paid ordinary shares of Rs. 10/- each Market value Rs. 2,535 million (December 31, 2011: 3,273 million) Chief Executive Officer: Mr. Shahid Hamid Pracha	65,294	65,294
	335,822	335,822

6.2 Other investments

- Available for sale investments

2012	2011	Name of Investee	2012	2011
No. of Shares /	Units			
Listed Securities				
200,000	200,000	National Investment (Unit) Trust	6,638	5,180
Un-Listed Securities				
1,500	1,500	Asian Co-operative Society Limited	15	15
795,000	795,000	Karnaphuli Paper Mills Limited	-	-
100	100	Mianwali Central Co-operative Bank Limited	-	-
			15	15
			6,653	5,195

	Note	2012	2011
		Rupees in '000	
6.3 Reconciliation between fair value and cost of investments classified as 'available for sale'			
Fair value of investments		6,653	5,195
Surplus on remeasurement of investments as at December 31		(4,198)	(2,740)
Cost of investments		2,455	2,455

7. LONG TERM DEPOSITS

	Note	2012	2011
Electricity and gas		9,019	9,019
Others		1,525	1,525
		10,544	10,544

8. STORES AND SPARES

	Note	2012	2011
Stores		23,983	34,957
Spares		33,859	29,297
		57,842	64,254
Stores in transit		-	1,263
		57,842	65,517
Provision for slow moving and obsolete items	8.1	(20,311)	(20,311)
		37,531	45,206

8.1 Movement in provision for stores and spares

	Note	2012	2011
Opening balance		20,311	19,134
Provision made during the year		-	1,177
Closing balance		20,311	20,311

9. STOCK IN TRADE

	Note	2012	2011
Raw material		5,926	56,764
Work in process		52,801	101,500
Finished goods		240,709	134,173
Renewable energy products		10,091	-
Waste		619	2,412
		310,146	294,849
Raw material in transit		-	39,833
		310,146	334,682
Provision for slow moving and obsolete items	9.1	(14,994)	(14,994)
		295,152	319,688

	Note	2012	2011
		Rupees in '000	
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	2012	2011
Unsecured			
Considered good		159,017	82,643
Considered doubtful		17,739	22,467
		176,756	105,110
Provision against doubtful debts	10.1	(17,739)	(22,467)
		159,017	82,643

10.1 Movement in provision for doubtful debt

	2012	2011
Opening balance	22,467	23,060
Provision made during the year	2,322	-
Reversal made during the year	(1,958)	(593)
Debtors written off during the year	(5,092)	-
Closing balance	17,739	22,467

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:-

	Amount outstanding	Maximum month end balance
	Rupees in '000	
December 31, 2012		
Sach International (Private) Limited	145,763	213,979
December 31, 2011		
Sach International (Private) Limited	18,114	22,686

11. LOANS AND ADVANCES

	2012	2011
	Rupees in '000	
Unsecured		
Considered good		
Advance tax	12,608	8,730
Loans and advances to employees	1,949	1,730
Advances to suppliers	997	1,365
Others	97	1,123
	15,651	12,948

12. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Note	2012 Rupees in '000	2011 Rupees in '000
Income tax refundable	12.1	61,765	55,039
Security deposits		632	921
Prepayments		2,248	3,120
Letters of credit		773	3,163
Sales tax	12.2	2,198	1,382
Others		2,367	5,643
		69,983	69,268

12.1 Income tax refundable

	2012	2011
Advance	83,274	76,548
Provision against doubtful receivable	(21,509)	(21,509)
	61,765	55,039

12.2 Sales tax

	2012	2011
Sales tax	10,326	9,510
Provision against doubtful receivable	(8,128)	(8,128)
	2,198	1,382

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:-

	Amount outstanding Rupees in '000	Maximum month end balance Rupees in '000
December 31, 2012		
Sach International (Private) Limited	2,242	5,028
Tenaga Generasi Limited	20	4,607
Cyan Limited	9	9
December 31, 2011		
Sach International (Private) Limited	4,872	4,872
Tenaga Generasi Limited	762	1,304
Cyan Limited	9	376

13. SHORT TERM INVESTMENTS

	Note	2012 Rupees in '000	2011 Rupees in '000
Held for trading at 'fair value through profit or loss'	13.1	554,448	574,691

2012 No. of Units	2011 No. of Units	Name of Investee	2012	2011
2,950,257	3,560,143	Meezan Cash Fund	147,926	178,506
1,494,217	1,680,961	UBL Liquidity Plus Fund	149,837	168,911
1,307,736	1,746,133	MCB Cash Management Optimizer Fund	131,127	179,652
12,489,024	4,675,740	NAFA Government Securities Liquid Fund	125,558	47,622
			554,448	574,691

	Note	2012	2011
		Rupees in '000	
13.1 Reconciliation between fair value and cost of investments classified as 'held for trading at fair value through profit or loss'			
Fair value of investments		554,448	574,691
Unrealized gain on remeasurement of investment recognized in profit or loss account			
- for the year		22,754	44,797
- in prior years		74,860	30,063
		(97,614)	(74,860)
Cost of investments		456,834	499,831

14. CASH AND BANK BALANCES

	Note	2012	2011
Cash in hand		619	764
Cash at banks			
In current accounts		18,389	11,624
In deposit accounts	14.1	4,386	16,882
		22,775	28,506
		23,394	29,270

14.1 These represent deposits with commercial banks and carry profit at the rate of 5% (December 31, 2011: 5%) per annum.

15. ASSETS CLASSIFIED AS HELD FOR SALE

	Note	2012	2011
Property, plant and equipment	15.1	180,398	172,762
Stock-in-trade		36	6,218
Stores and spares		15,578	15,578
		196,012	194,558
Provision for slow moving / obsolescence on stock in trade and stores & spares	15.2	(1,483)	(5,883)
		194,529	188,675

Notes to the Financial Statements
For the year ended December 31, 2012

15.1 Property, plant and equipment

Particulars	Cost at January 01, 2012	Transfer	Disposal	Cost at December 31, 2012	Accumulated depreciation at January 01, 2012	Transfer	Depreciation adjusted for the year	Accumulated depreciation at December 31, 2012	Carrying value at December 31, 2012
	Rupees in '000								
Freehold land	-	3,109	-	3,109	-	-	-	-	3,109
Building on freehold land	-	31,263	-	31,263	-	26,735	-	26,735	4,528
Plant and machinery	379,520	-	(1,933)	377,587	212,447	-	(1,932)	210,515	167,072
Electric installations	35,663	-	-	35,663	30,720	-	-	30,720	4,943
Tools and equipment	2,893	-	-	2,893	2,147	-	-	2,147	746
2012	418,076	34,372	(1,933)	450,515	245,314	26,735	(1,932)	270,117	180,398

For comparative year

Particulars	Cost at January 01, 2011	Transfer	Disposal	Cost at December 31, 2011	Accumulated depreciation at January 01, 2011	Transfer	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

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 / obsolescence on stock in trade and stores & spares

	2012	2011
	Rupees in '000	
Opening balance	5,883	5,883
Reversal made during the year	(4,400)	-
Closing balance	1,483	5,883

16. SHARE CAPITAL

16.1 Authorized capital

2012	2011		2012	2011
No. 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

2012	2011		2012	2011
No. of Shares		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	44,048,739	Fully paid as bonus	440,487	440,487
59,057,859	59,057,859		590,578	590,578

	2012	2011
	No. of Shares	
16.2.1 Reconciliation of number of ordinary shares		
At January 01	59,057,859	51,354,660
Add: Issue of bonus shares during the year	-	7,703,199
At December 31	59,057,859	59,057,859
16.2.2 Associates holding of the Company's share capital are as under:		
Dawood Corporation (Private) Limited	28,974,998	28,974,998
Patek (Private) Limited	3,501,884	3,501,884
Cyan Limited	2,965,095	3,215,095
Pebbles (Private) Limited	302,718	685,718
Dawood Industries (Private) Limited	495,351	154,921
Sach International (Private) Limited	3,776	3,776
	36,243,822	36,536,392

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	2012	2011
		Rupees in '000	
17. DEFERRED LIABILITIES			
Gratuity	17.1	61,166	58,885
Deferred taxation	17.2	-	-
		61,166	58,885
17.1 Movement in the liability recognized in the balance sheet			
Opening balance		58,885	48,557
Net charge for the year	17.1.1	15,179	21,428
		74,064	69,985
Liability transferred from Sach International (Pvt) Limited		5,642	-
Payments made during the year		(18,540)	(11,100)
Closing balance		61,166	58,885
17.1.1 Charge for defined benefit plan			
Current service cost		6,865	5,060
Interest cost		8,533	6,583
Return on plan assets		(266)	(271)
Actuarial losses		47	-
Past service cost		-	10,055
		15,179	21,428
17.1.2 Reconciliation			
Present value of defined benefit obligation		84,838	68,269
Fair value of plan assets		(2,283)	(2,132)
Actuarial losses to be recognized in later periods		(21,389)	(7,252)
		61,166	58,885

Notes to the Financial Statements

For the year ended December 31, 2012

	December 2012	December 2011	December 2010	December 2009	June 2009
	Rupees in '000				
Present value of defined benefit obligation	84,838	68,269	50,644	51,059	47,107
Fair value of plan assets	(2,283)	(2,132)	(2,082)	(2,163)	(2,163)
Surplus in the plan	82,555	66,137	48,562	48,896	44,944
Unrecognized actuarial loss	(21,389)	(7,252)	(5)	(4,201)	(3,323)
Liability in balance sheet	61,166	58,885	48,557	44,695	41,621
Experience adjustment arising on plan liabilities losses / (gain)	14,069	7,026	(4,537)	749	12,580
Experience adjustment arising on plan assets losses	(116)	(221)	(341)	(130)	(216)

17.2 Deferred taxation

Deferred tax asset works out to Rs. 189.127 million (December 31,2011: 180.27 million). It is likely that the income of the 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	2012	2011
		Rupees in '000	
Creditors		1,645	18,004
Accrued expenses		34,118	32,819
Unclaimed dividend		22,136	21,031
Due to Islamic Development Bank	18.1	25,969	25,969
Advance from customers and others	18.2	10,871	21,306
Workers' welfare fund		4,416	2,423
Gratuity to ex - staff		119	295
Deposits	18.3	522	1,115
Withholding tax		58	142
		99,854	123,104

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 a redemption reserve has been created.

