Dawood Lawrencepur Limited

Annual Report 2010

Embracing our Challenges

There are times when not everything is in our favor. These are the times when we really discover ourselves and recognize our true potential. Having gone through these times recently, we know what it takes to stay focused towards our goals. We believe that embracing challenges and going that extra mile is what makes the difference between winning and losing.

Let us share with you our inspiration this year through the theme of this annual report. Embracing our Challenges

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 & healthy business environment.

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

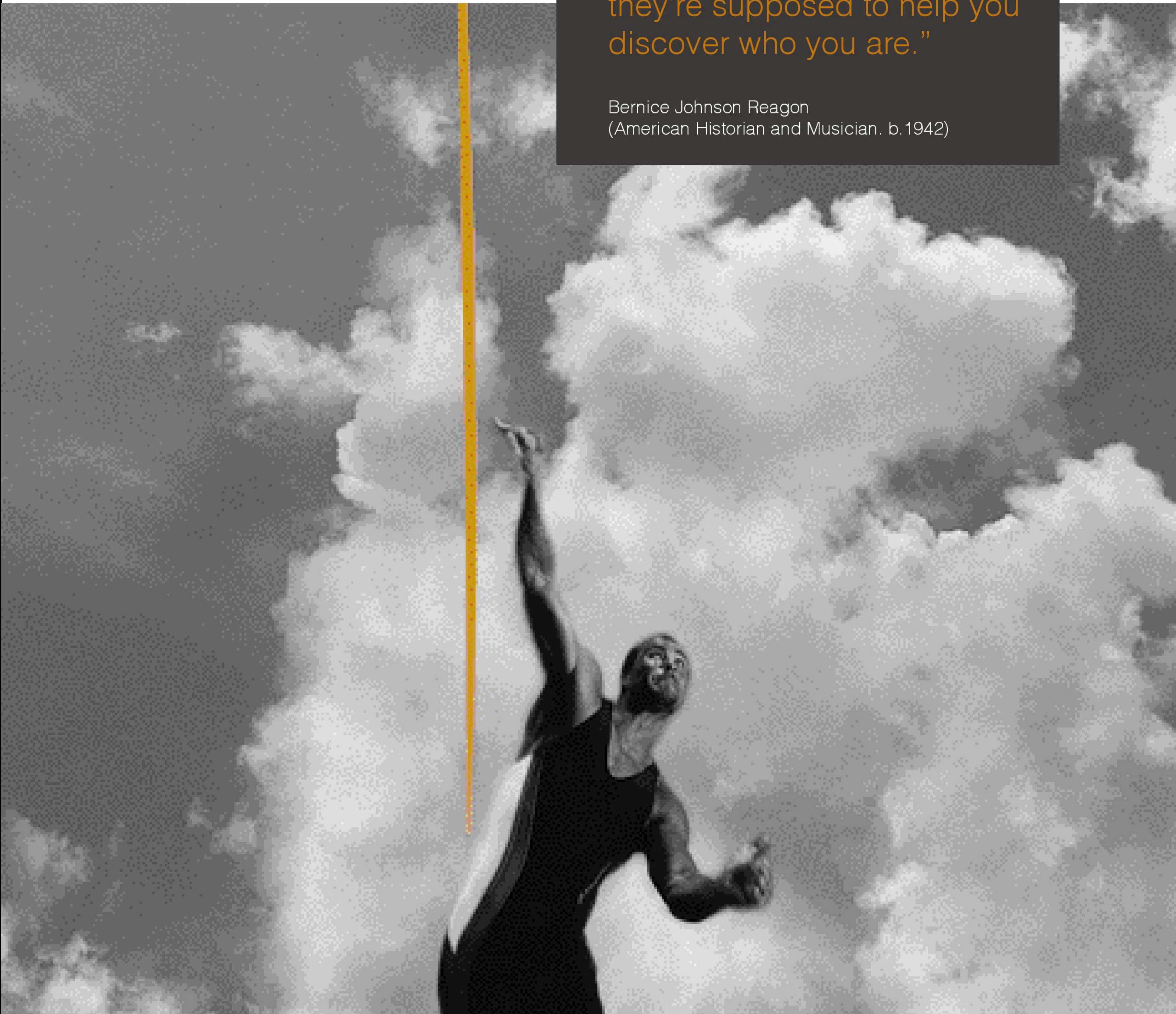
To strive for excellence through commitment, integrity, honesty and teamwork.

To make honest and ethical behavior a way of life.

To improve quality of life for our employees

"Life's challenges are not supposed to paralyze you, they're supposed to help you discover who you are."

Bernice Johnson Reagon
(American Historian and Musician. b.1942)



Company Information

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

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

CFO and Company Secretary
Iqbal A. Shaikh

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

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

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

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

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

Head Office
Dawood Centre,
M. T. Khan Road, Karachi.

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

Landhi (Synthetic)
Landhi Industrial Area,
Karachi.
Ph#: 021-35018668, 35019350
Fax#: 021-35019349

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 2010			December 2009 (Six months period)		
			Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
A)	INCOME STATEMENT							
1	Sales Value	Rs. In (000)	380,862	11,502	392,364	193,365	24,388	217,753
2	Gross Profit / (Loss)	Rs. In (000)	50,656	1,276	51,932	52,924	3,621	56,545
3	Operating Profit / (Loss)	Rs. In (000)	(12,080)	(38,416)	(50,496)	30,602	(24,552)	6,050
4	Profit / (Loss) Before Taxation	Rs. In (000)	124,017	(40,452)	83,565	(84,337)	(22,639)	(106,976)
5	Profit / (Loss) After Taxation	Rs. In (000)	99,956	(40,452)	59,504	(85,426)	(22,639)	(108,065)
B)	DIVIDEND							
1	Cash Dividend	%	5	-	5	-	-	-
2	Stock Dividend	%	15	-	15	-	-	-
C)	BALANCE SHEET							
1	Total Assets Employed	Rs. In (000)	1,512,696	195,272	1,707,968	975,147	708,993	1,684,140
2	Current Assets	Rs. In (000)	1,262,848	-	1,262,848	549,450		549,450
3	Current Liabilities	Rs. In (000)	133,907	-	133,907	148,742		148,742
4	Paid Up Capital	Rs. In (000)	513,547	-	513,547	513,547		513,547
5	Shareholders Equity	Rs. In (000)	1,525,504	-	1,525,504	1,490,704		1,490,704
6	No. of Ordinary Shares	In (000)	51,355	-	51,355	51,355		51,355
D)	RATIO ANALYSIS							
1	Gross Profit / (Loss)	%	13.30	11.09	13.24	25.98	14.84	24.73
2	Earning Per Share	Rs.	1.95	(0.79)	1.16	(1.66)	(0.44)	(2.10)
3	Dividend Yield	%	-	-	-	-	-	-
4	Return on Equity	%	-	-	3.90	-	-	(7.25)
5	Break-up Value of Shares	Rs.	-	-	29.70	-	-	29.00
6	Market Value of Shares	Rs.	-	-	43.47	-	-	59.02
7	Price Earning Ratio	Rs.	-	-	37.47	-	-	(28.01)
8	Dividend Payout Ratio	%	-	-	43	-	-	-
E)	PRODUCTION							
1	Capacity							
	Polyester Yarn	Kgs In (000)	-	-	-	-	700	700
	Yarn	Kgs In (000)	358	-	358	179	12,581	12,760
	Cloth	Mtrs In (000)	754	-	754	377	2,153	2,530
2	Actual Production							
	Polyester Yarn	Kgs In (000)	-	-	-	-	-	-
	Yarn Kgs	Kgs In (000)	170	-	170	93	-	93
	Cloth Mtrs.	Mtrs In (000)	664	-	664	307	-	307
3	Capacity Utilization - Yarn	%	47.49	-	47.49	51.96	-	51.96
	- Cloth	%	88.06	-	88.06	81.43	-	81.43
F)	OTHERS							
1	Employees	Nos.	649	166	815	612	23	635
2	Capital Expenditures	Rs. In (000)	8,725	-	8,725	3,986	-	3,986

June 2009			June 2008			June 2007 (Restated)			June 2006
Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total	
350,372	29,847	380,219	368,294	321,544	689,838	1,221,322	408,277	1,629,599	1,861,352
76,512	996	77,508	73,921	(240,918)	(166,997)	60,884	(43,275)	17,609	100,210
35,389	(91,111)	(55,722)	29,190	(292,087)	(262,897)	(39,056)	(67,849)	(106,905)	(48,502)
(94,956)	(92,328)	(187,284)	113,784	(300,826)	(187,042)	92,456	(72,349)	20,107	241,790
(104,156)	(92,179)	(196,335)	105,308	(302,433)	(197,125)	94,202	(74,390)	19,812	227,527
-	-	-	-	-	-	-	-	-	-
-	-	-	10	-	10	10	-	10	10
940,985	729,759	1,670,744	1,032,729	758,367	1,791,096	2,036,424	376,699	2,413,123	4,763,076
467,189	-	467,189	440,796	-	440,796	807,564	-	807,564	1,366,993
142,657	-	142,657	170,566	-	170,566	303,431	-	303,431	711,335
513,547	-	513,547	466,861	-	466,861	424,419	-	424,419	385,835
1,486,466	-	1,486,466	1,582,791	-	1,582,791	2,003,436	-	2,003,436	3,883,528
51,355	-	51,355	46,686	-	46,686	42,442	-	42,442	38,584
21.84	3.34	20.38	20.07	(74.93)	(24.21)	4.99	(10.60)	1.08	5.38
-	-	(3.82)	-	-	(4.22)	-	-	0.42	5.90
-	-	-	-	-	0.71	-	-	1.22	1.30
-	-	(13.21)	-	-	(12.45)	-	-	0.99	5.86
-	-	28.95	-	-	33.90	-	-	47.20	100.65
-	-	34.68	-	-	141.63	-	-	82.00	76.90
-	-	(9.08)	-	-	(33.56)	-	-	195.24	13.03
-	-	-	-	-	(23.70)	-	-	238.10	16.95
-	-	1,400	-	-	1,400	-	-	1,400	1,400
-	-	25,519	-	-	25,619	-	-	25,619	25,619
-	-	5,060	-	-	5,060	-	-	5,060	5,060
-	-	-	-	-	-	-	-	538	1,351
-	-	229	-	-	885	-	-	10,341	14,082
-	-	796	-	-	805	-	-	1,063	2,035
-	-	0.89	-	-	3.28	-	-	40.26	57.11
-	-	15.73	-	-	15.91	-	-	21.01	40.21
604	23	627	548	174	722	1,182	868	2,050	3,399
164,515	-	164,515	3,037	-	3,037	32,358	-	32,358	414,266

Notice of Annual General Meeting

Notice is hereby given that sixty first Annual General Meeting of Dawood Lawrencepur Limited will be held at the Company's Registered Office at 35-A Shahrah-e- Abdul Hameed Bin Baadees (Empress Road), Lahore at 1500 hours on Thursday, April 28, 2011, to transact the following business after recitation from the Holy Quran:

Ordinary Business

1. To confirm the Minutes of the Extraordinary General Meeting held on Friday, January 21, 2011.

2. To receive, consider and adopt the Audited Accounts and consolidated accounts of the Company for the year ended December 31, 2010 together with the Auditors' and Directors' reports thereon.

3. To consider and approve the issue of bonus shares in the ratio of 15 (Fifteen) shares for every 100 (One Hundred) ordinary shares held by the shareholders (15%) as recommended by the Board of Directors. to give effect to the above, the Directors have recommended to consider and, if thought fit, pass, with or without modification, the following resolution as an Ordinary Resolution.

   "**RESOLVED** that a sum of Rs. 77,031,990 (Rupees Seventy Seven Million Thirty One Thousand Nine Hundred Ninety) be capitalized out of the un-appropriated profit of the Company and applied towards the issue of 7,703,199 ordinary shares of Rs. 10/= each as fully paid bonus shares to be allotted to the existing shareholders in proportion of Fifteen shares for every One Hundred existing ordinary shares held by the members of the Company who are registered on the books of the Company on April 19, 2011 and that, after allotment, such new shares shall rank pari passu in all respects with the existing ordinary shares of the Company.

   FURTHER RESOLVED that the Chief Executive and the Company Secretary be and are hereby authorised to consolidate all fractions of Bonus shares, sell these in the stock market and pay the proceeds of sale, when realised, to the entitled shareholders.

   FURTHER RESOLVED that to give effect to the foregoing resolutions, the Chief Executive and the Company Secretary be and are hereby severally authorised to take all necessary actions under the law and to settle any questions or difficulties that may arise in the distribution of the said bonus shares or in the disposal of fractions and payment of proceeds thereof."