18.2 These include amount due to following related party:

	2012	2011
	Rupees in '000	
DH Fertilizer Limited	241	-

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

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.

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 related to the above mentioned years amounts to Rs. 65.12 million.

For the tax year 2006, 2008 & 2009 the FBR has raised an additional tax demand of Rs. 54.6 million regarding tax on profit on debt, dividend income, trading sales, exports and Rs 14.58 million regarding minimum taxation. The Company filed an appeal against the said demands before Comissioner Income Tax Appeals and a decision is awaited.

b) The Company is contingently liable against guarantees and counter guarantees amounting to Rs 106.29 million (December 31, 2011: Rs. 11.91 million). These are secured against margins and lien over certain short term investments.

19.2 Commitments

The Company has no commitments against letters of credit for purchase of raw material (December 31, 2011: Rs 28.6 million).

The Company has no commitment to supply fabric to any customer (December 31 , 2011: Rs. 9.8 million).

The Company has agreed to purchase 10 million right shares at par of Tenaga Generasi Limited on or before June 30, 2013.

20. SALES

	2012 Rupees in '000	2011 Rupees in '000
Fabric	377,426	377,807
Yarn	4,774	9,642
Waste	2,680	-
	384,880	387,449
Less: Commission and discount	(1,222)	(5,317)
	383,658	382,132
Related to discontinued operations		
Fabric	(4,693)	(7,465)
	378,965	374,667

Notes to the Financial Statements

For the year ended December 31, 2012

21. COST OF GOODS SOLD

	Note	2012	2011
		Rupees in '000	
Raw material consumed	21.1	184,386	168,388
Salaries, wages and allowances	21.2	114,403	105,893
Electricity, gas and water		64,720	72,145
Stores and spares consumed	21.3	13,522	24,710
Travelling and conveyance		3,550	2,822
Depreciation	4.3	3,370	4,489
Insurance		1,716	1,635
Workers' canteen		1,019	1,247
Repairs and maintenance		604	726
Postage and telephone		365	327
Other manufacturing overheads		4,412	1,497
		392,067	383,879
Work in process			
Opening balance		103,912	88,374
Less: Sold during the year		(1,903)	
Closing balance		(53,420)	(103,912)
		48,589	(15,538)
Cost of goods manufactured		440,656	368,341
Finished goods			
Opening balance		140,320	117,268
Closing balance		(240,745)	(140,320)
		(100,425)	(23,052)
Cost of goods sold		340,231	345,289
Related to discontinued operations	27	(6,182)	(5,728)
		334,049	339,561

21.1 Raw material consumed

	2012	2011
At January 01,	56,835	11,637
Purchases and related expenses	137,871	213,586
Less: Sold during the year	(4,394)	-
At December 31,	(5,926)	(56,835)
	184,386	168,388

21.2 Staff salaries and benefits include Rs. 9.3 million (December 31,2011 : Rs. 11.6 million) in respect of staff retirement benefits.

21.3 Stores and spares consumed

	2012	2011
	Rupees in '000	
At January 01,	64,254	68,253
Purchases and related expenses	12,560	20,711
Less: Sold during the year	(5,450)	-
	71,364	88,964
At December 31,	(57,842)	(64,254)
	13,522	24,710

Notes to the Financial Statements
For the year ended December 31, 2012

22. OTHER OPERATING INCOME

	Note	2012 Rupees in '000	2011 Rupees in '000
Income from financial assets			
Dividend Income			
Dawood Hercules Corporation Limited		77,932	19,483
National Investment (Unit) Trust		700	800
		78,632	20,283
Profit on deposits		1,650	1,771
Capital gain on sale of investments			
- held for trading		33,004	33,406
- available for sale		-	722
Unrealized gain on short term investments		22,754	44,797
		57,408	80,696
		136,040	100,979
Income / (loss) from non financial assets			
Scrap sales		22,798	-
Profit on sale of property, plant and equipment		17,219	902
Profit on sale of stocks and stores		3,823	-
Other income		9,580	2,298
Royalty income		3,062	-
Storage income		6,822	12,961
Exchange loss		(1,088)	-
Renewable energy business	22.1	(5,978)	-
		56,238	16,161
		192,278	117,140
Related to discontinued operations	27	(37,972)	(15,901)
		154,306	101,239

22.1 Renewable energy business

	Note	2012	2011
Sales - net		6,240	-
Cost of goods sold	22.1.1	(4,361)	-
Gross profit		1,879	-
Administrative expenses		(5,293)	-
Selling and distribution expenses		(2,564)	-
		(5,978)	-

22.1.1 Cost of goods sold

	2012	2011
Purchases made during the year	14,452	-
Closing stock	(10,091)	-
Cost of goods sold	4,361	-

	Note	2012	2011
		Rupees in '000	
23. SELLING AND DISTRIBUTION EXPENSES			
Salaries and allowances	23.1	3,075	10,905
Sales promotion		1,384	1,788
Storage and forwarding		779	1,100
Depreciation	4.3	239	320
Conveyance and travelling		409	614
Rent, rates and taxes		411	389
Printing and stationery		117	103
Repairs and maintenance		110	160
Freight and insurance		257	354
Advertisement		962	197
Miscellaneous		198	302
		7,941	16,232

23.1 This includes staff retirement benefits of Rs. 0.01 million (December 31, 2011: Rs. 2.4 million).

	Note	2012	2011
		Rupees in '000	
24. ADMINISTRATIVE EXPENSES			
Salaries and allowances	24.1	57,017	71,589
Legal and professional		25,051	2,303
Rent, rates and taxes		20,957	8,625
Electricity and gas		6,449	6,886
Depreciation	4.3	4,604	4,096
Printing and stationery		3,527	2,561
Workers' welfare fund		2,013	718
Fees and subscription		2,758	3,425
Insurance		2,503	2,173
Conveyance and travelling		2,458	2,429
Repairs and maintenance		2,075	2,046
Postage and telephone		1,901	1,994
Entertainment		692	604
Auditors' remuneration	24.2	600	510
Amortization	5.1	537	371
Bank charges		434	541
Miscellaneous		901	923
		134,477	111,794
Related to discontinued operations		(68,411)	(48,173)
		66,066	63,621

24.1 Staff salaries and benefits include Rs. 5.9 million (December 31, 2011: Rs. 7.4 million) in respect of staff retirement benefits.

	2012	2011
	Rupees in '000	
24.2 Auditors' remuneration		
Annual audit fee	375	330
Audit fee of consolidated financial statements	55	40
Half yearly review and other certification fee	170	140
	600	510

25. (REVERSALS) / PROVISIONS & IMPAIRMENT

	2012	2011
Provison for doubtful debts	2,322	-
Fixed assets written off	1,430	-
Reversal of provision against doubtful debts	(1,958)	(593)
Reversal of provision against stock in trade	(4,400)	-
Provision for slow moving stores and spares	-	1,177
	(2,606)	584
Related to discontinued operations	4,400	-
	1,794	584

26. TAXATION

	2012	2011
Current year	10,606	7,806
Prior year	(5,792)	490
	4,814	8,296

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 is separately taxed under respective sections of the Income Tax Ordinance, 2001.

27. LOSS FROM DISCONTINUED OPERATIONS

	Note	2012	2011
		Rupees in '000	
Sales - net		4,693	7,465
Cost of goods sold	27.1	(6,182)	(5,728)
Gross profit		(1,489)	1,737
Other income	22	37,972	15,901
Administrative expenses		(68,411)	(48,173)
Reversals		4,400	-
Net loss from discontinued operations		(27,528)	(30,535)

27.1 Cost of goods sold

	2012	2011
Raw material		
Opening inventory	71	71
Less: closing inventory	-	(71)
Raw material consumed	71	-
Add: opening inventory of finished goods	6,147	11,875
Less: closing inventory of finished goods	(36)	(6,147)
	6,182	5,728

28. EARNINGS PER SHARE

- Basic & diluted

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

	2012	2011
28.1 Continuing operations		
Profit after taxation (Rs. in '000)	118,607	46,793
Weighted average number of ordinary shares outstanding during the year (in '000)	59,058	59,058
Earnings per share (Rs.)	2.01	0.79
28.2 Discontinued operations		
Loss after taxation (Rs. in '000)	(27,528)	(30,535)
Weighted average number of ordinary shares outstanding during the year (in 000)	59,058	59,058
Earnings per share (Re.)	(0.47)	(0.52)

29. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

	2012		2011	
	Chief Executive	Executives	Chief Executive	Executives
	Rupees in '000			
Remuneration	1,409	4,088	1,421	5,309
House rent allowance	704	1,756	710	1,836
Utilities	352	394	355	364
Retirement benefits	107	972	78	118
Other allowance	1,465	2,059	1,410	1,986
	4,037	9,269	3,974	9,612
No. of person (s)	1	5	1	6

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

30. TRANSACTIONS WITH RELATED PARTIES

The Company in the normal course of business carries out transactions with various related parties. Related parties comprise of a subsidiary company, associated companies, directors, key management personnel and others. Amounts due from and to other 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	2012	2011
		Rupees in '000	
a. Subsidiary company			
Tenaga Generasi Limited	Reimbursement of expenses	10,835	8,682
	Subscription of ordinary shares	-	170,000
	Short term loan paid	-	25,000
	Short term loan recovered	-	25,000
	Markup on short term loan	-	303
	Purchase of office equipment	-	16
b. Associated companies			
Dawood Hercules Corporation Limited	Dividend income	77,932	19,483
	Reimbursement of expenses	1,298	823
	Purchase of fixed assets	855	-
Sach International (Pvt) Limited	Sale of fabric	262,920	49,309
	Reimbursement of expenses	5,600	5,529
	Royalty charged	3,552	-
	Purchase of garments	8,657	-
Cyan Limited	Insurance claims received	430	43
	Purchase of fixed assets	305	-
	Insurance premium refund	-	371
	Reimbursement of expenses	-	9
c. Other related parties			
Sui Northern Gas Pipelines Limited	Payment of utility charges	19,683	21,288
	Sale of fabric	2,590	-
The Dawood Foundation	Rental charges	8,631	7,306
	Maintenance and utility charges	1,689	1,280
Dawood Corporation (Pvt) Limited	Reimbursement of expenses	-	155
	Payment against assets transferred	-	1,233
Inbox Business Technologies (Pvt) Limited	Payment of hardware maintenance charges	250	250
	Purchase of softwares	1,184	-
	Purchase of computer equipment	-	501
Dawood Lawrencepur Limited (Burewala Mills) - Staff Provident Fund	Contribution by the Company	111	119
LWTM - Employees Gratuity Fund	Contribution by the Company	1,431	1,366
Directors	Bonus shares issued	-	2,682

31. FINANCIAL RISK MANAGEMENT

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

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 Board of Directors has overall responsibility for the establishment and oversight of the Company's financial risk management. The responsibility includes developing and monitoring the Company's risk management policies. To assist the Board in discharging its oversight responsibility, management has been made responsible for identifying, monitoring and managing Company's financial risk exposures.

31.1 Credit risk and concentration of credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

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

Out of the total financial assets of Rs.1,095.92 million (2011: Rs. 1,048.95 million), the financial assets which are subject to credit risk amounted to Rs.1,095.3 million (2011: Rs. 1,048.18 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, 2012, the Company had approximately 82 customers (2011:150 customers) that owed Rs. 159.017 million (2011: Rs. 82.64 million). There were 2 customers (2011: 4 customers) with balances greater than Rs. 5 million covering over 94% (2011: 44%) of trade debts. Out of these two customers, one customer is a related party to whom more than 90% of sales are made and as at year end total outstanding debts to that party amounted to Rs. 145.8 million which is 82.4 % of total debts. As at December 31, 2012, Rs. 23.61 are overdue for more than 180 days which have been provided for in accordance with Company policy.

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 banks as at December 31, 2012, 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+	AAA

31.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or would have difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring substantial losses or risk damage to the Company's reputation.

The Company is equity financed and due to availability of sufficient funds it is not required to enter into any borrowing to support its financing requirement, therefore the Company is not exposed to liquidity risk. The contractual obligations to the Company mainly through trade and other payable amounts to Rs.99.85 million (2011: Rs. 123.10 million) only having adequate liquidity backup against the current assets of Rs.742.9 million (2011: 697.39 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 optimizing 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 payables to foreign suppliers of goods in foreign currency. The Company deals in local sales and does not have any foreign currency exports or foreign debtors.

At December 31, 2012, Company does not have any exposure in foreign currency asset or liability.

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 proper review of individual and total equity investments. Reports on the equity portfolio are submitted to the 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.554.45 million (2011: Rs. 574.69 million). A decrease / increase of 5% in the net asset value per unit would have an impact of approximately Rs.1.14 million (2011: Rs. 2.24 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.6.65 million (2011: Rs. 5.18 million). A decrease / increase of 5% on the KSE market index would have an impact of approximately Rs. 0.0729 million (2011: Rs. 0.0943 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 (2011: Rs.270.5 million) to unlisted equity securities in a wholly owned subsidiary and in listed equity securities in an Associate of Rs. 65.29 million (2011: Rs. 65.29 million) having fair value of Rs. 2,535 million (2011: Rs. 3,273 million).These 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.126.75 million (2011: Rs. 163.65 million) on the fair value of these listed equity securities, however there will be no financial impact, 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 except investment in an associate company which is stated at cost

31.5 Financial instruments by category

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

	Loans & advances	Available for sale	Fair value through profit or loss	Total
	Rupees in '000			
Assets as per balance sheet - December 31, 2012				
Long term investments	-	342,475	-	342,475
Short term investments	-	-	554,448	554,448
Cash and bank balances	23,394	-	-	23,394
Trade debts - net	159,017	-	-	159,017
Long term deposits	10,544	-	-	10,544
Loans and advances	3,043	-	-	3,043
Deposits and other receivables	2,999	-	-	2,999
	198,997	342,475	554,448	1,095,920

	At amortized Cost	Total
	Rupees in '000	
Liabilities as per balance sheet - December 31, 2012		
Trade and other payables	99,854	99,854
	99,854	99,854

	Loans & 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
Short term investments	-	-	574,691	574,691
Trade debts - net	82,643	-	-	82,643
Cash and bank balances	29,270	-	-	29,270
Long term deposits	10,544	-	-	10,544
Deposits and other receivables	6,564	-	-	6,564
Loans and advances	4,218	-	-	4,218
	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

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	Level 4
	Rupees in '000			
Financial assets at fair value through profit or loss				
Short term investments	554,448	-	-	554,448
Available for sale				
Long term investments	71,947	270,528	-	342,475

32. CAPITAL RISK MANAGEMENT

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

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

Currently, the 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.

33. PLANT CAPACITY AND ACTUAL PRODUCTION

	Unit	December 31, 2012		December 31, 2011	
		Capacity	Actual	Capacity	Actual
Yarn	Kgs.	358,000	96,337	358,000	136,063
Fabric	Meters	754,000	541,013	754,000	540,938

The main reason for low production is lack of market demand.

34. OPERATING SEGMENT

The Company's core business is manufacturing and sale of fabrics and generates more than 96.4% 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 performance and makes necessary decisions regarding resources to be allocated to the segments. Currently the Company has one operating manufacturing unit at Attock. Other units of the Company at Burewala and Karachi are non-operative 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 holds investments in equity shares of listed companies 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. During the year, the Company commenced a new line of business comprising import and sale of renewable energy products, results of which are disclosed in note 22.1 of the 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 financial statements were authorized for issue on February 26, 2013 by the Board of Directors of the Company.

37. POST BALANCE SHEET EVENT

The Board of Directors at its meeting held on February 26, 2013 has proposed a final cash dividend @ Rs. 5/-per share amounting to Rs. 295,289,295 for year ended December 31, 2012 for approval at the Annual General Meeting to be held on April 01, 2013. These financial statemens 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

Consolited 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 Tenaga Generasi Limited (together known as 'the Group') as at December 31, 2012 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, 2012 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: February 26, 2013

Consolidated Balance Sheet
As at December 31, 2012

	Note	2012	2011
		Rupees in '000	
ASSETS			
Non-current assets			
Property, plant and equipment	4	215,565	188,357
Intangible assets	5	24,378	23,385
Long term investments	6	4,228,431	4,083,174
Long term deposits	7	10,544	10,544
		4,478,918	4,305,460
Current assets			
Stores and spares	8	37,531	45,206
Stock-in-trade	9	295,152	319,688
Trade debts	10	159,017	82,643
Loans and advances	11	15,919	13,080
Deposits, prepayments and other receivables	12	71,229	69,901
Short term investments	13	575,658	654,837
Cash and bank balances	14	48,916	52,314
		1,203,422	1,237,669
Assets classified as 'held for sale'	15	194,529	188,675
		5,876,869	5,731,804
SHARE CAPITAL AND RESERVES			
Share capital	16	590,578	590,578
Reserves		602,499	580,393
Unappropriated profit		4,503,254	4,357,199
		5,696,331	5,528,170
LIABILITIES			
Non current liabilities			
Deferred liabilities	17	62,183	59,674
Current liabilities			
Trade and other payables	18	106,892	135,419
Provision for taxation		11,463	8,541
		118,355	143,960
		5,876,869	5,731,804
CONTINGENCIES AND 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

Consolidated Profit and Loss Account

For the year ended December 31, 2012

	Note	2012	2011
		Rupees in '000	
CONTINUING OPERATIONS			
Sales - net	20	378,965	374,667
Cost of goods sold	21	(334,049)	(339,561)
Gross profit		44,916	35,106
Other operating income	22	83,380	92,247
Selling and distribution expenses	23	(7,941)	(16,232)
Administrative expenses	24	(81,332)	(80,906)
Provisions and impairment / (reversals)	25	(1,794)	(584)
		(91,067)	(97,722)
Impairment loss on 'available for sale' investments			
Holding Company		-	(819)
Associated Company		(37,988)	(57,388)
		(37,988)	(58,207)
Share of profit from associates excluding impairment loss on 'available for sale' investments		266,229	818,449
Profit before taxation		265,471	789,873
Taxation	26	(32,830)	(197,777)
Profit after taxation from continuing operations		232,641	592,096
DISCONTINUED OPERATIONS			
Loss from discontinued operations	27	(27,528)	(30,535)
Profit for the year		205,113	561,561
Earnings per share - Basic and diluted			
Continuing operations (Rs.)	28	3.94	10.03
Earnings per share - Basic and diluted			
Discontinued operations (Re.)	28	(0.47)	(0.52)