4. To appoint the Auditors for the year ending December 31, 2011 and to fix their remuneration. The retiring Auditors Messer M. Yousuf Adil Saleem & Company, being eligible, offer themselves for re-appointment.

5. To consider any other business with the permission of the Chair.

For and on behalf of the Board

Karachi
March 15 , 2011

(Iqbal Ahmad Shaikh)
Company Secretary

Notes:

1. Closure of Share Transfer Books:

The share transfer books of the Company will remain closed from Wednesday, April 20, 2011 to Thursday, April 28, 2011 (both days inclusive). Transfers received in order at the office of our Shares Registrar, M/s C & K Management Associates (Pvt.) Ltd., 404-Trade Tower, Abdullah Haroon Road, Near Metropole Hotel, Karachi, by the close of business (1600 hours) on Tuesday, April 19, 2011 will be treated in time for the purpose of above entitlements to the transferees, if approved by the shareholders.

2. Participation in the Annual General Meeting:

All Members of the Company are entitled to attend the Meeting and vote 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 Passports at the time of the Meeting.

3. Proxy:

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

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

4. Change of Address:

Any change of address of Members should be notified immediately at the office of our Shares Registrar.

Directors' Report

For the year ended December 31, 2010.

The Board of Directors of Dawood Lawrencepur Limited is pleased to present their Annual Report together with the audited Financial Statements for the year ended December 31, 2010 before the Sixty First Annual General Meeting of the Company.

OPERATING RESULTS

In 2010 the company had changed its accounting period from July-June to January-December to bring the financial year in line with other group companies. Accordingly the financial statements and results of operations represent first complete year after the change of financial year.

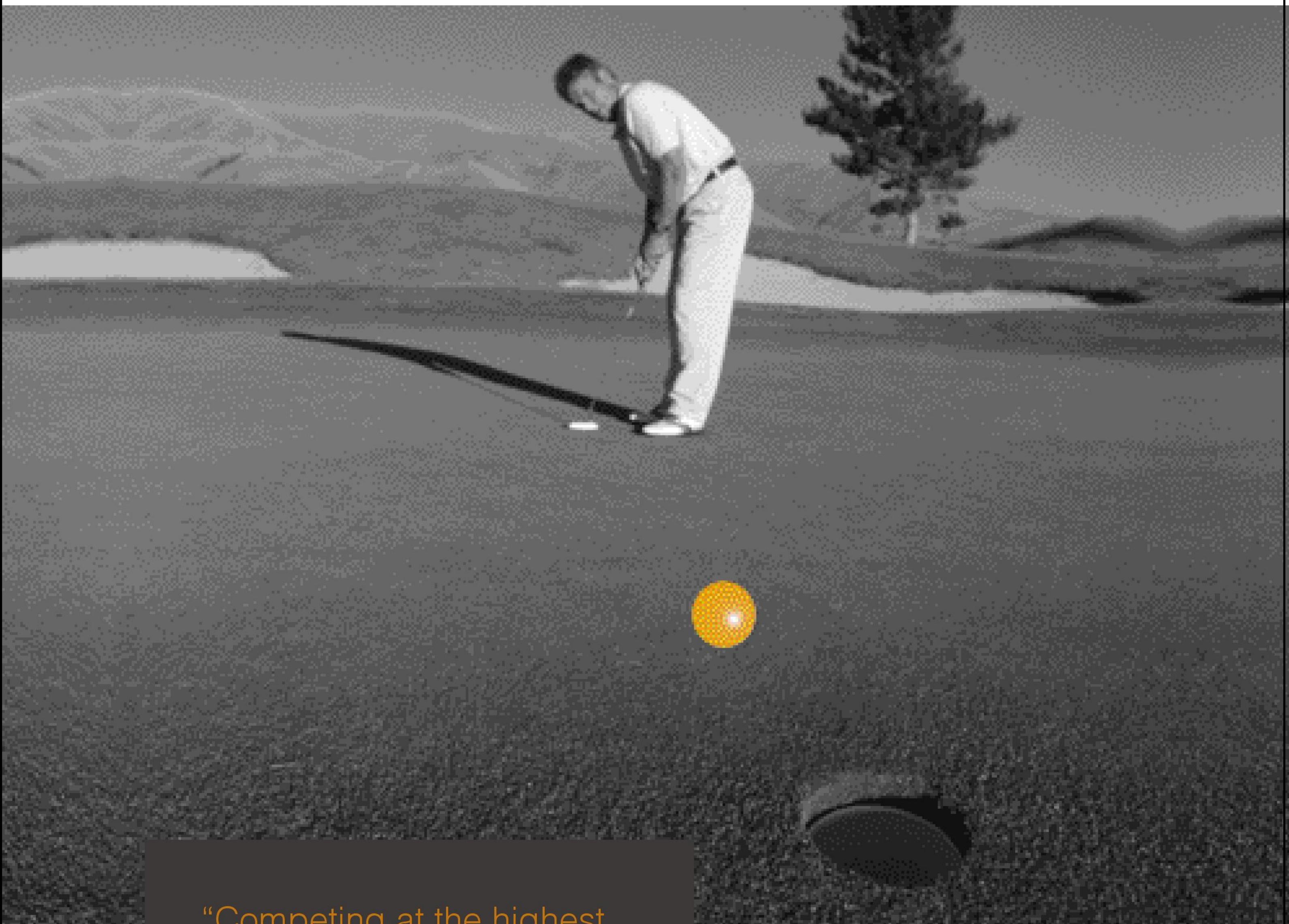
The primary objective of the company during the year was to develop its team and facilities for a renewed focus on the woolen textile business and prepare groundwork for investment in the Renewable Energy sector. Capable professionals were engaged during the year in critical areas like Production Planning, Quality Assurance, and Designing to provide impetus to the textile business. Framework for a competent project team has now been put in place for the Renewable Energy initiatives.

During the period, the company achieved sales of Rs. 380.86 million for the year against the sales of Rs. 193.37 million for the previous six months. The operating loss from continuing operations was Rs. 12.08 million against operating profit of Rs. 30.60 million for the previous six months. The loss from the closed down operations was Rs.40.45 million (December 2009: Rs. 22.64 million), while the profit before tax after discontinued operations stood at Rs. 83.57 million as against loss of Rs.106.98 million for last six months.

Earnings per share of the company on standalone basis was Rs. 1.16 as compared to a loss of Rs. 2.10 for the six months ended 31 December 2009.

The operating loss from the continuing operation of the Group for the year stood at Rs. 23.81 million as against profit of Rs. 27.07 million. With the loss from discontinued operations of Rs. 40.45 million (December 2009: Rs. 22.64 million), share of profit from associate of Rs. 664.16 million (December 2009: Rs. 290.21 million) the profit before tax was Rs. 641.15 million as against loss of Rs. 238.46 million for the last six months.

The consolidated earnings per share was Rs. 9.35 as compared to loss of Rs. 6.32 per share for the six months ended 31 December 2009.



"Competing at the highest level is the greatest test of one's character."

Russell Mark (Australian Athlete. b.1964)

The financial highlights of the Company are as under:

	For The Year Ended December 31, 2010	For Six Months Period Ended December 31, 2009
	Rupees in 000	
Sales from continuing operations	380,862	193,365
Gross profit	50,656	52,924
Other Income	158,149	58,074
Provisions	(19,405)	(2,681)
Impairment loss on 'available for sale' investments	(1,411)	(170,178)
Profit / (Loss) before taxation from continuing operation	124,017	(84,337)
Profit / (Loss) after taxation from continuing operation	99,956	(85,426)
Loss from discontinued operations	(40,452)	(22,639)
Profit / (loss) for the year	59,504	(108,065)
Un-appropriated profit brought forward	371,482	479,547
Un-appropriated profit carried forward	405,309	371,482
Earnings per share – basic and diluted (net)	Rs. 1.16	Rs. (2.10)

Disposal of Plant & Machinery

We are glad to report that the Company has, in line with the shareholders' approval at the 59th Annual General Meeting held at Lahore on October 29, 2009, successfully disposed off the plant and machinery of the Dawood Cotton Mills and Dilon units in Karachi. All necessary conditions and requirements of SECP were duly complied with during the process.

Textile Operations and Market

The year 2010 was a challenging one for a premium woolen textile brand like Lawrencepur. The national flood tragedy and the resultant decline in purchasing power had a direct impact on our profitability. The sale price of the products could not be increased till very late in the year in order to safeguard against loss in market share. The local market was also dumped with cheap and smuggled fabric from regional markets.

Wind Energy Project will reach a financial close in the latter part of 2011. We remain amongst the first batch of developers who are leading this renewable energy initiative in Pakistan.

The parallel undocumented market continues to be a source of grave concern for the Lawrencepur brand. This unregulated sector has expanded rapidly in worsted products in the past few years as China has become a favorite source of low cost fabrics. China is now the largest buyer of raw wool in the world and has driven up raw material prices significantly in the last year due to intense demand. Further, the devastating floods in Australia and earthquake in New Zealand have significantly reduced the supply of wool in the international market, creating further upward pressure on prices. These will further exacerbate the sharp increases in the prices of fine wool in 2011.

The government has increased the minimum wage by 16.6% during the year, while utility prices have gone up by 22%. The LWTM plant has suffered from extreme load shedding, both planned and unscheduled in both electricity and natural gas, thereby resulting in increased wastages. It was not possible for Lawrencepur to pass all these increased costs to the consumer and hence profitability has been adversely affected this year.

The revised General Sales Tax, when applied, may have a substantial impact on Lawrencepur products because we are the only formal player in the woolen/worsted category. We expect that if implemented fairly, it will minimize the tax arbitrage that the undocumented sector currently enjoys.

Utility prices are projected to increase by 25% during 2011, while raw material prices are expected to average about double that of 2010. This may necessitate regular price reviews and strong distribution, marketing and advertising support to maintain profitability.

Wind Energy Project

The wind based power project has made progress during the year and despite an uncertain environment has achieved advancement in key areas. The main Equipment Suppliers, EPC (Engineering Procurement & Construction) Contractors and the O&M (Operations & Maintenance) Contractors have been short listed. Experienced professionals and top consultants have been engaged for Technical, Legal, Insurance, and Financial advisory so that the project can be planned in detail and executed smoothly. Local and international financial institutions have also exhibited keen interest in funding this project.

It is expected that the Project will reach a financial close in the latter part of 2011. We remain amongst the first batch of developers who are leading this renewable energy initiative in Pakistan.

“Don't shirk away from challenges... keep reaching for that star, that sky.”

Anonymous

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

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

STATEMENT OF ETHICS AND BUSINESS PRACTICES

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

VISION AND MISSION

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

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

It is certified that:

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

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

(iii) Appropriate accounting policies have been consistently applied in the preparation of financial statements, and accounting estimates are based on reasonable and prudent judgment.

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

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

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

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

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

BOARD AUDIT COMMITTEE

The Board has constituted an Audit Committee which oversees the internal controls and compliance and it has been working efficiently since its inception.

PATTERN OF SHAREHOLDING

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

KEY OPERATING AND FINANCIAL DATA

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

STATUTORY PAYMENTS

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

VALUE OF INVESTMENTS OF GRATUITY FUND AND PROVIDENT FUND

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

TRADING IN COMPANY SHARES

The Directors, CEO, CFO and Company Secretary have not traded in company's shares during the year except Directors Mr. Shahzada Dawood who purchased 280,290 shares and Mr. A. Samad Dawood who sold 806,805 shares of the company.

BOARD MEETINGS

During the year ended December 31, 2010, a total of six meetings of the Board of Directors were held. The position of attendance during respective tenure was as follows:

	Meetings	
Name of Director	Held	Attended
Mr. Isar Ahmad	6	6
Mr. Inam ur Rahman	6	6
Mr. Shahzada Dawood	6	4
Mr. A Samad Dawood	6	6
Mr. S. M. Asghar	6	5
Mr. Haroon Mahenti	6	5
Mr. Shahid Hamid Pracha	6	5

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

CERTIFICATE OF RELATED PARTY TRANSACTIONS

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

FUTURE PROSPECTS

The changing competitive landscape in the woolen textiles market has led the company to reassess its business strategy and the focus in the upcoming year will be on rationalizing costs, and investment in supply chain, and human resources. Profitability is expected to maintain at 2010 level as the Company handles the dual challenges of rising costs and new investments. On the Wind Energy side, final contractual details are being worked out with reputable international Wind Turbine Suppliers and EPC (Engineering Procurement and Construction) Contractors for the Wind Energy Farm of 50 MW, with the help of technical, financial, and legal advisors. International and local financial institutions have demonstrated keen interest and willingness to participate in the project. The successful disposal of closed down plant and machinery has generated sufficient initial funds to meet planned milestones in 2011.

AUDITORS

The present auditors, M/s. M. Yousuf Adil Saleem & Co., Chartered Accountants whose tenure finished on 31st December 2010 have offered their services for the year 2011 as well. The Audit Committee has recommended the appointment of M/s. M. Yousuf Adil Saleem & Co., Chartered Accountants, as the statutory auditors of the Company, for the year ending December 31, 2011.

STAFF RELATIONS

A key focus area for the company has been investment in quality human resource in all skill areas and key management resources have been inducted. The company continues to benefit from the efforts and dedication of all its employees. The Directors are pleased to record their appreciation.

Inam Ur Rahman
Chief Executive

Isar Ahmad
Chairman

Karachi:
March 15, 2011

Statement of Ethics and Business Practices

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

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

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

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

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

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

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

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

Statement of Compliance with the Code of Corporate Governance

The statement is being presented to comply with the Code of Corporate Governance contained in the listing regulations of Karachi and Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

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

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

3. All the Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a Stock Exchange, has been declared as a defaulter by that Stock Exchange.

4. No casual vacancy occured during the year.

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

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

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

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

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

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

11. The Board has approved appointment of C F O, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment as determined by the CEO.

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

13. The financial statements of the Company were duly endorsed by the C E O and C F O before approval of the Board.

14. The Directors, C E O and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

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

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

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

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

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

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

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

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

Karachi
March 15, 2011

Inam Ur Rahman
Chief Executive

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Dawood Lawrencepur Limited to comply with the Listing Regulations No. 35 (Chapter XI) of the Karachi Stock Exchange, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on the internal control covers all controls and the effectiveness of such internal controls.

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended December 31, 2010.

M. Yousuf Adil Saleem & Co.
Chartered Accountants

Karachi
Date: March 15, 2011

Financial Statements

Auditors' Report to the Members

We have audited the annexed balance sheet of Dawood Lawrencepur Limited (the Company) as at December 31, 2010 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

b. in our opinion:

   i. the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;

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

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

c. in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2010 and of the profit, 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.

The financial statements of the Company for the period ended December 31, 2009 were audited by another firm of Chartered Accountants who expressed an unqualified opinion on those financial statements vide their report dated March 25, 2010.

M. Yousuf Adil Saleem & Co.
Chartered Accountants

Engagement Partner
Mushtaq Ali Hirani

Karachi
Dated: March 15, 2011

Financial Statements

Auditors' Report to the Members

We have audited the annexed balance sheet of Dawood Lawrencepur Limited (the Company) as at December 31, 2010 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.

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   i. the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;

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

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

c. in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2010 and of the profit, its cash flows and changes in equity for the year then ended; and,

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The financial statements of the Company for the period ended December 31, 2009 were audited by another firm of Chartered Accountants who expressed an unqualified opinion on those financial statements vide their report dated March 25, 2010.

M. Yousuf Adil Saleem & Co.
Chartered Accountants

Engagement Partner
Mushtaq Ali Hirani

Karachi
Dated: March 15, 2011

Balance Sheet
As at December 31, 2010

	Note	2010	2009
		Rupees in 000	
ASSETS			
Non-current assets			
Property, plant and equipment	4	63,172	64,605
Intangible assets	5	741	1,112
		63,913	65,717
Long term investments	6	175,391	350,578
Long term deposits	7	10,544	9,403
		249,848	425,698
Current assets			
Stores and spares	8	49,119	48,875
Stock-in-trade	9	201,103	216,313
Trade debtors	10	69,763	43,750
Loans and advances	11	70,683	77,800
Deposits, prepayments and other receivables	12	93,219	17,037
Short term investments	13	754,487	121,794
Cash and bank balances	14	24,474	23,881
		1,262,848	549,450
Assets classified as held for sale	15	195,272	708,993
		1,707,968	1,684,141
SHARE CAPITAL AND RESERVES			
Share capital	16	513,547	513,547
Reserves		606,648	605,676
Unappropriated profit		405,309	371,482
		1,525,504	1,490,705
Non current liabilities			
Deferred liabilities - staff gratuity	17	48,557	44,695
Current liabilities			
Trade and other payables	18	120,365	138,330
Provision for taxation		13,542	10,411
		133,907	148,741
		1,707,968	1,684,141
CONTINGENCIES AND COMMITMENTS	19		

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

ISAR AHMAD
Chairman

INAM UR RAHMAN
Chief Executive

Profit and Loss Account
For the year ended December 31, 2010

	Note	2010	For six months ended December 31, 2009
		Rupees in 000	
CONTINUING OPERATIONS			
Sales - net	20	380,862	193,365
Cost of goods sold	21	(330,206)	(140,441)
Gross profit		50,656	52,924
Other operating income	22	158,149	58,074
Selling and distribution	23	(11,349)	(5,555)
Administrative expenses	24	(51,387)	(16,767)
Finance cost	25	(1,236)	(154)
Provisions	26	(19,405)	(2,681)
Impairment loss on 'available for sale' investments		(1,411)	(170,178)
		(84,788)	(195,335)
Profit / (Loss) before taxation		124,017	(84,337)
Provision for taxation	27	(24,061)	(1,089)
Profit / (Loss) after taxation from continuing operations		99,956	(85,426)
DISCONTINUED OPERATIONS			
Loss from discontinued operations	28	(40,452)	(22,639)
Profit / (loss) for the year / period		59,504	(108,065)
Earnings per share - Basic & diluted Continued operations (Rs.)	29	1.95	(1.66)
Earnings per share - Basic & diluted Discontinued operations (Rs.)	29	(0.79)	(0.44)

Comparative information is presented for six months only as explained in note (1.3) to the financial statements.

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

ISAR AHMAD
Chairman

INAM UR RAHMAN
Chief Executive

Statement of Comprehensive Income

For the year ended December 31, 2010

	2010	For six months ended December 31, 2009
	Rupees in 000	
Profit / (loss) after taxation	59,504	(108,065)
Other comprehensive income		
Surplus on remeasurement of 'available for sale investments'	972	112,303
Total comprehensive income	60,476	4,238

Comparative information is presented for six months only as explained in note (1.3) to the financial statements.

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

ISAR AHMAD
Chairman

INAM UR RAHMAN
Chief Executive

Cash Flow Statement

For the year ended December 31, 2010

	For the year ended December 31, 2010			For the six months ended December 31, 2009		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	Rupees in 000					
A. CASH FLOWS FROM OPERATING ACTIVITIES						
Profit / (loss) before taxation	124,017	(40,452)	83,565	(84,338)	(22,639)	(106,977)
Adjustments for :						
Depreciation	6,192	3,008	9,200	2,667	1,757	4,424
Amortization	124	247	371	73	146	220
Provision for gratuity	9,363	582	9,945	4,122	354	4,476
Provision against stock	4,688	2,619	7,307	921	-	921
Provision against stores and spares	13,904	1,447	15,351	1,760	-	1,760
Provision against sales tax refundable	-	8,128	8,128	-	-	-
Provision against trade debtors	812	2,534	3,346	-	-	-
Gain on disposal of property, plant and equipment	(201)	(1,162)	(1,363)	-	-	-
Gain on disposal of assets classified as held for sale	-	(15)	(15)	-	-	-
Impairment loss on 'available for sale investments'	1,411	-	1,411	170,177	-	170,177
Dividend income	(96,177)	-	(96,177)	(53,785)	-	(53,785)
Insurance claim against held for sale assets	-	(5,600)	(5,600)	-	-	-
Gain on sale of long-term investments	(22,335)	-	(22,335)	-	-	-
Gain on sale of short-term investments	(6,425)	-	(6,425)	-	-	-
Unrealized gain on short-term investments	(28,269)	-	(28,269)	(1,793)	-	(1,793)
Finance cost	1,236	459	1,695	154	62	216
Operating profit / (loss) before working capital changes	8,340	(28,205)	(19,865)	39,958	(20,319)	19,639
(Increase) / decrease in current assets						
Stores and spares	(14,148)	23,860	9,712	1,514	-	1,514
Stock in trade	10,522	10,226	20,748	(8,179)	20,768	12,589
Trade debtors	(30,000)	641	(29,359)	(8,003)	267	(7,736)
Loans and advances	(141)	(404)	(545)	(261)	-	(261)
Deposits, prepayments and Other receivables	(6,242)	(78,068)	(84,310)	4,270	(2,082)	2,188
Increase/ (decerese) in current liabilities						
Trade and other payables	(11,139)	(7,186)	(18,325)	8,790	(3,726)	5,064
	(51,148)	(50,931)	(102,079)	(1,869)	15,227	13,358
Cash (used in) / generated from operations	(42,808)	(79,136)	(121,944)	38,089	(5,092)	32,997
Financial charges paid	(1,236)	(459)	(1,695)	(154)	(62)	(216)
Gratuity paid	(6,083)	-	(6,083)	(1,402)	-	(1,402)
Tax paid	8,929	(22,195)	(13,266)	(1,367)	(5,476)	(6,843)
Net cash (used in) / generated from operating activities	(41,198)	(101,790)	(142,988)	35,166	(10,630)	24,536
B. CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of property, plant and equipment	(8,485)	(240)	(8,725)	(3,987)	-	(3,987)
Sale proceeds from disposal of property, plant and equipment	930	1,391	2,321	-	-	-
Sale proceeds from disposal of assets classified as held for sale	-	475,583	475,583	-	-	-
Proceeds from insurance claim	-	5,600	5,600			
Advance for issue of capital	-	-	-	(8,313)	-	(8,313)
Investment in a subsidiary	(30,410)	-	(30,410)	-	-	-
Short-term investments - net	(598,000)	-	(598,000)	(121,794)	-	(121,794)
Fund transfer from / (to) operations	381,231	(381,231)	-	(10,344)	10,344	-
Sale proceeds from disposal of investments	227,493	-	227,493	-	-	-
Dividend received	96,177	-	96,177	53,785	-	53,785
Long term deposits	(262)	(879)	(1,141)	452	-	452
Net cash (used in) / generated from investing activities	68,674	100,224	168,898	(90,201)	10,344	(79,857)
C. CASH FLOWS FROM FINANCING ACTIVITIES						
Payment of dividend	(25,317)	-	(25,317)	-	(34)	(34)
Net cash from financing activities	(25,317)	-	(25,317)	-	(34)	(34)
Net increase / (decrease) in cash and cash equivalent (A+B+C)	2,159	(1,566)	593	(55,035)	(320)	(55,355)
Cash and cash equivalent at beginning	20,902	2,979	23,881	75,937	3,299	79,236
Cash and cash equivalent at end	23,061	1,413	24,474	20,902	2,979	23,881

Comparative information is presented for six months only as explained in note (1.3) to the financial statements.

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

ISAR AHMAD
Chairman

INAM UR RAHMAN
Chief Executive

Statement of Changes In Equity
For the year ended December 31, 2010

	Ordinary Shares	Capital Reservess				General Reserve	Unappropriated profit	Unrealized gain / (loss) on remeasurement of available for sale investments	Total
		Merger Reserve	Share Premium	Capital Reserve	Capital Redemption reserve fund				
	Rupees in 000								
Balance at July 01, 2009	513,547	10,521	136,865	33,311	25,969	395,355	479,547	(108,648)	1,486,467
Loss for the period ended December 31, 2009	-	-	-	-	-	-	(108,065)	-	(108,065)
Other comprehansive income for the period ended December 31, 2009	-	-	-	-	-	-	-	112,303	112,303
Balance at December 31, 2009	513,547	10,521	136,865	33,311	25,969	395,355	371,482	3,655	1,490,705
Profit for the year ended December 31, 2010	-	-	-	-	-	-	59,504	-	59,504
Other comprehansive income for the year ended December 31, 2010	-	-	-	-	-	-	-	972	972
Interim cash dividend for the quarter ended March 31, 2010 @ Rs. 0.5 per share	-	-	-	-	-	-	(25,677)	-	(25,677)
Balance at December 31, 2010	513,547	10,521	136,865	33,311	25,969	395,355	405,309	4,627	1525,504

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

ISAR AHMAD
Chairman

INAM UR RAHMAN
Chief Executive

Notes to the Financial Statements

For the year ended December 31, 2010

1. GENERAL INFORMATION

1.1 Dawood Lawrencepur Limited, "the Company" was incorporated in Pakistan in the year 2004 as a public limited company formed as a result of 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, Lawrencepur Woolen and Textile Mills Limited. The shares of the Company are listed on the Karachi and Lahore Stock Exchanges. The Company is principally engaged in the business of manufacture and sale of yarn and fabrics made from natural and man-made fibers and blends thereof. The registered office of the Company is situated at 35-A, Shahrah-e-Abdul Hameed Bin Badees (Empress) Road, Lahore.