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, 2012

	2012	2011
	Rupees in '000	
Profit after taxation	205,113	561,561
Other comprehensive income		
Surplus / (Deficit) on remeasurement of 'available for sale investments'- Holding Company	1,458	(1,887)
Share of other comprehensive income of associated company	20,648	(62,652)
	22,106	(64,539)
Total comprehensive income	227,219	497,022

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, 2012

	For the year ended December 31, 2012			For the year ended December 31, 2011		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	------------	------------	------------ Rupees in '000	------------	------------	------------
A. CASH FLOWS FROM OPERATING ACTIVITIES						
Profit / (loss) before taxation	265,471	(27,528)	237,943	789,873	(30,535)	759,338
Adjustments for :						
Depreciation	6,964	2,052	9,016	7,066	2,486	9,552
Amortization	604	-	604	123	248	371
Provision for gratuity	15,380	447	15,827	21,466	751	22,217
Impairment of fixed assets	1,430	-	1,430	-	-	-
Provision against stores and spares	-	-	-	1,177	-	1,177
Reversal of provision against trade debts	(1,958)	(4,400)	(6,358)	-	-	-
Provision against trade debts	2,322	-	2,322	(593)	-	(593)
Gain on disposal of property, plant and equipment	(15,824)	(1,395)	(17,219)	(101)	(801)	(902)
Impairment loss on 'available for sale' investments	-	-	-	819	-	819
Impairment loss on 'available for sale investments' in associate	37,988	-	37,988	57,388	-	57,388
Share of profit from associate	(266,229)	-	(266,229)	(818,449)	-	(818,449)
Dividend income	(700)	-	(700)	(800)	-	(800)
Interest income	(2,442)	-	(2,442)	(2,024)	-	(2,024)
Gain on sale of long-term investments	-	-	-	(722)	-	(722)
Gain on sale of short-term investments	(35,979)	-	(35,979)	(35,837)	-	(35,837)
Unrealized gain on short-term investments	(24,343)	-	(24,343)	(51,137)	-	(51,137)
Operating loss before working capital changes	(17,316)	(30,824)	(48,140)	(31,751)	(27,851)	(59,602)
(Increase) / decrease in current assets						
Stores and spares	7,675	-	7,675	2,736	869	3,605
Stock in trade	24,536	6,183	30,720	(118,585)	5,728	(112,857)
Trade debts	(77,390)	652	(76,738)	(12,801)	515	(12,286)
Loans and advances	1,157	-	1,157	(2,156)	(406)	(2,562)
Deposits, prepayments and other receivables	11,026	-	11,026	(6,544)	86,130	79,586
Increase/ (decrease) in current liabilities						
Trade and other payables	(29,633)	-	(29,633)	11,016	(1,134)	9,882
	(62,628)	6,835	(55,793)	(126,334)	91,702	(34,632)
Cash (used in) / generated from operations	(79,944)	(23,989)	(103,933)	(158,085)	63,851	(94,234)
Gratuity paid	(18,960)	-	(18,960)	(10,412)	(688)	(11,100)
Tax paid	(13,457)	-	(13,457)	(8,911)	-	(8,911)
Net cash (used in) / generated from operating activities	(112,361)	(23,989)	(136,350)	(177,408)	63,163	(114,245)

Consolidated Cash Flow Statement

For the year ended December 31, 2012

	For the year ended December 31, 2012			For the year ended December 31, 2011		
	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	(5,329)	-	(5,329)	(4,279)	-	(4,279)
Capital work in progress	(41,939)	-	(41,939)	(75,959)	-	(75,959)
Purchase of intangible asset	(1,596)	-	(1,596)	(14)	-	(14)
Sale proceeds from disposal of property, plant and equipment	19,195	-	19,195	1,458	1,582	3,040
Purchase of short-term investments	(121,000)	-	(121,000)	(219,500)	-	(219,500)
Sales proceeds from diposal of short-term investments	260,500	-	260,500	413,000	-	413,000
Sale proceeds from disposal of investments	-	-	-	-	2,390	2,390
Dividend received from associate	77,932	-	77,932	19,483	-	19,483
Dividend received	700	-	700	800	-	800
Interest received	2,442	-	2,442	992	-	992
Net cash generated from investing activities	190,904	-	190,904	135,981	3,972	139,953
C. CASH FLOWS FROM FINANCING ACTIVITIES						
Payment of dividend	(57,953)	-	(57,953)	(27)	-	(27)
Net cash used in financing activities	(57,953)	-	(57,953)	(27)	-	(27)
Net increase / (decrease) in cash and cash equivalent (A+B+C)	20,590	(23,989)	(3,398)	(41,454)	67,135	25,681
Cash and cash equivalent at beginning	(16,234)	68,548	52,314	25,220	1,413	26,633
Cash and cash equivalent at end	4,356	44,559	48,916	(16,234)	68,548	52,314

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, 2012

	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, 2011	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 @ 15% 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
Total comprehensive income for the year ended December 31, 2012	-	-	-	-	-	-	205,113	1,458	20,648	227,219
Final cash dividend for the year ended December 31, 2011 @ Re. 1 per share	-	-	-	-	-	-	(59,058)	-	-	(59,058)
	590,578	10,521	136,865	33,311	25,969	395,355	4,503,254	4,198	(3,720)	5,696,331

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

SHAHID HAMID PRACHA
Chairman

INAM UR RAHMAN
Chief Executive

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

1. GENERAL INFORMATION

The "Group" consists of:

1.1 Holding company

Dawood Lawrencepur Limited, "the Holding 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 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 fabrics made from natural and man-made fibers and blends thereof. The Holding Company is also engaged in the business of trading and marketing renewable energy solutions, mainly solar, to domestic and industrial consumers. The registered office of the Holding Company is situated at 3rd Floor, Dawood Centre, M.T.Khan Road, Karachi.

The Holding Company in the year 2008 suspended its manufacturing operations located at Burewala, District Vehari and closed down the mill in 2009. All 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'. The Holding Company is in final stages of negotiation for sale of these assets.

1.2 Subsidiary company

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. 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.

1.3 Associated company

The Holding Company also has investment in an associate 'Dawood Hercules Corporation Limited' - (ownership 16.19 %).

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, Subsidiary Company and share of profit / (loss) on investment in associate (refer 3.4.1) together constituting "the Group" 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 obtains control, and continue to be consolidated until the date that such control ceases.

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 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

2.6 Standards, interpretation and amendment adopted during the year

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 material impact on the financial statements of the Company:

Standards/Amendments/Interpretations	Effective for periods beginning on or after
Amendments to IFRS 7 - Financial Instruments: Disclosures - Transfer of financial assets	July 1, 2011
Amendments to IAS 12 - Income Taxes – Deferred Tax: Recovery of Underlying Assets	January 1, 2012

2.7 New, revised and amended standards and IFRIC interpretations that are 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 the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Standards/Amendments/Interpretations	Effective for periods beginning on or after
Amendments to IAS 1 - Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income	July 1, 2012
Amendments to IAS 1 - Presentation of Financial Statements – Clarification of Requirements for Comparative information	January 1, 2013
Amendments to IAS 16 - Property, Plant and Equipment – Classification of servicing equipment	January 1, 2013
Amendments to IAS 19 - Employee Benefits	January 1, 2013
Amendments to IAS 32 Financial Instruments: Presentation - Tax effects of distributions to holders of an equity instrument, and transaction costs of an equity transaction	January 1, 2013
Amendments to IAS 32 Financial Instruments: Presentation - Offsetting financial assets and financial liabilities	January 1, 2014
Amendments to IAS 34 - Interim Financial Reporting - Interim reporting of segment information for total assets and total liabilities	January 1, 2013
Amendments to IFRS 7 Financial Instruments: Disclosures - Offsetting financial assets and financial liabilities	January 1, 2013
IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine	January 1, 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 - Separate Financial Statements due to non-adoption of IFRS 10 and IFRS 11 (Revised)
IAS 28 - Investments in Associates and Joint Ventures due to non- adoption of IFRS 10 and IFRS 11 (Revised)

There is no potential impact of standards, amendments and interpretations not yet effective on the financial statements of the Company.

The amendments to IAS 19 Employee Benefits are effective for annual period beginning on or after January 1, 2013. The amendments eliminate the corridor approach and therefore require an entity to recognise changes in defined benefit plans obligations and plan assets when they occur. All actuarial gains or losses arising during the year are recognized immediately through other comprehensive income. The amendments also require additional disclosures and retrospective application with certain exceptions. Management anticipates that the amendments will be adopted in the Company's financial statements for annual period beginning on or after January 1, 2013, and the application of amendments may have an impact on amounts reported in respect of defined benefit plans.

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 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 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 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 recognises 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 recognised 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 recognised at cost. The Holding Company's share of its associates' post acquisition profits or losses is recognised in profit and loss account and its share post acquisition of their comprehensive income is recognised 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 recognised in the income statement - is removed from equity and recognised in the profit and loss account. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognised directly in equity.

3.4.6 Derecognition

The Group derecognises 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 derecognised 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 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 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 a 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 31st 2012, following significant assumptions were used for determining the gratuity liability.

Discount rate 11%
Expected rate of salary increase 10%
Expected rate of return on plan assets 12.5%
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.

3.11 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 recognised 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 recognised net of brokerages, commission and trade discounts.

Sale of goods

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

Interest income

Income from investments and deposits is recognized on accrual basis.