1.2 The Company in the year 2008 closed its manufacturing unit located at Burewala, District Vehari. The assets (plant, machinery and current assets) relating to the closed down units 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'.

1.3 The Company in 2009 adopted special tax year / financial year ending on December 31 with necessary permission from Commissioner of Income Tax. The audited figures are available for six months period ended December 31, 2009, which have been disclosed as comparatives.

2. BASIS OF PREPARATION

2.1 Basis of measurement

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

2.2 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the 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 Pakistan Rupees which is the functional currency of the Company and figures are stated to the nearest thousand rupees.

2.4 Critical accounting estimates and judgments

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

Notes to the Financial Statements
For the year ended December 31, 2010

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

Provision against stock in trade and stores and spares
Employees benefits
Taxation

Estimates and assumptions are reviewed on an ongoing basis. Revision of accounting estimates are recognized in the period of revision and in any future periods affected.

2.5 Application of new and revised accounting standards

The following standards are effective from accounting periods on or after January 1, 2010 and are applicable to the Company from the current financial year with no material effect on the financial statements.

Amendments to IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations

The amendments to IFRS 5 clarify that the disclosure requirements in IFRSs other than IFRS 5 do not apply to non-current assets (or disposal groups) classified as held for sale or discontinued operations unless those IFRSs require (i) specific disclosures in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations, or (ii) disclosures about measurement of assets and liabilities within a disposal group that are not within the scope of the measurement requirement of IFRS 5.

Amendments to IAS 1 Presentation of Financial Statements

The amendments to IAS 1 clarify that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or noncurrent.

This amendment has had no effect on the amounts reported because the Company has not issued instruments of this nature.

Amendments to IAS 7 - Statement of Cash Flows

The amendments (part of Improvements to IFRSs (2009) specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows. Consequently, any cash flows in respect of items that do not qualify for recognition as an asset (and, therefore, are recognised in profit or loss as incurred) would be reclassified from investing to operating activities in the statement of cash flows and prior year amounts restated for consistent presentation.

IFRIC – 17 Distributions of Non-cash Assets to Owners

The amendment states that when a Company distributes non cash assets to its shareholders as dividend, the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognized in equity. When the non cash asset is distributed, the difference between the carrying amount and fair value is recognized in the income statement. As the Company does not distribute non-cash assets to its shareholders, this interpretation has no impact on the Company's financial statements.

Notes to the Financial Statements

For the year ended December 31, 2010

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

The following revised standards, amendments to published standards and interpretations to existing standards with respect to approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below:

Standards or Interpretations	Effective Date (accounting periods beginning on or after)
Amendments to IFRS 1 - Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters	July 1, 2010
Amendments to IFRS 7 - Disclosures – Transfers of Financial Assets	July 1, 2011
IFRS 9 (as amended in 2010) - Financial Instruments	January 1, 2013
IAS 24 (revised in 2009) - Related Party Disclosures	January 1, 2011
Amendments to IAS 32 - Classification of Rights Issues	February 1, 2010
Amendments to IFRIC 14 - Prepayments of a Minimum Funding Requirement	January 1, 2011
IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments	July 1, 2010

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

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

Notes to the Financial Statements
For the year ended December 31, 2010

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 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. Refer note 5.2 in respect of changes in accounting estimates with regard to the intangible assets.

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 financial assets or liabilities in foreign currency are added to the respective carrying amounts.

Notes to the Financial Statements

For the year ended December 31, 2010

3.4 Investments

The Company 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 subsidiaries and associated companies

Investments, in subsidiaries where control exist, 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 the equity is included in 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 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 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 Company commits itself to purchase or sell the investment.

Notes to the Financial Statements
For the year ended December 31, 2010

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 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 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 Company 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 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 emodying 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.

Notes to the Financial Statements

For the year ended December 31, 2010

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, 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

Non-current assets that is expected to be recovered primarily through sale rather than through continuing use is 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 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 Company pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in profit or loss when they are due. The Company operates defined contribution provident fund for its permanent employees of its Burewala Unit. Monthly contributions are made both by the Company and employees to the fund at the rate of 8.33% of basic salary.

3.10.2 Defined benefit plan

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

Notes to the Financial Statements

For the year ended December 31, 2010

Provisions are made in the financial statements to cover obligations under the scheme. The provision 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 31st 2010, following significant assumptions were used for determining the gratuity liability.

"Discount rate 13%
Expected rate of salary increase 12%
Expected rate of return on plan assets 12%
Average expected remaining life of employees 9 years"

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

3.10.3 Compensated absences

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

3.11 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit 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.

Notes to the Financial Statements
For the year ended December 31, 2010

3.12 Revenue recognition

Revenue is recognised 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 recognised net of brokerages, commission and trade discounts.

3.12.1 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.

3.12.2 Interest income

Income from investments and deposits is recognized on accrual basis.

3.12.3 Dividend income

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

3.13 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 Pakistan Rupees at the exchange rates prevailing at the date of the transactions. Monetary assets and liabilities in foreign currencies are translated into Pakistan 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, 2010

4. Property, plant and equipment

Particulars	Cost at January 01, 2010	Additions/ (disposals)	Cost at December 31, 2010	Accumulated depreciation at January 01, 2010	Depreciation/ (Disposals) for the year	Accumulated depreciation at December 31, 2010	Carrying value at December 31, 2010	Annual rate of depreciation %
	Rupees in 000							
Freehold land	3,157	-	3,157	-	-	-	3,157	-
Leasehold land	1,081	-	1,081	475	6	481	600	10
Building on freehold land	70,557	-	70,557	60,435	832	61,267	9,290	5-10
Building on leasehold land	54,414	-	54,414	38,556	1,554	40,110	14,304	10
Plant and machinery	284,794	90 (1,526)	283,358	268,091	3,346 (970)	270,467	12,891	20
Furniture, fixtures and office equipment	25,808	437	26,245	16,672	996	17,668	8,577	10
Computer equipment	3,393	1,599 (105)	4,887	2,015	669 (56)	2,628	2,259	33
Vehicles	23,818	6,599 (2,177)	28,240	16,173	1,797 (1,824)	16,146	12,094	20
2010	**467,022**	**8,725 (3,808)**	**471,939**	**402,417**	**9,200 (2,850)**	**408,767**	**63,172**	

- Non current assets of the Burewala unit with carrying value of Rs. 172.76 million are shown seperately under "Assets classified as held for sale", in accordance with IFRS-5.

- Property, plant and equipment includes total assets having carrying value of Rs. 24.07 million (2009: Rs.26.08 million) held as idle assets which relates to discontinued units.

For comparative year

Particulars	Cost at July 01, 2009	Additions	Cost at December 31, 2009	Accumulated depreciation at July 01, 2009	Depreciation for the year	Accumulated depreciation at December 31, 2009	Carrying value at December 31, 2009	Annual rate of depreciation %
	Rupees in 000							
Freehold land	3,157	-	3,157	-	-	-	3,157	-
Leasehold land	1,081	-	1,081	473	2	475	606	10
Building on freehold land	70,557	-	70,557	59,963	472	60,435	10,122	5-10
Building on leasehold land	54,414	-	54,414	37,738	818	38,556	15,858	10
Plant and machinery	284,794	-	284,794	266,131	1,960	268,091	16,703	20
Furniture, fixtures and office equipment	25,742	66	25,808	16,195	477	16,672	9,136	10
Computer equipment	3,188	205	3,393	1,956	59	2,015	1,378	33
Vehicles	20,102	3,716	23,818	15,537	636	16,173	7,645	20
2009	463,035	3,987	467,022	397,993	4,424	402,417	64,605	

Non current assets of the following units, are shown seperately under "Assets classified as held for sale", in accordance with IFRS-5.

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

Notes to the Financial Statements

For the year ended December 31, 2010

4.1 The Company is in the process of transferring Land having carrying value of Rs 3.76 million (2009: Rs 3.76 million) and building having carrying value of Rs 23.60 million (2009: 25.98 million) in its own name which is being currently held in the name of the merged entities.

	Note	2010	2009
		Rupees in 000	
4.2 Depreciation for the year has been allocated as under:			
Cost of goods sold	21	4,395	2,298
Selling expenses	23	584	135
Administrative expenses	24	4,221	1,991
		9,200	4,424

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					
Plant and machinery	1,526	970	556	556	Agreement	Mr. Muhammad Ismail
Computer equipment	105	56	49	49	Negotiation	Dawood Hercules Chemicals Limited
Vehicle	104	82	22	240	Tender	Mr. Asif Asghar
Vehicle	429	309	120	321	Tender	Mr. Nooruddin
Vehicle	385	346	39	250	Tender	Mr. Asif Asghar
Vehicle	879	711	168	901	Tender	Mr. Adil Ashraf
Vehicle	48	44	4	4	Company policy	Mr. Altaf Moon
Vehicle	37	37	-	-	Agreement	Mr. Muhammad Ismail
Vehicle	295	295	-	-	Agreement	Mr. Muhammad Ismail
2010	3,808	2,850	958	2,321		
2009	-	-	-	-		

Notes to the Financial Statements
For the year ended December 31, 2010

	Note	2010	2009
		Rupees in 000	
5. INTANGIBLE ASSETS			
Computer software	5.1	741	1,112

5.1 Computer software

	2010	2009
Cost	2,380	2,380
Amortization		
Balance as on Jan 1	1,268	1,048
Charge for the year / period	371	220
Balance as on Dec 31	1,639	1,268
Carrying amount	741	1,112
Rate of amortization (%)	33.33%	33%

5.2 Previously the software was being amortized at the rate of 33% using reducing balance method. Effective from current year, the Company has started charging amortization at the rate of 33.33% using straight line method. The change has been made to better reflect the pattern in which economic benefits of the computer software are consumed by the Company. The above change has been accounted for as change in accounting estimates in accordance with the requirements of International Accounting Standards (IAS) - 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Had the Company not made the above referred change in the accounting estimate, profit for the year would have negligible financial impact.

	Note	2010	2009
		Rupees in 000	
6. LONG TERM INVESTMENTS			
Investment in related parties at cost	6.1	165,822	135,412
Other investments	6.2	9,569	215,166
		175,391	350,578

6.1 Investment in related parties at cost

	2010	2009
Wholly owned subsidiary - unquoted		
Tenaga Generasi Limited		
Percentage holding 100% (December 31, 2009: 100%)		
7,600,000 (December 31, 2009: 600,000) fully paid ordinary shares of Rs. 10/- each	100,528	30,528
Advance against issue of shares	-	39,590
	100,528	70,118
Associated Company - quoted		
Dawood Hercules Chemicals Limited		
Percentage holding 16.19% (December 31, 2009: 16.19%)		
19,482,975 (December 31, 2009: 17,711,795) fully paid ordinary shares of Rs. 10/- each	65,294	65,294
Market value Rs. 3.864 billion (December 31, 2009: 3.185 billion)		
Chief Executive Officer: Mr. Isar Ahmad		
	165,822	135,412

Notes to the Financial Statements

For the year ended December 31, 2010

6.2 Other investments

- Available for sale investments

2010	2009	Name of Investee	2010	2009
No. of Shares / Units			Rupees in 000	
Listed Securities				
69,137	55,310	Sui Southern Gas Company Limited	1,481	743
200,000	200,000	National Investment Trust Limited	6,284	6,050
801,900	801,900	Southern Electric Company Limited	1,788	3,200
Nil	8,272,470	Sui Northern Gas Pipelines Limited	-	205,157
			9,553	215,150
Un-Listed Securities				
795,000	795,000	Karnaphuli Paper Mills Limited	-	-
100	100	Mianwali Central Co-operative Bank Limited	1	1
1,500	1,500	Asian Co-operative Society Limited	15	15
			16	16
			9,569	215,166

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

	2010	2009
Fair value of investments	9,569	215,166
Gain on remeasurement of investment recognized in equity	(4,627)	(3,655)
Impairment loss charged to profit and loss account		
- for the year	1,411	170,178
- in prior years	10,713	115,616
	7,497	282,139
Cost of investments	17,066	497,305

7. LONG TERM DEPOSITS

	2010	2009
Electricity and gas deposits	9,019	8,561
Others	1,525	842
	10,544	9,403

8. STORES AND SPARES

	2010	2009
Stores	36,200	25,458
Spares	32,053	28,647
	68,253	54,105
Provision for slow moving and obsolete items	(19,134)	(5,230)
	49,119	48,875

Notes to the Financial Statements
For the year ended December 31, 2010

	Note	2010	2009
		Rupees in 000	
9. STOCK IN TRADE			
Raw material		11,566	7,567
Work in process		88,374	101,853
Finished goods		105,393	106,390
		205,333	215,810
Raw material in transit		10,764	10,809
		216,097	226,619
Provision for slow moving and obsolete items		(14,994)	(10,306)
		201,103	216,313
9.1 Provision for slow moving and obsolete items			
Raw material		4,915	3,440
Work in process		3,259	1,248
Finished goods		6,820	5,618
		14,994	10,306
10. TRADE DEBTORS			
Unsecured			
Considered good		69,763	43,750
Considered doubtful		23,060	19,714
		92,823	63,464
Provision against doubtful receivable	10.1	(23,060)	(19,714)
		69,763	43,750
10.1 Movement in provision for doubtful debt			
Opening balance		19,714	20,049
Provision made during the year		3,346	-
Written off / adjustment during the year		-	(335)
Closing balance		23,060	19,714

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

	Amount Outstanding	Maximum month end balance
	Rupees in 000	
December 31, 2010		
Sach International (Private) Limited	6,788	17,492
December 31, 2009		
Sach International (Private) Limited	321	2,609

Notes to the Financial Statements
For the year ended December 31, 2010

	Note	2010	2009
		Rupees in 000	
11. LOANS AND ADVANCES			
Unsecured			
Considered good			
Income tax	11.1	69,025	76,689
Loans and advances to employees		813	291
Advances to suppliers and others		845	820
		70,683	77,800
11.1 Income tax			
Advance		90,534	76,689
Provision for taxation		(21,509)	-
		69,025	76,689
12. DEPOSIT, PREPAYMENTS AND OTHER RECEIVABLES			
Security deposits		386	1,825
Prepayments		1,912	2,803
Letters of credit		1,053	601
Receivable against disposal of held for sale assets		86,500	-
Sales tax	12.1	3,324	11,302
Others	12.2	44	506
		93,219	17,037
12.1 Sales tax			
Sales tax		11,452	11,302
Provision against doubtful receivable		(8,128)	-
		3,324	11,302

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

	Amount Outstanding	Maximum month end balance
	Rupees in 000	
December 31, 2010		
Dawood Hercules Chemicals Limited	5	5,033
Tenaga Generasi Limited	39	804
December 31, 2009		
Sach International (Private) Limited	438	5,119
Dawood Hercules Chemicals Limited	68	884

Notes to the Financial Statements

For the year ended December 31, 2010

	Note	2010	2009
		Rupees in 000	
13. SHORT TERM INVESTMENTS			
Held for trading at fair value through Profit and Loss	13.1	754,487	121,794

Held for trading at fair value through Profit and Loss

2010 No. of Units	2009 No. of Units	Name of Investee	2010	2009
4,906,434	2,320,760	Meezan Cash Fund	245,518	121,794
2,690,456	Nil	UBL Liquidity Plus Fund - Class - C	269,575	-
2,342,233	Nil	MCB Cash Management Optimizer	239,394	-
			754,487	121,794

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

	2010	2009
Fair value of investments	754,487	121,794
Unrealized gain on remeasurement of investment recognised in profit or loss account		
- for the year	28,269	1,794
- in prior years	1,794	-
	(30,063)	(1,794)
Cost of investments	724,424	120,000

14. CASH AND BANK BALANCES	Note	2010	2009
Cash in hand		1,103	1,058
Cash at banks			
In current accounts		6,757	18,770
In deposit accounts	14.1	16,614	4,053
		23,371	22,823
		24,474	23,881

14.1 These represent deposits with commercial banks and carry profit at the rate of 5% (December 31, 2009: 5%) per annum.

Notes to the Financial Statements

For the year ended December 31, 2010

	Note	2010	2009
		Rupees in 000	

15. ASSETS CLASSIFIED AS HELD FOR SALE

	Note	2010	2009
Plant and equipment	15.1	172,762	648,330
Stock-in-trade		11,946	38,823
Stores and spares		16,447	40,307
		201,155	727,460
Provision for slow moving and obsolescence on stock in trade and stores & spares	15.2	(5,883)	(18,467)
		195,272	708,993

15.1 Plant and equipments

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

For comparative year

Particulars	Cost at July 01, 2009	Additions/ (disposals)	Cost at December 31, 2009	Accumulated depreciation at July 01, 2009	Impairment/ (disposal) for the period	Accumulated depreciation at December 31, 2009	Carrying value at December 31, 2009
	Rupees in 000						
Plant and machinery	1,296,452	-	1,296,452	654,001	-	654,001	642,451
Furniture, fixtures and office equipment	1,169	-	1,169	1,063	-	1,063	106
Electric installations	36,712	-	36,712	31,685	-	31,685	5,027
Tools and equipment	2,893	-	2,893	2,147	-	2,147	746
	1,337,226	-	1,337,226	688,896	-	688,896	648,330

15.1.1 During the year Company disposed off all of its plant and equipments classified as held for sale assets of two of its discontinued units at Landhi, Karachi. Remaining assets under held for sale relate to Burewala unit for which approval of disposal from the Board of Directors has already been obtained during the year and after approval of the same from the shareholders in 2011, management of the Company will dispose off the remaining assets.

Notes to the Financial Statements
For the year ended December 31, 2010

	2010	2009
	Rupees in 000	
15.2 Movement in slow moving / obsolescence on stock in trade and stores & spares		
Opening balance	18,467	18,467
Provision made during the year	4,066	-
Provision written off against stock in trade	(16,650)	-
Closing balance	5,883	18,467

16. SHARE CAPITAL

16.1 Authorized capital

2010	2009		2010	2009
Number of Shares				
75,000,000	55,000,000	Ordinary shares of Rs.10/- each	750,000	550,000

16.2 Issued, subscribed and paid up capital

2010	2009		2010	2009
Number 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
36,345,540	36,345,540	Fully paid as bonus	363,456	363,456
51,354,660	51,354,660		513,547	513,547

16.2.1 Associates holding of the Companys' share capital are as under:

	2010	2009
Dawood Corporation (Private) Limited	25,195,651	25,195,651
Patek (Private) Limited	3,045,117	3,045,117
Central Insurance Company Limited	2,795,735	2,853,778
Pebbles (Private) Limited	596,277	596,277
Dawood Industries (Private) Limited	105,959	105,749
Sach International (Private) Limited	3,284	3,284
	31,742,023	31,799,856

Notes to the Financial Statements
For the year ended December 31, 2010

	Note	2010	2009
		Rupees in 000	
17. DEFERRED LIABILITIES			
Gratuity	17.1	48,557	44,695
Deferred taxation	17.2	-	-
		48,557	44,695
17.1 Movement in the liability recognized in the balance sheet			
Opening balance		44,695	41,621
Net charge for the year		9,945	4,476
		54,640	46,097
Payments made during the year / period		(6,083)	(1,402)
Closing balance		48,557	44,695
17.1.1 Charge for defined benefit plan			
Current service cost		4,078	1,779
Interest cost		6,127	2,827
Return on plan assets		(260)	(130)
		9,945	4,476
17.1.2 Reconciliation			
Present value of defined benefit obligation		50,644	51,059
Fair value of plan assets		(2,082)	(2,163)
Actuarial losses to be recognized in later periods		(5)	(4,201)
		48,557	44,695

	December 2010	December 2009	June 2009	June 2008	June 2007
	Rupees in 000				
Present value of defined benefit obligation	50,644	51,059	47,107	29,616	76,631
Fair value of plan assets	(2,082)	(2,163)	(2,163)	(2,163)	(2,162)
Surplus / (Deficit) in the plan	48,562	48,896	44,944	27,453	74,469
Unrecognised actuarial (loss) / gain	(5)	(4,201)	(3,323)	10,287	8,267
Liability in balance sheet	48,557	44,695	41,621	37,740	82,736
Experience adjustment arising on plan liabilities (gains) / losses	(4,537)	749	12,580	4,054	11,281
Experience adjustment arising on plan assets losses	(341)	(130)	(216)	(216)	(237)

17.2 Deferred taxation

Deferred tax asset works out to Rs. 135.43 million. However, it is likely that the income of the Company will be taxable based on tunrover tax and under final tax regime in future. As a matter of prudence, deferred tax asset is not recognized.

Notes to the Financial Statements
For the year ended December 31, 2010

	Note	2010	2009
		Rupees in 000	
18. TRADE AND OTHER PAYABLES			
Creditors		22,400	34,741
Accrued expenses		30,410	28,914
Gratuity payable to ex staff		6,104	8,307
Advance from customers and others		3,770	12,345
Unclaimed dividend		21,058	20,698
Due to Islamic Development Bank	18.1	25,960	25,960
Deposits	18.2	719	740
Workers' welfare fund		1,705	-
Withholding tax		93	157
Others	18.3	8,146	6,468
		120,365	138,330

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 right to redeem. The merged entity had served notice to the Bank for redemption before the scheme of amalgamation and redemption reserve has been created.

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

18.3 These includes amount due to following related parties:

	2010	2009
	Rupees in 000	
Sach International (Private) Limited	275	-
Dawood Corporation (Private) Limited	155	155
The Dawood Foundation	9	173
Central Insurance Company Limited	8	277

19. CONTINGENCIES AND COMMITMENTS

19.1 Contingencies

The Taxation Officer while making assessments for the tax years 2003 to 2005, had made additions on account of allocation of expenses between the normal and presumptive income and disallowance of expenses against the operating income of the Company of Rs. 136.10 million, made errors in allowing expenses relating to gratuity, lease rentals, employee perquisites, utilities of Rs. 29.34 million etc. The Company preferred appeals before CIT (Appeals) and Income Tax Appellate Tribunal. The Company has also applied for the rectification of different mistakes in assessment orders for the tax years 2004 amounting to Rs 5.53 million, and against calculation of minimum tax and adjustment of brought forward losses amounting to Rs 20.92 million and Rs. 20.62 million in which decision of Tribunal is awaited . The tax impact of all the cases amount to Rs. 91.56 million.

The Company obtained a bank guarantee in favour of Alternate Energy Development Board (AEDB) on behalf of Tenaga Generasi Limited (the subsidiary Company) for US$ 50,000 (December 31, 2009: US$ 25,000). The guarantee is valid upto February 2011.

The Company is contingently liable against the guarantees and the counter guarantees amounting to Rs 64.37 million (December 31, 2009: Rs. 64.16 million). These are secured against margins and investment in NIT units.

Notes to the Financial Statements

For the year ended December 31, 2010

19.2 Commitments

The Company has commitments against letters of credit for purchases amounting to Rs. 42.44 million (December, 2009: Rs. 37.33 million).

The Company has commitment to supply to one of its customers fabric amounting to Rs. 16.79 million (December 31 , 2009: Rs. 69.78 million).

	Note	2010	For six months ended December 31, 2009
		Rupees in 000	
20. SALES - NET			
Fabric		387,208	208,885
Yarn		6,055	7,957
Waste		3,805	2,738
		397,068	219,580
Less: brokerage, commission and discount		(4,704)	(1,827)
		392,364	217,753
Related to discontinued operations			
Fabric		11,502	24,212
Waste		-	176
		(11,502)	(24,388)
		380,862	193,365
21. COST OF GOODS SOLD			
Raw material consumed	21.1	122,362	56,983
Salaries, wages and allowances	21.2	96,171	45,738
Electricity, gas and water		61,869	24,493
Stores and spares consumed	21.3	24,289	15,362
Depreciation		4,395	2,298
Insurance		1,532	660
Repairs and maintenance		305	454
Workers' canteen		1,251	591
Travelling and conveyance		2,078	869
Postage and telephone		339	140
Other manufacturing overheads		1,139	428
		315,730	148,016
Work in process			
Opening balance		100,605	81,864
Closing balance		(87,127)	(100,605)
		13,478	(18,741)
Cost of goods manufactured		329,208	129,275
Finished goods			
Opening balance		121,057	152,990
Closing balance		(109,833)	(121,057)
		11,224	31,933
Cost of goods sold		340,432	161,208
Related to discontinued operations		(10,226)	(20,767)
		330,206	140,441

Notes to the Financial Statements

For the year ended December 31, 2010

		2010	For six months ended December 31, 2009
		Rupees in 000	
21.1	**Raw material consumed**		
	At Jan 01,	4,938	14,651
	Purchases and purchase expenses	126,542	47,270
		131,480	61,921
	At Dec 31,	(9,118)	(4,938)
		122,362	56,983

21.2 Staff salaries and benefits include Rs.5.3 million (2009 : Rs. 3.3 million) in respect of the staff retirement benefits.