Dividend income

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

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 cost that is 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 the 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 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	2012	2011
		Rupees in '000	
4. PROPERTY PLANT AND EQUIPMENT			
Operating assets	4.1	45,398	60,129
Capital work in progress	4.4	170,168	128,228
		215,565	188,357

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

4.1 Operating Assets

Particulars	Cost at January 01, 2012	Additions/ (disposals) (Impairment)*	Transfer (Refer note 4.1.1)	Cost at December 31, 2012	Accumulated depreciation at January 01, 2012	Depreciation/ (Disposals)/ (Impairment)* for the year	Transfer (Refer note 4.1.1)	Accumulated depreciation at December 31, 2012	Carrying value at December 31, 2012	Annual rate of depreciation %
	---- Rupees in '000 ----									
Freehold land	3,157	-	(3,109)	48	-	-	-	-	48	-
Leasehold land	1,081	-	-	1,081	487	6	-	493	588	1
Building on freehold land	70,557	-	(31,263)	39,294	62,025	691	(26,735)	35,981	3,313	5-10
Building on leasehold land	54,414	-	-	54,414	41,540	1,287	-	42,827	11,587	10
Plant and machinery	283,776	- (56,063)	- -	227,713	273,095	2,122 (55,524)	- -	219,693	8,020	20
Wind measuring equipment	3,881	-	-	3,881	737	314	-	1,052	2,829	10
Furniture, fixtures and office equipment	22,900	2,141 (3,319) *	-	21,721	15,741	745 (1,889) *	-	14,597	7,124	10
Computer equipment	8,472	785 (129)	- -	9,128	5,941	943 (28)	- -	6,856	2,272	33
Vehicles	28,117	2,403 (6,187)	- -	24,333	16,660	2,908 (4,851)	- -	14,717	9,616	20
2012	**476,354**	**5,329** **(62,379)** **(3,319)**	**(34,372)**	**381,613**	**416,227**	**9,016** **(60,403)** **(1,889)**	**(26,735)**	**336,215**	**45,398**	

4.1.1 Assets relating to discontinued unit at Burewala, district Vehari are transferred to 'Assets classified as held for sale' (refer note 15.1).

4.1.2 The above includes carrying value of leasehold land, building on leasehold land, furnitures fixtures & office equipment and others amounting to Rs. 0.588 million, Rs. 11.586 million, Rs. 1.482 million and Rs.0.518 million respectively, aggregated to Rs. 14.174 million (2011: Rs 21.46 million) held as idle assets which relates to discontinued units and are in the process of being sold.

For comparative year

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
Wind measuring equipment	3,881	-	3,881	388	349	737	3,144	10
Furniture, fixtures and office equipment	22,721	226 (48)	22,900	14,884	874 (16)	15,741	7,159	10
Computer equipment	7,655	817	8,472	4,980	961	5,941	2,531	33
Vehicles	29,834	2,834 (4,551)	28,117	16,559	2,546 (2,445)	16,660	11,457	20
2011	476,658	4,295 (4,599)	476,354	409,135	9,552 (2,461)	416,227	60,129	

	Note	2012	2011
		Rupees in '000	
4.2 Depreciation for the year has been allocated as under:			
Cost of goods sold	21	3,370	4,489
Selling and distribution expenses	23	239	320
Administrative expenses	24	5,358	4,743
Renewable energy business	22	49	-
		9,016	9,552

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					
Machinery	56,064	55,524	539	15,836	Tender	Mr. Sohail Ahmed
Vehicle	836	646	190	209	Company policy	Mr. Amin dawood (Employee)
Vehicle	369	328	42	222	Tender	Mr. Sohail Ahmed
Vehicle	855	574	281	388	Company policy	Anwar ul Hasnain Haidri (Employee)
Vehicle	114	111	4	170	Tender	Mr. Shahid ullah Jan
Vehicle	78	76	2	145	Tender	Mr. Shahid ullah Jan
Vehicle	89	87	3	170	Tender	Mr. Shahid ullah Jan
Vehicle	384	383	1	170	Tender	Mr. Shahid ullah Jan
Vehicle	74	72	2	170	Tender	Mr. Shahid ullah Jan
Vehicle	350	321	29	221	Tender	Mr. Shahid ullah Jan
Vehicle	409	313	95	95	Transfer	Sach International (Pvt) Ltd (Associated Company)
Vehicle	611	465	145	206	Company policy	Mr. Saleem Aba Tayyab (Employee)
Vehicle	611	475	136	197	Company policy	Mr. Sadiq M. Haroon (Employee)
Vehicle	600	468	132	192	Company policy	Mr. Walayat Abdullah (Employee)
Vehicle	225	0	225	248	Company policy	Mr. Aman ul Haq (Employee)
Vehicle	508	459	49	130	Tender	Mr. Javaid Iqbal
Vehicle	75	73	2	10	Company policy	Mr. Tariq Mahmood (Employee)
Note Book	73	27	46	0	Theft	
Note Book	56	2	54	54	Transfer	Sach International (Pvt) Ltd (Associated Company)
2012	62,379	60,403	1,977	18,832		
2011	4,574	2,452	2,122	3,024		

	Note	2012	2011
		Rupees in '000	
4.4 Capital work in progress			
Lease hold land		23,296	23,296
Survey and consulting charges		24,638	23,095
Professional fee		103,157	65,506
Traveling, boarding and lodging		16,347	15,186
Soil investigations and grid inter connection study		147	147
Advances		2,582	998
		170,168	128,228

5. INTANGIBLE ASSETS

	Note	2012	2011
Goodwill	5.1	22,834	22,834
Computer software	5.2	1,544	551
		24,378	23,385

5.1 Goodwill

During the year 2008, the Holding 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	2012	2011
		Rupees in '000	
5.2 Computer software			
Cost			
Balance as on January 1		3,038	3,024
Additions during the year		1,597	14
Balance as on December 31		4,635	3,038
Amortization @ 33.33%			
Balance as on January 1		2,487	2,116
During the year	24	604	371
Balance as on December 31		3,091	2,487
Carrying amount		1,544	551

6. LONG TERM INVESTMENTS

	Note	2012	2011
Investment in associated company	6.1	4,221,778	4,077,979
Other investments	6.2	6,653	5,195
		4,228,431	4,083,174

	2012	2011
	Rupees in '000	
6.1 Investment in associated company		
Associated Company - quoted		
Dawood Hercules Corporation Limited (DHCL) Percentage holding 16.19% (December 31, 2011: 16.19%)		
77,931,896 (December 31, 2011: 77,931,896) fully paid ordinary shares of Rs. 10/- each	65,294	65,294
Market value Rs. 2,535 million (December 31, 2011: 3,273 million)		
Chief Executive Officer: Mr. Shahid Hamid Pracha		
	65,294	65,294
Opening balance		
Share of post-acquisition profits	4,037,053	3,484,219
Share of other comprehensive (loss) / income of associated company	(24,368)	38,284
	4,012,685	3,522,503
Add: share of profit before taxation and impairment loss	266,229	818,449
Share of other comprehensive income / (loss) of associated company	20,648	(62,652)
Less: share of taxation	(27,159)	(188,744)
share of impairment loss	(37,988)	(57,388)
	4,234,416	4,032,168
Less: dividend received	(77,932)	(19,483)
	4,221,778	4,077,979

6.1.1 The financial year end of DHCL is December 31, 2012. Financial results as of September 30, 2012 have been used for the purpose of application of equity method.

6.1.2 Summarized financial information of DHCL is as follows:

	2012	2011
	Rupees in '000	
Total assets	35,499,066	31,892,059
Total liabilities	9,887,630	7,168,889
For 12 months October 01, 2011 till September 30, 2012		
- Revenue	4,785,316	8,929,339
- Profit after taxation	1,242,018	3,535,004
- Dividend	481,287	3,729,976

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

6.2 Other investments
- Available for sale investments

2012	2011	Name of Investee	2012	2011
No. of Shares / Units			Rupees in '000	
Listed Securities				
200,000	200,000	National Investment (Unit) Trust	6,638	5,180
Un-Listed Securities				
1,500	1,500	Asian Co-operative Society Limited	15	15
795,000	795,000	Karnaphuli Paper Mills Limited	-	-
100	100	Mianwali Central Co-operative Bank Limited	-	-
			15	15
			6,653	5,195

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

	Note	2012	2011
		Rupees in '000	
Fair value of investments		6,653	5,195
Surplus on remeasurement of investments as at December 31		(4,198)	(2,740)
Cost of investments		2,455	2,455

7. LONG TERM DEPOSITS

		2012	2011
Electricity and gas		9,019	9,019
Others		1,525	1,525
		10,544	10,544

8. STORES AND SPARES

	Note	2012	2011
Stores		23,983	34,957
Spares		33,859	29,297
		57,842	64,254
Stores in transit		-	1,263
		57,842	65,517
Provision for slow moving and obsolete items	8.1	(20,311)	(20,311)
		37,531	45,206

8.1 Movement in provision for stores and spares

	2012	2011
Opening balance	20,311	19,134
Provision made during the year	-	1,177
Closing balance	20,311	20,311

	Note	2012	2011
		Rupees in '000	
9. STOCK IN TRADE			
Raw material		5,926	56,764
Work in process		52,801	101,500
Finished goods		240,709	134,173
Renewable energy products		10,091	-
Waste		619	2,412
		310,146	294,849
Raw material in transit		-	39,833
		310,146	334,682
Provision for slow moving and obsolete items	9.1	(14,994)	(14,994)
		295,152	319,688
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			
Unsecured			
Considered good		159,017	82,643
Considered doubtful		17,739	22,467
		176,756	105,110
Provision against doubtful debts	10.1	(17,739)	(22,467)
		159,017	82,643
10.1 Movement in provision for doubtful debt			
Opening balance		22,467	23,060
Provision made during the year		2,322	-
Reversal made during the year-net		(1,958)	(593)
Trade debts written off during the year		(5,092)	-
Closing balance		17,739	22,467