		2010	2009
21.3	**Stores and spares consumed**		
	At Jan 01,	50,635	50,389
	Purchases and purchase expenses	38,437	15,608
		89,072	65,997
	At Dec 31,	(64,783)	(50,635)
		24,289	15,362

22. OTHER OPERATING INCOME

	2010	2009
Income from financial assets		
Dividend Income		
Dawood Hercules Chemicals Limited	95,644	53,134
Sui Southern Gas Company Limited	83	-
National Investment Trust Limited	450	650
	96,177	53,784
Profit on deposits	1,321	795
Capital gain on sale of investments		
- available for sale	22,335	-
- held for trading	6,425	-
Unrealized gain on short term investments	28,269	1,794
	58,350	2,589
Income from non financial assets		
Profit on sale of property, plant and equipment	1,363	-
Profit on sale of assets classified as held for sale	15	-
Interest on security deposits	344	-
Sundry sales and receipts	7,671	473
Insurance claim	5,600	-
Other income	1,450	2,868
Liabilities written back	328	-
Reversal of provision for doubt full debts	-	335
	171,298	60,049
Related to discontinued operations	(13,149)	(1,975)
	158,149	58,074

Notes to the Financial Statements

For the year ended December 31, 2010

		Note	2010	For six months ended December 31, 2009
			Rupees in 000	
23.	SELLING AND DISTRIBUTION			
	Salaries and allowances	23.1	6,319	2,414
	Sales promotion expenses		1,517	110
	Storage and forwarding		932	433
	Depreciation		584	135
	Conveyance and travelling		500	80
	Rent, rates and taxes		401	930
	Printing and stationery		395	427
	Repairs and maintenance		153	104
	Freight and insurance		147	285
	Advertisement		136	419
	Postage and telephone		111	24
	Entertainment		88	23
	Electricity and gas		62	163
	Miscellaneous		4	8
			11,349	5,555

23.1 This includes staff retirement benefits of Rs. 1.1 million (December 31, 2009: Rs. 0.1 million)

		Note	2010	2009
24.	ADMINISTRATIVE EXPENSES			
	Salaries and allowances	24.1	53,524	23,476
	Printing and stationery		1,636	999
	Rent, rates and taxes		6,006	3,721
	Electricity and gas		6,220	5,828
	Conveyance and travelling		3,028	1,770
	Postage and telephone		2,053	896
	Insurance		2,741	1,456
	Repairs and maintenance		1,241	414
	Legal and professional		3,497	2,161
	Auditors' remuneration	24.2	466	352
	Fees and subscription		2,753	874
	Advertisement		-	84
	Entertainment		623	226
	Workers' welfare fund		1,705	-
	Depreciation		4,221	1,991
	Amortization		371	220
	Miscellaneous expenses		994	472
			91,079	44,940
	Related to discontinued operations		(39,692)	(28,173)
			51,387	16,767

Notes to the Financial Statements

For the year ended December 31, 2010

24.1 Staff salaries and benefits include Rs.2.9 million (2009 : Rs. 0.4 million) in respect of the staff retirement benefits.

		2010	For six months ended December 31, 2009
		Rupees in 000	
24.2	Auditors' remuneration		
	Annual audit fee	300	210
	Audit fee of consolidated financial statements	40	40
	Half yearly review and other certification fee	126	102
		466	352
25.	FINANCE COST		
	Bank charges	1,643	166
	Zakat	51	50
		1,694	216
	Related to discontinued operations	(458)	(62)
		1,236	154
26.	PROVISIONS		
	Stores and spares	15,351	1,760
	Stock in trade	7,307	921
	Debtors	3,346	-
	Sales tax refundable	8,128	-
		34,132	2,681
	Related to discontinued operations	(14,727)	-
		19,405	2,681
27.	PROVISION FOR TAXATION		
	Current		
	or the year	13,542	1,089
	for prior years	10,519	-
		24,061	1,089

27.1 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) tax on dividend income under section 5 of the Income Tax Ordinance, 2001.

Notes to the Financial Statements

For the year ended December 31, 2010

		Note	2010	For six months ended December 31, 2009
			Rupees in 000	
28.	**LOSS FROM DISCONTINUED OPERATIONS**			
	Sales - net		11,502	24,388
	Cost of goods sold	28.1	(10,226)	(20,767)
	Gross profit		1,276	3,621
	Other Income		13,149	1,975
	Administrative expenses		(39,692)	(28,173)
	Provisions		(14,727)	-
	Finance cost		(458)	(62)
	Net loss from discontinuing operations		(40,452)	(22,639)
28.1	**Cost of good sold**			
	Raw material			
	Opening inventory		71	71
	Less: closing inventory		(71)	(71)
	Raw materials consumed		-	-
	Add: opening inventory of finished goods		20,284	41,051
	Less: closing inventory of finished goods		(10,058)	(20,284)
	Cost of good sold		10,226	20,767

29. EARNINGS PER SHARE

- Basic & diluted

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

29.1	**Continuing operations**			
	Profit / (loss) after taxation	Rs.	99,955,881	(85,426,661)
	Weighted average number of ordinary shares outstanding during the year		51,354,660	51,354,660
	Earnings per share	Rs.	1.95	(1.66)
29.2	**Discontinued operations**			
	Loss after taxation	Rs.	40,451,754	(22,638,624)
	Weighted average number of ordinary shares outstanding during the year		51,354,660	51,354,660
	Earnings per share	Rs.	(0.79)	(0.44)

Notes to the Financial Statements
For the year ended December 31, 2010

30. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

	2010		For six months ended December 31, 2009	
	Chief Executive	Executives	Chief Executive	Executives
	Rupees in 000			
Remuneration	1,669	5,553	556	3,059
House rent allowance	835	1,681	278	1,201
Utilities	417	482	139	408
Retirement benefits	348	120	46	128
Other allowance	778	2,104	244	1,098
	4,047	9,940	1,263	5,894
No. of person	1	6	1	5

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

31. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of a subsidiary and associated undertakings, other related group companies, directors of the Company and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties, directors and key management personnels are shown under respective notes 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	2010	For six months ended December 31, 2009
		Rupees in 000	
a. Subsidiary company			
Tenaga Generasi Limited	Subscription of ordinary shares	30,409	8,313
	Reimbursement of expenses	4,390	-
b. Associated company			
Dawood Hercules Chemicals Limited	Dividend income	95,644	53,135
Sach International (Private) Limited	Sale of cloth	28,968	2,419
Central Insurance Company Limited	Premium paid	3,201	4,184
c. Other related parties			
Sui Northern Gas Pipelines Limited	Payment of utility charges	23,342	9,681
The Dawood Foundation	Rental charges	6,353	2,955

Notes to the Financial Statements
For the year ended December 31, 2010

32. FINANCIAL RISK MANAGEMENT

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

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

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

32.1 Credit risk and concentration of credit risk

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

Out of the total financial assets of Rs. 1,125.1 million (2009: Rs. 555.7 million), the financial assets which are subject to credit risk amounted to Rs. 1,124.0 million (2009: Rs. 554.6 million).

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

32.1.1 Credit risk related to receivables

Company only deals in local sales. Customer credit risk is managed by business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Company mainly deals with customers of high credit rating based on its internal assessment, taking into 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, 2010, the Company had approximately 186 customers (2009:169 customers) that owed Rs. 69.76 million (2009: Rs. 43.75 million). There were 3 customers (2009:1 customers) with balances greater than Rs. 5 million accounting for over 34% (2009: 21%) of trade debts.

32.1.2 Credit risk related to financial instruments and cash deposits

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

The credit risk on liquid funds (cash and bank balances) is limited because the counter parties are banks with a reasonably high credit rating. The names and credit rating of major banks as at January 01, 2011, where the Company maintains its major bank balances are as follows:

Notes to the Financial Statements
For the year ended December 31, 2010

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

32.2 Liquidity risk

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

The Company is not materially exposed to liquidity risk as the Company is already surplus of funds. The contractual obligations to the Company amounts to Rs. 120.4 million (2009: Rs. 138.3 million) are against the currents assets of Rs. 937.3 million (2009: 192.9 million).

32.3 Market risk management

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

32.3.1 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.

32.3.2 Foreign exchange risk management

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

At June 30, 2010, considering the total outstanding exposure in foreign currency, if the Rupee had weakened / strengthened by 5% against the US dollar with all other variables held constant, profit for the year would have been higher / lower by Rs. 1.10 million (2009: Rs. 1.7 million), mainly as a result of foreign exchange gains / losses on translation of foreign currency import loans.

32.3.3 Equity price risk management

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

Notes to the Financial Statements
For the year ended December 31, 2010

At the balance sheet date, the exposure to listed units of mutual funds at fair value is Rs. 754.49 million (2009: Rs. 121.79 million). A decrease / increase of 5% in the net asset value per unit would have an impact of approximately Rs. 37.72 million (2009: Rs. 6.09 million) on the income of the Company, depending on whether or not the decline is significant and prolonged.

At the balance sheet date, the exposure to listed equity securities at fair value is Rs. 9.55 million (2009: Rs. 215.15 million). A decrease / increase of 5% on the KSE market index would have an impact of approximately Rs. 0.478 million (2009: Rs. 10.76 million) on the other comprehensive income of the Company, depending on whether or not the decline is significant and prolonged . In addition the Company has exposure of Rs. 100.53 million (2009: Rs. 70.12 million) to unlisted equity securities of a wholly owned subsidiary and in listed equity securities carried at cost as investment in associate of Rs. 65.29 million (2009: Rs. 65.29 million) having fair value of Rs. 3,864 million (2009: Rs. 3,185 million) are held for strategic rather than trading purpose. The Company does not actively trade in these securities. A decrease / increase of 5% on the KSE market index would have an impact of approximately Rs. 193.20 million (2009: Rs. 159.25 million) on the fair value of these listed equity securites.

32.4 Determination of fair values

32.4.1 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.

32.5 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, 2010				
Long term investments	-	175,391	-	175,391
Long term deposits	10,544	-	-	10,544
Trade debtors	69,763	-	-	69,763
Loans and advances	1,658	-	-	1,658
Deposits, prepayments and other receivables	88,842	-	-	88,842
Short term investments	-	-	754,487	754,487
Cash and bank balances	24,474	-	-	24,474
	195,281	175,391	754,487	1,125,159

Notes to the Financial Statements

For the year ended December 31, 2010

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

	Loan & advances	Available for sale	Fair value through profit or loss	Total
	Rupees in 000			
Assets as per balance sheet - December 31, 2009				
Long term investments	-	350,578	-	350,578
Long term deposits	9,403	-	-	9,403
Trade debtors	43,750	-	-	43,750
Loans and advances	1,111	-	-	1,111
Deposits, prepayments and other receivables	5,134	-	-	5,134
Short term investments	-	-	121,794	121,794
Cash and bank balances	23,881	-	-	23,881
	83,279	350,578	121,794	555,651

	At amortized cost	Total
	Rupees in 000	
Liabilities as per balance sheet - December 31, 2009		
Trade and other payables	138,330	138,330
	138,330	138,330

Notes to the Financial Statements
For the year ended December 31, 2010

32.6 **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	754,487	-	-	754,487
	754,487	-	-	754,487
Available for sale				
Long term investments	74,863	100,528	-	175,391
	74,863	100,528	-	175,391
Loan & advances				
Long term deposits	-	10,544	-	10,544
Trade debtors	-	69,763	-	69,763
Loans and advances	-	70,683	-	70,683
Deposits, prepayments and other receivables	-	88,843	-	88,843
	-	239,833	-	239,833
Financial liabilities at fair value through profit or loss				
Trade and other payables	-	120,365	-	120,365
	-	120,365	-	120,365

Notes to the Financial Statements
For the year ended December 31, 2010

33. CAPITAL RISK MANAGEMENT

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

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

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

34. PLANT CAPACITY AND ACTUAL PRODUCTION

	Unit	December 31, 2010		December 31, 2009 (Six Months)	
		Capacity	Actual	Capacity	Actual
Yarn	Kgs.	358,000	170,000	179,000	93,000
Cloth	Meters	754,000	664,000	377,000	307,000

The main reason for low production is due to lower market demand.

35. CORRESPONDING FIGURES

Certain corresponding figures have been reclassified / rearranged for the purpose of better presentation. The summary of material reclassification are as follows:

Note	Reclassification		Nature	Rupees in 000
	From	To		
11 & 12	Deposits, prepayments and others	Loans and advances	Reclassification of advance tax	76,689

36. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on March 15, 2011 by the Board of Directors of the Company.

37. GENERAL

Figures have been rounded off to the nearest thousand rupees.

ISAR AHMAD
Chairman

INAM UR RAHMAN
Chief Executive

Consolidated Financial Statements

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 as at December 31, 2010 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. The financial statements are the responsibility of the Holding Company's management. 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.

In our opinion the consolidated financial statements present fairly the financial position of Dawood Lawrencepur Limited and its subsidiary company as at December 31, 2010 and the results of their operations for the year then ended.

The consolidated financial statements of the Holding Company for the period ended December 31, 2009 were audited by another firm of Chartered Accountants who expressed an unqualified opinion on those financial statements vide their report dated March 25, 2010.

M. Yousuf Adil Saleem & Co.
Chartered Accountants

Engagement Partner
Mushtaq Ali Hirani

Karachi
Dated: March 15, 2011

Consolidated Balance Sheet
As at December 31, 2010

	Note	2010	2009
		Rupees in 000	
ASSETS			
Non-current assets			
Property, plant and equipment	4	119,894	105,925
Intangible assets	5	23,575	23,945
		143,469	129,870
Long term investments	6	3,632,325	3,333,078
Long term deposits	7	10,544	9,403
		3,786,338	3,472,351
Current assets			
Stores and spares	8	49,119	48,875
Stock-in-trade	9	201,103	216,313
Trade debtors	10	69,763	43,750
Loans and advances	11	70,812	78,564
Deposits, prepayments and other receivables	12	93,402	17,235
Short term investments	13	761,362	121,794
Cash and bank balances	14	26,633	24,052
		1,272,194	550,583
Assets classified as held for sale	15	195,272	708,993
		5,253,804	4,731,927
SHARE CAPITAL AND RESERVES			
Share capital	16	513,547	513,547
Reserves		679,891	605,676
Unappropriated profit		3,872,669	3,418,223
		5,066,107	4,537,446
Non current liabilities			
Deferred liabilities - staff gratuity	17	48,557	44,695
Current liabilities			
Trade and other payables	18	125,549	139,375
Provision for taxation		13,591	10,411
		139,140	149,786
		5,253,804	4,731,927
CONTINGENCIES AND COMMITMENTS	19		

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

ISAR AHMAD	INAM UR RAHMAN
Chairman	Chief Executive

Consolidated Profit and Loss Account

For the year ended December 31, 2010

	Note	2010	For six months ended December 31, 2009
		Rupees in 000	
CONTINUING OPERATIONS			
Sales - net	20	380,862	193,365
Cost of goods sold	21	(330,206)	(140,441)
Gross profit		50,656	52,924
Other operating income	22	63,380	4,940
Selling and distribution	23	(11,349)	(5,555)
Administrative expenses	24	(63,118)	(20,299)
Finance cost	25	(1,313)	(155)
Provisions	26	(19,405)	(2,681)
Impairment loss on 'available for sale' investments			
Holding company		(1,411)	(170,178)
Associated company		-	(365,025)
		(96,596)	(563,893)
Share of profit from associates excluding impairment loss on 'available for sale' investments		664,164	290,211
Profit / (Loss) before taxation		681,604	(215,818)
Provision for taxation	27	(161,029)	(86,200)
Profit / (Loss) after taxation from continuing operations		520,575	(302,018)
DISCONTINUED OPERATIONS			
Loss from discontinued operations	28	(40,452)	(22,639)
Profit / (loss) for the year / period		480,123	(324,657)
Earnings per share - Basic & diluted Continued operations (Rs.)	29	10.14	(5.88)
Earnings per share - Basic & diluted Discontinued operations (Rs.)	29	(0.79)	(0.44)

Comparative information is presented for six months only as explained in note (1.3) to the financial statements.

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

ISAR AHMAD
Chairman

INAM UR RAHMAN
Chief Executive

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2010

	2010	For six months ended December 31, 2009
	Rupees in 000	
Profit / (loss) after taxation	480,123	(324,657)
Other comprehensive income		
Surplus on remeasurement of 'available for sale investments'		
- holding company	972	112,303
- associate company	73,243	248,754
Total comprehensive income / (loss)	554,338	36,400

Comparative information is presented for six months only as explained in note (1.3) to the financial statements.

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

ISAR AHMAD
Chairman

INAM UR RAHMAN
Chief Executive

Consolidated Cash Flow Statement

For the year ended December 31, 2010

	For the year ended December 31, 2010			For the six months ended December 31, 2009		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	Rupees in 000					
A. CASH FLOWS FROM OPERATING ACTIVITIES						
Profit / (loss) before taxation	681,694	(40,452)	641,152	(215,818)	(22,639)	(238,457)
Adjustments for :						
Depreciation	6,829	3,008	9,837	2,804	1,757	4,561
Amortization	124	247	371	73	147	220
Provision for gratuity	9,363	582	9,945	4,122	354	4,476
Provision against stock	4,688	2,619	7,307	921	-	921
Provision against stores and spares	13,904	1,447	15,351	1,760	-	1,760
Provision against sales tax refundable	-	8,128	8,128	-	-	-
Provision against trade debtors	812	2,534	3,346	-	-	-
Liability written back	-	-	-	(6,550)	-	(6,550)
Gain on disposal of property, plant and equipment	(201)	(1,162)	(1,363)	-	-	-
Gain on disposal of assets classified as held for sale	-	(15)	(15)	-	-	-
Impairment loss on 'available for sale investments'	1,411	-	1,411	170,178	-	170,178
Impairment loss on 'available for sale investments' in associate	-	-	-	365,025	-	365,025
Share of profit from associate	(664,164)	-	(664,164)	(290,211)	-	(290,211)
Dividend income	(533)	-	(533)	(650)	-	(650)
Insurance claim against held for sale assets	-	(5,600)	(5,600)	-	-	-
Gain on sale of long-term investments	(22,335)	-	(22,335)	-	-	-
Gain on sale of short-term investments	(6,918)	-	(6,918)	-	-	-
Unrealized gain on short-term investments	(28,651)	-	(28,651)	(1,794)	-	(1,794)
Finance cost	1,313	459	1,772	155	62	217
Operating (loss) / profit before working capital changes	(2,754)	(28,205)	(30,959)	30,015	(20,319)	9,696
(Increase) / decrease in current assets						
Stores and spares	(14,148)	23,860	9,712	1,514	-	1,514
Stock in trade	10,522	10,226	20,748	(8,179)	20,768	12,589
Trade debtors	(30,000)	641	(29,359)	(8,003)	267	(7,736)
Loans and advances	551	(404)	147	(1,322)	-	(1,322)
Deposits, prepayments and Other receivables	(6,227)	(78,068)	(84,295)	4,071	(2,082)	1,989
Increase/ (decerese) in current liabilities						
Trade and other payables	(7,000)	(7,186)	(14,186)	15,888	(3,726)	12,162
	(46,302)	(50,931)	(97,233)	3,969	15,227	19,196
Cash (used in) / generated from operations	(49,056)	(79,136)	(128,192)	33,984	(5,092)	28,892
Financial charges paid	(1,313)	(459)	(1,772)	(155)	(62)	(217)
Gratuity paid	(6,083)	-	(6,083)	(1,402)	-	(1,402)
Tax paid	8,870	(22,195)	(13,325)	(1,372)	(5,476)	(6,848)
Net cash (used in) / generated from operating activities	(47,582)	(101,790)	(149,372)	31,055	(10,630)	20,425
B. CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of property, plant and equipment	(8,558)	(240)	(8,798)	(3,987)	-	(3,987)
Capital work in progress	(15,965)	-	(15,965)	(4,037)	-	(4,037)
Sale proceeds from disposal of property, plant and equipment	930	1,391	2,321	-	-	-
Sale proceeds from disposal of assets classified as held for sale	-	475,583	475,583	-	-	-
Proceeds from insurance claim	-	5,600	5,600	-	-	-
Short-term investments - net	(604,000)	-	(604,000)	(121,794)	-	(121,794)
Fund transfer from / (to) operations	381,231	(381,231)	-	(10,344)	10,344	-
Sale proceeds from disposal of investments	227,493	-	227,493	-	-	-
Dividend received	533	-	533	650	-	650
Dividend received from associate	95,644	-	95,644	53,135	-	53,135
Long term deposits	(262)	(879)	(1,141)	452	-	452
Net cash generated from / (used in) investing activities	77,046	100,224	177,270	(85,925)	10,344	(75,581)
C. CASH FLOWS FROM FINANCING ACTIVITIES						
Payment of dividend	(25,317)	-	(25,317)	-	(34)	(34)
Net cash used in financing activities	(25,317)	-	(25,317)	-	(34)	(34)
Net increase / (decrease) in cash and cash equivalent (A+B+C)	4,147	(1,566)	2,581	(54,870)	(320)	(55,190)
Cash and cash equivalent at beginning	21,073	2,979	24,052	75,943	3,299	79,242
Cash and cash equivalent at end	25,220	1,413	26,633	21,073	2,979	24,052

Comparative information is presented for six months only as explained in note (1.3) to the financial statements.

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

ISAR AHMAD
Chairman

INAM UR RAHMAN
Chief Executive

Consolidated Statement of Changes In Equity

For the year ended December 31, 2010

	Ordinary Shares	Capital Reservess				General Reserve	Unappropriated profit	Unrealized gain / (loss) on remeasurement of available for sale investments	Unrealized gain / (loss) on remeasurement of available for sale investments in associates	Total
		Merger Reserve	Share Premium	Capital Reserve	Capital Redemption reserve fund					
	Rupees in 000									
Balance at July 01, 2009	513,547	10,521	136,865	33,311	25,969	395,355	3,742,880	(108,648)	(248,754)	4,501,046
Loss for the period ended December 31, 2009	-	-	-	-	-	-	(324,657)	-	-	(324,657)
Other comprehansive income for the period ended December 31, 2009	-	-	-	-	-	-	-	112,303	248,754	361,057
Balance at December 31, 2009	513,547	10,521	136,865	33,311	25,969	395,355	3,418,223	3,655	-	4,537,446
Profit for the year ended December 31, 2010	-	-	-	-	-	-	480,123	-	-	480,123
Other comprehansive income for the year ended December 31, 2010	-	-	-	-	-	-	-	972	73,243	74,215
Interim cash dividend for the quarter ended March 31, 2010 @ Rs. 0.5 per share	-	-	-	-	-	-	(25,677)	-	-	(25,677)
Balance at December 31, 2010	513,547	10,521	136,865	33,311	25,969	395,355	3,872,669	4,627	73,243	5,066,107

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

ISAR AHMAD
Chairman

INAM UR RAHMAN
Chief Executive

Notes to the Consolidated Financial Statements

For the year ended December 31, 2010

1 GENERAL INFORMATION

1.1 Dawood Lawrencepur Limited, "the Holding Company" was incorporated in Pakistan in the year 2004 as a public limited company formed as a result of 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, Lawrencepur Woolen and Textile Mills Limited. The shares of the Holding Company are listed on the Karachi and Lahore Stock Exchanges. The Holding Company is principally engaged in the business of manufacture and sale of yarn and fabrics made from natural and man-made fibers and blends thereof. The registered office of the Holding Company is situated at 35-A, Shahrah-e-Abdul Hameed Bin Badees (Empress) Road, Lahore.

1.2 The Holding Company in the year 2008 closed its manufacturing unit located at Dawoodabad, Burewala, District Vehari. The assets (plant, machinery and current assets) relating to the closed down units 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'.

1.3 The Holding Company in 2009 adopted special tax year / financial year ending on December 31 with necessary permission from Commissioner of Income Tax. The audited figures are available for six months period ended December 31, 2009, which have been disclosed as comparatives.

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

2 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.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2010

2.3 Basis of consolidation

The consolidated financial statements include the financial statements of the Holding Company and the Subsidiary Company together constituting "the Group" 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 and expenses and profits and losses resulting from intra-group transactions are eliminated in full.

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

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

2.4 Functional and presentation currency

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

2.5 Critical accounting estimates and judgments

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

Useful life and depreciation rate of :

- Property, plant and equipment
- Intangible assets

Provision against stock in trade and stores and spares
Employees benefits
Taxation

Estimates and assumptions are reviewed on an ongoing basis. Revision of accounting estimates are recognized in the period of revision and in any future periods affected.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2010

2.6 Application of new and revised accounting standards

The following standards are effective from accounting periods on or after January 1, 2010 and are applicable to the Group from the current financial year with no material effect on the financial statements.

Amendments to IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations

The amendments to IFRS 5 clarify that the disclosure requirements in IFRSs other than IFRS 5 do not apply to non-current assets (or disposal groups) classified as held for sale or discontinued operations unless those IFRSs require (i) specific disclosures in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations, or (ii) disclosures about measurement of assets and liabilities within a disposal group that are not within the scope of the measurement requirement of IFRS 5.