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:-

Notes to the Consolidated Financial Statements

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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:-

	Amount Outstanding	Maximum month end balance
	Rupees in '000	
December 31, 2012		
Sach International (Private) Limited	145,763	213,979
December 31, 2011		
Sach International (Private) Limited	18,114	22,686

	Note	2012	2011
		Rupees in '000	
11. LOANS AND ADVANCES			
Unsecured			
Considered good			
Advance tax		12,858	8,862
Loans and advances to employees		1,967	1,730
Advances to suppliers		997	1,365
Others		97	1,123
		15,919	13,080
12. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Profit on TDRs		1,059	1,033
Income tax refundable	12.1	61,765	55,053
Security deposits		670	921
Prepayments		2,397	3,463
Letters of credit		773	3,163
Sales tax	12.2	2,198	1,382
Others	12.3	2,367	4,886
		71,229	69,901
12.1 Income tax refundable			
Advance		83,274	76,562
Provision against doubtful receivable		(21,509)	(21,509)
		61,765	55,053
12.2 Sales tax			
Sales tax		10,326	9,510
Provision against doubtful receivable		(8,128)	(8,128)
		2,198	1,382

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, 2012		
Sach International (Private) Limited	2,242	5,028
Cyan Limited	9	9
December 31, 2011		
Sach International (Private) Limited	4,872	4,872
Cyan Limited	9	376

13. SHORT TERM INVESTMENTS

	Note	2012	2011
		Rupees in '000	
Held for trading at 'fair value through profit or loss'	13.1	575,658	654,837

2012	2011	Name of Investee	2012	2011
No. of Units			Rupees in '000	
2,950,257	3,560,143	Meezan Cash Fund	147,926	178,506
1,494,217	1,680,961	UBL Liquidity Plus Fund	149,837	168,911
1,519,260	2,525,114	MCB Cash Management Optimizer Fund	152,337	259,798
12,489,024	4,675,740	NAFA Government Securities Liquid Fund	125,558	47,622
			575,658	654,837

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

	2012	2011
Fair value of investments	575,658	654,837
Unrealized gain on remeasurement of investment recognized in profit or loss account		
- for the year	24,343	51,137
- in prior years	81,582	30,445
	(105,925)	(81,582)
Cost of investments	469,733	573,255

Notes to the Consolidated Financial Statements
For the year ended December 31, 2012

	Note	2012	2011
		Rupees in '000	
14. CASH AND BANK BALANCES			
Cash in hand		634	799
Cash at banks			
In current accounts		20,867	12,646
In deposit accounts	14.1	27,415	38,869
		48,282	51,515
		48,916	52,314

14.1 These represent deposits with commercial banks and carry profit at the rate of 5% (December 31, 2011: 5%) per annum.

	Note	2012	2011
		Rupees in '000	
15. ASSETS CLASSIFIED AS HELD FOR SALE			
Property, plant and equipment	15.1	180,398	172,762
Stock-in-trade		36	6,218
Stores and spares		15,578	15,578
		196,012	194,558
Provision for slow moving and obsolesence on stock in trade and stores & spares	15.2	(1,483)	(5,883)
		194,529	188,675

15.1 Property, plant and equipment

Particulars	Cost at January 01, 2012	Transfer	Disposal	Cost at December 31, 2012	Accumulated depreciation at January 01, 2012	Transfer	Depreciation adjusted for the year	Accumulated depreciation at December 31, 2012	Carrying value at December 31, 2012
	Rupees in '000								
Freehold land	-	3,109	-	3,109	-	-	-	-	3,109
Building on freehold land	-	31,263	-	31,263	-	26,735	-	26,735	4,528
Plant and machinery	379,520	-	(1,933)	377,587	212,447	-	(1,932)	210,515	167,072
Electric installations	35,663	-	-	35,663	30,720	-	-	30,720	4,943
Tools and equipment	2,893	-	-	2,893	2,147	-	-	2,147	746
2012	418,076	34,372	(1,933)	450,515	245,314	26,735	(1,932)	270,117	180,398

For comparative year

Particulars	Cost at January 01, 2011	Transfer	Disposal	Cost at December 31, 2011	Accumulated depreciation at January 01, 2011	Transfer	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

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

	2012	2011
	Rupees in '000	
15.2 Movement in slow moving / obsolescence on stock in trade and stores & spares		
Opening balance	5,883	5,883
Reversal made during the year	(4,400)	-
Closing balance	1,483	5,883

16. SHARE CAPITAL

16.1 Authorized capital

2012	2011		2012	2011
No. 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

2012	2011		2012	2011
No. 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	44,048,739	Fully paid as bonus	440,487	440,487
59,057,859	59,057,859		590,578	590,578

	2012	2011
	No. of Shares	
16.2.1 Reconciliation of number of ordinary shares		
At January 01	59,057,859	51,354,660
Add: Issue of bonus shares during the year	-	7,703,199
At December 31	59,057,859	59,057,859
16.2.2 Associates holding of the Company's share capital are as under:		
Dawood Corporation (Private) Limited	28,974,998	28,974,998
Patek (Private) Limited	3,501,884	3,501,884
Cyan Limited	2,965,095	3,215,095
Pebbles (Private) Limited	302,718	685,718
Dawood Industries (Private) Limited	495,351	154,921
Sach International (Private) Limited	3,776	3,776
	36,243,822	36,536,392

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	2012	2011
		Rupees in '000	
17. DEFERRED LIABILITIES			
Gratuity	17.1	62,183	59,674
Deferred taxation	17.2	-	-
		62,183	59,674
17.1 Movement in the liability recognized in the balance sheet			
Opening balance		59,674	48,557
Net charge for the year	17.1.1	15,827	22,217
		75,501	70,774
Liability transferred from Sach International (Pvt) Limited		5,642	-
Payments made during the year		(18,960)	(11,100)
Closing balance		62,183	59,674
17.1.1 Charge for defined benefit plan			
Current service cost		7,491	5,615
Interest cost		8,534	6,583
Return on plan assets		(266)	(271)
Actuarial losses		47	-
Past service cost		22	10,290
		15,827	22,217
17.1.2 Reconciliation			
Present value of defined benefit obligation		85,855	69,058
Fair value of plan assets		(2,283)	(2,132)
Actuarial losses to be recognized in later periods		(21,389)	(7,252)
		62,183	59,674

	December 2012	December 2011	December 2010	December 2009	June 2009
	Rupees in '000				
Present value of defined benefit obligation	85,855	69,058	50,644	51,059	47,107
Fair value of plan assets	(2,283)	(2,132)	(2,082)	(2,163)	(2,163)
Surplus in the plan	83,572	66,926	48,562	48,896	44,944
Unrecognized actuarial (loss) / gain	(21,389)	(7,252)	(5)	(4,201)	(3,323)
Liability in balance sheet	62,183	59,674	48,557	44,695	41,621
Experience adjustment arising on plan liabilities losses / (gain)	14,069	7,026	(4,537)	749	12,580
Experience adjustment arising on plan assets losses	(116)	(221)	(341)	(130)	(216)

17.2 Deferred taxation

Deferred tax asset works out to Rs. 189.127 million (December 31,2011: 180.27 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	2012 Rupees in '000	2011 Rupees in '000
Creditors		1,645	18,004
Accrued expenses		37,340	42,022
Due to Islamic Development Bank	18.1	25,969	25,969
Unclaimed dividend		22,136	21,031
Advance from customers and others	18.2	10,871	21,306
Staff allowances and benefits		8,232	5,535
Deposits	18.3	522	1,115
Gratuity to ex staff		119	295
Withholding tax		58	142
		106,892	135,419

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 These include amount due to following related party:

	2012 Rupees in '000	2011 Rupees in '000
DH Fertilizer Limited	241	-

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

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 Holding Company amounting to Rs. 136.10 million and had disallowed Rs. 20.62 million as adjustment of brought forward losses of the Holding Company.

Appellate Tribunal Inland Revenue (ATIR) has decided the issue of brought forward losses against the Holding Company, however, the Holding 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 related to the above mentioned years amounts to Rs. 65.12 million.

For the tax year 2006, 2008 & 2009 the FBR has raised an additional tax demand of Rs. 54.6 million regarding tax on profit on debt, dividend income, trading sales, exports and Rs. 14.58 million regarding minimum taxation. The Holding Company filed an appeal against the said demands before Commissioner Income Tax Appeals and a decision is awaited.

b) The Holding Company is contingently liable against guarantees and counter guarantees amounting to Rs 106.29 million (December 31, 2011: Rs. 11.91 million). These are secured against margins and lien over certain short term investments.

c) The Subsidiary Company has arranged a bank guarantee of USD 125,000 (2011: USD 250,000) to Alternative Energy Development Board (AEDB) for Letter of Support (2011: Letter of Interest). The guarantee is valid upto November 30, 2013 (2011: December 31, 2011).

19.2 Commitments

a) The Holding Company has no commitments against letters of credit for purchase of raw material (December 31, 2011: Rs 28.6 million).

b) The Holding Company has no commitment to supply fabric to any customer (December 31 , 2011: Rs. 9.8 million).

c) The Holding Company has agreed to purchase 10 million right shares at par of its Subsidiary Company (Tenaga Generasi Limited) on or before June 30, 2013.

20. SALES

	Note	2012	2011
		Rupees in '000	
Fabric		377,426	377,807
Yarn		4,774	9,642
Waste		2,680	-
		384,880	387,449
Less: Commission and discount		(1,222)	(5,317)
		383,658	382,132
Related to discontinued operations			
Fabric	27	(4,693)	(7,465)
		378,965	374,667

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

21. COST OF GOODS SOLD

	Note	2012 Rupees in '000	2011 Rupees in '000
Raw material consumed	21.1	184,386	168,388
Salaries, wages and allowances	21.2	114,403	105,893
Electricity, gas and water		64,720	72,145
Stores and spares consumed	21.3	13,522	24,710
Travelling and conveyance		3,550	4,489
Depreciation	4.2	3,370	1,635
Insurance		1,716	726
Workers' canteen		1,019	1,247
Repairs and maintenance		604	2,822
Postage and telephone		365	327
Other manufacturing overheads		4,412	1,497
		392,067	383,879
Work in process			
Opening balance		103,912	88,374
Less: Sold during the year		(1,903)	-
Closing balance		(53,420)	(103,912)
		48,589	(15,538)
Cost of goods manufactured		440,656	368,341
Finished goods			
Opening balance		140,320	117,268
Closing balance		(240,745)	(140,320)
		(100,425)	(23,052)
Cost of goods sold		340,231	345,289
Related to discontinued operations	27	(6,182)	(5,728)
		334,049	339,561

21.1 Raw material consumed

	2012	2011
At January 01,	56,835	11,637
Purchases and related expenses	137,871	213,586
Less: Sold during the year	(4,394)	-
At December 31,	(5,926)	(56,835)
	184,386	168,388

21.2 Staff salaries and benefits include Rs. 9.3 million (December 31,2011 : Rs. 11.6 million) in respect of staff retirement benefits.

21.3 Stores and spares consumed

	2012 Rupees in '000	2011 Rupees in '000
At January 01,	64,254	68,253
Purchases and related expenses	12,560	20,711
Less: Sold during the year	(5,450)	-
	71,364	88,964
At December 31,	(57,842)	(64,254)
	13,522	24,710

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

22. OTHER OPERATING INCOME

	Note	2012 Rupees in '000	2011 Rupees in '000
Income from financial assets			
Dividend Income			
National Investment (Unit) Trust		700	800
Profit on deposits		4,092	3,794
Capital gain on sale of investments			
- held for trading		35,979	35,837
- available for sale		-	722
Unrealized gain on short term investments		24,343	51,137
		64,414	91,490
Income from non financial assets			
Scrap sales		22,798	-
Profit on sale of property, plant and equipment		17,219	902
Profit on sale of stocks and stores		3,823	-
Other income		9,616	1,995
Royalty income		3,026	-
Storage income		6,822	12,961
Exchange loss		(1,088)	-
Renewable energy business	22.1	(5,978)	-
		56,238	15,858
		121,352	108,148
Related to discontinued operations	27	(37,972)	(15,901)
		83,380	92,247

22.1 Renewable energy business

	Note	2012	2011
Sales - net		6,240	-
Cost of goods sold	22.1.1	(4,361)	-
Gross profit		1,879	-
Administrative expenses		(5,293)	-
Selling and distribution expenses		(2,564)	-
		(5,978)	-

22.1.1 Cost of goods sold

	2012	2011
Purchases made during the year	14,452	-
Closing stock	(10,091)	-
Cost of goods sold	4,361	-

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

	Note	2012	2011
		Rupees in '000	
23. SELLING AND DISTRIBUTION EXPENSES			
Salaries and allowances	23.1	3,075	10,905
Sales promotion		1,384	1,788
Storage and forwarding		779	1,100
Depreciation	4.2	239	320
Conveyance and travelling		409	614
Rent, rates and taxes		411	389
Printing and stationery		117	103
Repairs and maintenance		110	160
Freight and insurance		257	354
Advertisement		962	197
Miscellaneous		198	302
		7,941	16,232

23.1 This includes staff retirement benefits of Rs. 0.01 million (December 31, 2011: Rs. 2.4 million)

	Note	2012	2011
		Rupees in '000	
24. ADMINISTRATIVE EXPENSES			
Salaries and allowances	24.1	67,895	80,536
Legal and professional		25,081	2,333
Rent, rates and taxes		22,524	10,086
Electricity and gas		6,606	7,044
Depreciation	4.2	5,358	4,743
Printing and stationery		3,550	2,571
Workers' welfare fund		2,013	718
Fees and subscription		2,941	8,333
Insurance		3,199	2,538
Conveyance and travelling		2,691	2,588
Repairs and maintenance		2,075	2,046
Postage and telephone		2,008	2,108
Entertainment		722	664
Auditors' remuneration	24.2	725	585
Amortization	5.1	604	371
Bank charges		662	815
Miscellaneous		1,090	1,000
		149,743	129,079
Related to discontinued operations		(68,411)	(48,173)
		81,332	80,906

24.1 Staff salaries and benefits include Rs. 6.34 million (December 31, 2011: Rs. 7.4 million) in respect of staff retirement benefits.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

	2012	2011
	Rupees in '000	
24.2 Auditors' remuneration		
Annual audit fee	450	405
Audit fee of consolidated financial statements	55	40
Half yearly review and other certification fee	220	140
	725	585
25. PROVISIONS AND IMPAIRMENT / (REVERSALS)		
Provision for doubtful debts	2,322	(593)
Fixed assets written off	1,430	-
Reversal of provision against doubtful debts	(1,958)	-
Reversal of provision against stock in trade	(4,400)	
Provision for slow moving stores and spares	-	1,177
	(2,606)	584
Related to discontinued operations	(4,400)	-
	1,794	584
26. TAXATION		
Current year	11,463	8,541
Prior year	(5,792)	492
Share of taxation from associated company	27,159	188,744
	32,830	197,777

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 is separately taxed under respective sections of the Income Tax Ordinance, 2001.

	Note	2012	2011
		Rupees in '000	
27. LOSS FROM DISCONTINUED OPERATIONS			
Sales - net		4,693	7,465
Cost of goods sold	27.1	(6,182)	(5,728)
Gross profit		(1,489)	1,737
Other income	22	37,972	15,901
Administrative expenses		(68,411)	(48,173)
Reversals		4,400	-
Net loss from discontinued operations		(27,528)	(30,535)

	2012	2011
	Rupees in '000	
27.1 Cost of goods sold		
Raw material		
Opening inventory	71	71
Less: closing inventory	-	(71)
Raw material consumed	71	-
Add: opening inventory of finished goods	6,147	11,875
Less: closing inventory of finished goods	(36)	(6,147)
Cost of goods sold	6,182	5,728

28. EARNINGS PER SHARE

- Basic & diluted

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

	2012	2011
28.1 Continuing operations		
Profit after taxation (Rs. in '000)	232,641	592,096
Weighted average number of ordinary shares outstanding during the year (in '000)	59,058	59,058
Earnings per share (Rs.)	3.94	10.03
28.2 Discontinued operations		
Loss after taxation (Rs. in '000)	(27,528)	(30,535)
Weighted average number of ordinary shares outstanding during the year (in '000)	59,058	59,058
Earnings per share (Re.)	(0.47)	(0.52)

29. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

	2012		2011	
	Chief Executive	Executives	Chief Executive	Executives
	Rupees in '000			
Remuneration	4,226	4,088	4,115	8,356
House rent allowance	2,112	1,756	2,038	3,249
Utilities	1,056	394	1,019	960
Retirement benefits	107	972	78	118
Other allowance	3,643	3,476	2,513	3,281
	11,144	10,686	9,763	15,964
No. of person (s)	1	5	1	6

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

30. TRANSACTIONS WITH RELATED PARTIES

The Holding Company in the normal course of business carries out transactions with various related parties. Related parties comprise of a subsidiary company, associated companies, directors, key management personnel. Amounts due from and other 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	2012	2011
		Rupees in '000	
a. Associated companies			
Dawood Hercules Corporation Limited	Dividend income	77,932	19,483
	Reimbursement of expenses	1,298	823
	Purchase of fixed assets	855	-
Sach International (Private) Limited	Sale of fabric	262,920	49,309
	Reimbursement of expenses	5,718	5,529
	Royalty charged	3,552	-
	Purchase of garments	8,657	-
	Sale of computers	93	-
Cyan Limited	Insurance claims received	430	43
	Purchase of fixed assets	305	-
	Insurance premium refund	-	371
	Reimbursement of expenses	-	9
b. Other related parties			
Sui Northern Gas Pipelines Limited	Payment of utility charges	19,683	21,288
	Sale of fabric	2,590	-
The Dawood Foundation	Rental charges	8,631	7,306
	Maintenance and utility charges	1,689	1,280
Dawood Corporation (Pvt) Limited	Reimbursement of expenses	-	155
	Payment against assets transferred	-	1,233
Inbox Business Technologies (Pvt) Limited	Payment of hardware maintenance charges	250	250
	Purchase of softwares	1,184	-
	Purchase of computer equipment	-	501
Dawood Lawrencepur Limited (Burewala Mills) - Staff Provident Fund	Contribution by the Company	111	119
LWTM - Employees Gratuity Fund	Contribution by the Company	1,431	1,366
Directors	Bonus shares issued	-	2,682

31. FINANCIAL RISK MANAGEMENT

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

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 Board of Directors has overall responsibility for the establishment and oversight of the Group's financial risk management. The responsibility includes developing and monitoring the Group's risk management policies. To assist the Board in discharging its oversight responsibility, management has been made responsible for identifying, monitoring and managing Group's financial risk exposures.

31.1 Credit risk and concentration of credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

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

Out of the total financial assets of Rs. 5,029.72 million (2011: Rs. 4,894.56 million), the financial assets which are subject to credit risk amounted to Rs. 5,029.09 million (2011: Rs. 4,893.78 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. The 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, 2012, the Holding Company had approximately 82 customers (2011:150 customers) that owed Rs. 159.017 million (2011: Rs. 82.64 million). There were 2 customers (2011: 4 customers) with balances greater than Rs. 5 million covering over 94% (2011: 44%) of trade debts. Out of these two customers, one customer is a related party to whom more than 90% of sales are made and as at year end total outstanding debts to that party amounted to Rs. 145.8 million which is 82.4 % of total debts. As at December 31, 2012, Rs. 23.61 million are overdue for more than 180 days which have been provided for in accordance with the Holding Company's policy.

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 reasonably high credit rating. The names and credit rating of major banks as at December 31, 2012, where the Holding 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+	AAA

31.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settles by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Group could be required to pay its liabilities earlier than expected or would have difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring substantial losses or risk damage to the Group's reputation.

The Group is equity financed and due to availability of sufficient funds it is not required to enter into any borrowing to support its financing requirement, therefore the Group is not exposed to liquidity risk as it is already surplus in funds. The contractual obligations to the Group is mainly through trade and other payable amounting to Rs.106.89 million (2011: Rs. 135.41 million) having adequate liquidity backup against the currents assets of Rs.790.75 million (2011: 799.8 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 optimizing 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 payables to foreign suppliers of goods in foreign currency. The Holding Company deals in local sales and does not have any foreign currency exports or foreign debtors.

At December 31, 2012, the Holding Company does not have any exposure in foreign currency

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 Group 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 Group'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.575.66 million (2011: Rs. 654.84 million). A decrease / increase of 5% in the net asset value per unit would have an impact of approximately Rs.1.22 million (2011: Rs. 2.56 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.6.65 million (2011: Rs. 5.20 million). A decrease / increase of 5% on the KSE market index would have an impact of approximately Rs. 0.0729 million (2011: Rs. 0.0943 million) on the other comprehensive income of the Company, depending on whether or not the decline is significant and prolonged.

c) Investment in 'Associated Company'

Holding company has investment in an associate 'Dawood Hercules Corporation Limited' - (ownership 16.19 %). The associated company was incorporated in Pakistan on April 17, 1968, currently its shares are quoted on Karachi, Lahore and Islamabad Stock Exchanges. The principal activity of the Company is to manage investments in its subsidiary and associated companies. Summarized financial information of the associated company is disclosed in note 6.1.2.

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, 2012				
Long term investments	-	4,228,431	-	4,228,431
Short term investments	-	-	575,658	575,658
Cash and bank balances	48,916	-	-	48,916
Trade debts - net	159,017	-	-	159,017
Long term deposits	10,544	-	-	10,544
Loans and advances	3,061	-	-	3,061
Deposits and other receivables	4,095	-	-	4,095
	225,633	4,228,431	575,658	5,029,721

	At amortized cost	Total
	Rupees in '000	
Liabilities as per balance sheet - December 31, 2012		
Trade and other payables	106,887	106,887
	106,887	106,887

	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
Short term investments	-	-	654,837	654,837
Trade debts - net	82,643	-	-	82,643
Cash and bank balances	52,314	-	-	52,314
Long term deposits	10,544	-	-	10,544
Deposits and other receivables	6,835	-	-	6,835
Loans and advances	4,218	-	-	4,218
	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

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	575,658	-	-	575,658
Available for sale				
Long term investments	4,228,431	-	-	4,228,431

32. CAPITAL RISK MANAGEMENT

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

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

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.

33. PLANT CAPACITY AND ACTUAL PRODUCTION

	Unit	December 31, 2012		December 31, 2011	
		Capacity	Actual	Capacity	Actual
Yarn	Kgs.	358,000	96,337	358,000	136,063
Fabric	Meters	754,000	541,013	754,000	540,938

The main reason for low production is lower market demand.

34. OPERATING SEGMENT

The Holding Company's core business is manufacturing and sale of fabrics and yarn and it generates more than 96.4% 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 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 another unit at Burewala and Karachi 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 equity shares of listed companies and units of open-end funds. Further the Holding Company also holds long term strategic investments in a wholly owned subsidiary and an associated company, performance results of associated company is disclosed in note 6 to these financial statements. During the year, Holding Company commenced a new line of business comprising import and sale of renewable energy products, results of which are disclosed in note 22.1 of the financial statements.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2012

The Subsidiary Company (Tenaga Generasi Limited) is primarily carrying out the business of power generation as an independent power producer using wind energy. Currently, the company is in establishment phase and has not commenced its operations. Thus, it is not generating any revenue or earning profits for the Holding Company.

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 February 26, 2013 by the Board of Directors of the Holding Company.

37. POST BALANCE SHEET EVENT

The Board of Directors of the Holding Company at its meeting held on February 26, 2013 has proposed a final cash dividend @ Rs. 5/-per share amounting to Rs. 295,289,295 for year ended December 31, 2012 for approval at the Annual General Meeting to be held on April 01, 2013. These financial statemens 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

For the year ended December 31, 2012

Number of Shareholders	Type of Shareholdings			Total Shares Held
2,767	1	TO	100	114,997
1,812	101	TO	500	456,709
561	501	TO	1,000	420,038
724	1,001	TO	5,000	1,584,120
116	5,001	TO	10,000	816,692
39	10,001	TO	15,000	473,231
18	15,001	TO	20,000	304,429
12	20,001	TO	25,000	269,836
9	25,001	TO	30,000	251,486
2	30,001	TO	35,000	64,161
3	35,001	TO	40,000	112,244
5	40,001	TO	45,000	219,107
3	45,001	TO	50,000	144,330
1	55,001	TO	60,000	56,178
1	65,001	TO	70,000	100,000
1	70,001	TO	75,000	115,000
1	110,001	TO	115,000	128,319
1	115,001	TO	120,000	135,387
1	125,001	TO	130,000	145,790
1	135,001	TO	140,000	275,595
1	150,001	TO	155,000	302,718
1	275,001	TO	280,000	370,350
1	415,001	TO	420,000	445,000
1	555,001	TO	560,000	494,921
1	570,001	TO	575,000	556,639
1	685,001	TO	690,000	575,000
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
1	1,175,001	TO	1,180,000	1,137,630
2	1,185,001	TO	1,190,000	2,353,492
1	2,975,001	TO	2,980,000	2,965,095
1	3,215,001	TO	3,220,000	2,979,324
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
6,097			TOTAL	59,057,859

Pattern of Shareholding

For the year ended December 31, 2012

Catagories of Shareholders as at December 31, 2012	Number of Shareholders	Total Shares Held	Percentage
Individuals	5,546	17,983,603	30.45%
Investment Companies	5	14,239	0.02%
Insurance Companies	4	570,265	0.97%
Joint Stock Companies	50	36,599,004	61.97%
Financial Institutions	14	295,346	0.50%
Mutual Funds	1	275,595	0.47%
Others			
Other Trusts	6	3,027,729	5.13%
Charitable Organisations	1	36,366	0.06%
Co-operative Societies	466	116,181	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	6,097	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	7,284
Shahzada Dawood	Director	1,016,196
A. Samad Dawood	Director	1,137,630
Haroon Mahenti	Director	15,315
Shafiq Ahmed	Director	1,154
Mir Muhammad Nasir	Director	1,150
Sulaiman Sadruddin Mehdi	Director	1,150
Sarfaraz Ahmed Rehman	Director	1,100
2 Associated Companies		
Cyan Limited		2,965,095
Dawood Corporation (Pvt.) Ltd.		28,974,998
Sach International (Pvt.) Ltd.		3,776
Dawood Industries (Pvt.) Ltd.		495,351
Patek (Pvt.) Ltd.		3,501,884
Pebbles (Pvt.) Ltd.		302,718
3 Mutual Funds		
National Bank of Pakistan - Trustee Department		275,595
4 Public Sector Companies and Corporations		
Investment Corporation of Pakistan		1,465
5 Banks, DFI, NBFI, Insurance Companies and Modaraba		864,146
6 Investment Companies		14,239
7 Joint Stock Companies		355,182
8 Other (Detail below)		
Others Trusts		3,027,729
Charitable Organisation		36,366
Co-operative Societies		116,181
Administrator General of Sindh		1,596
Kaukab Agencies (Pakistan)		27
Administrator, Abandoned Properties Organizations		137,908
9 Shareholders holding five percent or more voting rights		
Dawood Corporation (Pvt.) Ltd.		28,974,998
Patek (Pvt.) Ltd.		3,501,884
Hussain Dawood		3,363,405
Dawood Foundation		2,979,324
Cyan Limited		2,965,095

Pattern of Shareholding

For the year ended December 31, 2012

10. Detail of purchase/sale of shares by Directors/Company Secretary/Chief Financial Officer and their spouses/minor children during 2012

Name	Dated	Purchase	Sale	Rate Rs./ Share
A. Samad Dawood	Jun 27	-	48,509	66.98
Inam ur Rahman	Jan 02	1,000	-	33.08
	Jan 02	8,000	-	33.11
	May 18	-	4,500	53.96
	May 21	1,624	-	56.93
	May 21	10	-	56.93

All the above trading has been done through the 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 nd on my/our behalf, at the Sixty Third (63rd) Annual General Meeting of the Company to be y, April 01, 2013 at Karachi Marriott Hotel, 9 Abdullah Haroon Road, Karachi and at any adjournment thereof.

Signed this ____________ day of ____________ 2013.

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.

oxy representing a corporation may or may not himself be a member of the Company.

IMPORTANT:

1. npleted, must be deposited at the Company's Registered Office, not less than forty eight hours before the meeting.

2. nd their proxies are each requested to attach an attested photocopy of their new/ c National Identity Card (CNIC) or Passport with this proxy form before submission to the Company.

3. ttending 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@dawoodhercules.com Website: www.dawoodlawrencepur.com

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