Amendments to IAS 1 Presentation of Financial Statements

The amendments to IAS 1 clarify that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or noncurrent.

This amendment has had no effect on the amounts reported because the Group has not issued instruments of this nature.

Amendments to IAS 7 - Statement of Cash Flows

The amendments (part of Improvements to IFRSs (2009) specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows. Consequently, any cash flows in respect of items that do not qualify for recognition as an asset (and, therefore, are recognised in profit or loss as incurred) would be reclassified from investing to operating activities in the statement of cash flows and prior year amounts restated for consistent presentation.

IFRIC – 17 Distributions of Non-cash Assets to Owners

The amendment states that when a Group distributes non cash assets to its shareholders as dividend, the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognized in equity. When the non cash asset is distributed, the difference between the carrying amount and fair value is recognized in the income statement. As the Group does not distribute non-cash assets to its shareholders, this interpretation has no impact on the Group’s financial statements.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2010

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

The following revised standards, amendments to published standards and interpretations to existing standards with respect to approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below:

Standards or Interpretations	Effective Date (accounting periods beginning on or after)
Amendments to IFRS 1 - Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters	July 1, 2010
Amendments to IFRS 7 - Disclosures – Transfers of Financial Assets	July 1, 2011
IFRS 9 (as amended in 2010) - Financial Instruments	January 1, 2013
IAS 24 (revised in 2009) - Related Party Disclosures	January 1, 2011
Amendments to IAS 32 - Classification of Rights Issues	February 1, 2010
Amendments to IFRIC 14 - Prepayments of a Minimum Funding Requirement	January 1, 2011
IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments	July 1, 2010

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 costs of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item, if it is probable that the future economic benefits embodied within the part will flow to the 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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2010

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. Refer note 5.2.1 in respect of changes in accounting estimates with regard to the intangible assets.

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2010

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 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 in 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 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 the equity is included in 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 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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2010

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 emodying 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.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2010

3.8 Cash and cash equivalents

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

3.9 Non-current assets held for sale and discontinued operations

3.9.1 Non-current assets

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

3.9.2 Discontinued operations

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

3.10 Employees' retirement benefits

3.10.1 Defined contribution plan

A defined contribution plan is a post – employment benefit plan under which the Group pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in profit or loss when they are due. The Group operates defined contribution provident fund for its permanent employees of its Burewala Unit. Monthly contributions are made both by the Group and employees to the fund at the rate of 8.33% of basic salary.

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, 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 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 31st 2010, following significant assumptions were used for determining the gratuity liability.

Discount rate 13%
Expected rate of salary increase 12%
Expected rate of return on plan assets 12%
Average expected remaining life of employees 9 years

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

3.10.3 Compensated absences

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

3.11 Taxation

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

3.11.1 Current

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

3.11.2 Deferred

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

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

3.12 Revenue recognition

Revenue is 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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2010

3.12.1 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.

3.12.2 Interest income

Income from investments and deposits is recognized on accrual basis.

3.12.3 Dividend income

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

3.13 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 Pakistan Rupees at the exchange rates prevailing at the date of the transactions. Monetary assets and liabilities in foreign currencies are translated into Pakistan 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	**2010**	2009
		Rupees in 000	
4. PROPERTY AND EQUIPMENT			
Operating assets	4.1	**67,690**	65,805
Capital work in progress	4.2	**52,204**	40,120
		119,894	105,925

Notes to the Consolidated Financial Statements

For the year ended December 31, 2010

4.1 Property, plant and equipment

Particulars	Cost at January 01, 2010	Additions/ (disposals)	Cost at December 31, 2010	Accumulated depreciation at January 01, 2010	Depreciation/ (Disposals) for the year	Accumulated depreciation at December 31, 2010	Carrying value at December 31, 2010	Annual rate of depreciation %
	Rupees in 000							
Freehold land	3,157		3,157	-		-	3,157	-
Leasehold land	1,081		1,081	475	6	481	600	10
Building on freehold land	70,557		70,557	60,435	833	61,268	9,289	5-10
Building on leasehold land	54,414		54,414	38,556	1,554	40,110	14,304	10
Plant and machinery	284,794	90 (1,526)	283,358	268,091	3,346 (970)	270,467	12,891	20
Wind measuring equipment	-	3,881 -	3,881	-	388 -	388	3,493	10
Furniture, fixtures and office equipment	25,836	437	26,273	16,674	999	17,673	8,600	10
Computer equipment	3,466	1,672 (105)	5,033	2,032	691 (56)	2,667	2,366	33
Vehicles	25,125	6,600 (2,177)	29,548	16,362	2,020 (1,824)	16,558	12,990	20
2010	468,430	12,680 (3,808)	477,302	402,625	9,837 (2,850)	409,612	67,690	

- Non current assets of the Burewala unit with carrying value of Rs. 172.76 million are shown seperately under "Assets classified as held for sale", in accordance with IFRS-5.
- Property, plant and equipment includes total assets having carrying value of Rs. 24.07 million (2009: Rs.26.08 million) held as idle assets which relates to discontinued units.

For comparative year

Particulars	Cost at July 01, 2009	Additions	Cost at December 31, 2009	Accumulated depreciation at July 01, 2009	Depreciation for the year	Accumulated depreciation at December 31, 2009	Carrying value at December 31, 2009	Annual rate of depreciation %
	Rupees in 000							
Freehold land	3,157	-	3,157	-	-	-	3,157	-
Leasehold land	1,081	-	1,081	473	2	475	606	10
Building on freehold land	70,557	-	70,557	59,963	472	60,435	10,122	5-10
Building on leasehold land	54,414	-	54,414	37,738	818	38,556	15,858	10
Plant and machinery	284,794	-	284,794	266,131	1,960	268,091	16,703	20
Furniture, fixtures and office equipment	25,770	66	25,836	16,196	478	16,674	9,162	10
Computer equipment	3,261	205	3,466	1,962	70	2,032	1,434	33
Vehicles	21,409	3,716	25,125	15,602	760	16,362	8,763	20
2009	464,443	3,987	468,430	398,065	4,560	402,625	65,805	

Non current assets of the following units, are shown seperately under "Assets classified as held for sale", in accordance with IFRS-5.

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

4.1.1 The Company is in the process of transferring Land having carrying value of Rs 3.76 million (2009: Rs 3.76 million) and building having carrying value of Rs 23.60 million (2009: 25.98 million) in its own name which is being currently held in the name of the merged entities.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2010

	Note	2010	2009
		Rupees in 000	

4.1.2 Depreciation for the year has been allocated as under:

	Note	2010	2009
Cost of goods sold	21	4,395	2,298
Selling expenses	23	584	135
Administrative expenses	24	4,858	2,127
		9,837	4,560

4.1.3 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 -----------------					
Plant and machinery	1,526	970	556	556	Agreement	Mr. Muhammad Ismail
Computer equipment	105	56	49	49	Negotiation	Dawood Hercules Chemicals Limited
Vehicle	104	82	22	240	Tender	Mr. Asif Asghar
Vehicle	429	309	120	321	Tender	Mr. Nooruddin
Vehicle	385	346	39	250	Tender	Mr. Asif Asghar
Vehicle	879	711	168	901	Tender	Mr. Adil Ashraf
Vehicle	48	44	4	4	Company policy	Mr. Altaf Moon
Vehicle	37	37	-	-	Agreement	Mr. Muhammad Ismail
Vehicle	295	295	-	-	Agreement	Mr. Muhammad
2010	3,808	2,850	958	2,321		
2009	-	-	-	-		

4.2 Capital work in progress

This represents cost incurred in respect of the following:

	2010	2009
	Rupees in 000	
Lease hold land	23,296	23,296
Survey and consulting charges	13,816	7,438
Professional fee	7,508	3,300
Traveling and boarding lodging	6,683	1,683
Soil investigations	147	147
Wind measuring equipment	-	3,881
Advances	754	375
	52,204	40,120

Notes to the Consolidated Financial Statements

For the year ended December 31, 2010

	Note	2010	2009
		Rupees in 000	
5. INTANGIBLE ASSETS			
Goodwill	5.1	22,834	22,834
Computer software	5.2	741	1,111
		23,575	23,945

5.1 Goodwill

During the year 2008 the company acquired 100% shareholding of Tenaga Generasi Limited (TGL). TGL was incorporated as an unlisted public company under the provisions of Companies Ordinance 1984. TGL is incorporated to set up a Wind Energy Farm. The Company has Generation License of 50 MW Wind Energy Farm.

TGL is in the initial stages of setting up of a Wind Energy Farm. TGL has been allocated land by Alternative Energy Development Board (AEDB). The acquired business has no operating income during the year except for expenditure incurred amounted to Rs. 10.98 million (2009: Rs. 3.53 million)

The business combination with TGL has been accounted for by applying the purchase method. The cost of the acquisition has been measured at the fair value of equity instruments issued at the date of exchange plus cost directly attributable to acquisition. Identified assets acquired, liabilities (including contingent liabilities) assumed or incurred have been carried at the fair value at the acquisition date. The excess cost of acquisition over the fair value of identifiable net assets acquired has been recorded as goodwill in the financial statements of the Company.

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2010

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

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

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

	Note	2010	2009
		Rupees in 000	
5.2 Computer software			
Cost		**2,380**	2,380
Amortization			
Balance as on Jan 1		**1,269**	1,049
Charge for the year / period		**370**	220
Balance as on Dec 31		**1,639**	1,268
Carrying amount		**741**	1,112
Rate of amortization (%)		**33.33%**	33.00%

5.2.1 Previously the software was being amortized at the rate of 33% using reducing balance method. Effective from current year, the Company has started charging depreciation at the rate of 33.33% using straight line method. The change has been made to better reflect the pattern in which economic benefits of the computer software are consumed by the Company. The above change has been accounted for as change in accounting estimates in accordance with the requirements of International Accounting Standards (IAS) - 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Had the Company not made the above referred change in the accounting estimate, profit for the year would have negligible financial impact.

	Note	2010	2009
		Rupees in 000	
6. LONG TERM INVESTMENTS			
Investment in associated company	6.1	**3,622,756**	3,117,912
Other investments	6.2	**9,569**	215,166
		3,632,325	3,333,078

Notes to the Consolidated Financial Statements

For the year ended December 31, 2010

		2010	2009
		Rupees in 000	
6.1	**Investment in associated company**		
	Associated Company - quoted		
	Dawood Hercules Chemicals Limited (DHCL)		
	Percentage holding 16.19% (December 31, 2009: 16.19%)		
	19,482,975 (December 31, 2009: 17,711,795) fully paid ordinary shares of Rs. 10/- each	65,294	65,294
	Market value Rs. 3.864 billion(December 31, 2009: Rs 3.185 billion) Chief Executive Officer: Mr. Isar Ahmad	65,294	65,294
	Opening balance		
	Share of post-acquisition profits	3,052,618	3,265,678
	Share of unrealised deficit on 'available for sale investments'	-	(248,754)
		3,052,618	3,016,924
	Add: share of profit	664,164	290,211
	share of unrealised surplus on 'available for sale investments'	73,243	248,754
	Less: share of taxation	(136,919)	(85,111)
	impairment loss on 'available for sale investments'	-	(365,025)
		3,653,106	3,105,753
	Less: dividend received	(95,644)	(53,135)
		3,622,756	3,117,912

6.1.1 The financial year end of DHCL is December 31, 2010. Financial results as of September 30, 2010 have been used for the purpose of application of equity method.

6.1.2 Summarised financial information of DHCL is as follows:

	2010	2009
	Rupees in 000	
Total assets	30,726,354	30,369,778
Total liabilities	8,568,291	11,075,275
Revenue 12 months from 01 October, 2009 till 30 September, 2010 (6 months from 01 April to 30 September 2009)	9,705,928	5,601,950
Profit after taxation 12 months from 01 October, 2009 till 30 September, 2010 (6 months from 01 April to 30 September 2009)	872,955	153,243

Notes to the Consolidated Financial Statements

For the year ended December 31, 2010

6.1.3 The holding Company holds less then 20% of the voting power in DHCL, however due to representation of its Directors on the Board of Directors of DHCL and participation in policy making processes including participation in decisions about dividends or other distributions it has significant influence over DHCL.

6.2 Other investments - Available for sale investments

2010	2009	Name of Investee	2010	2009
No. of Shares / Units			Rupees in 000	
Listed Securities				
69,137	69,137	Sui Southern Gas Company Limited	1,481	743
200,000	200,000	National Investment Trust Limited	6,284	6,050
801,900	801,900	Southern Electric Company Limited	1,788	3,200
Nil	8,272,470	Sui Northern Gas Pipelines Limited	-	205,157
			9,553	215,150
Un-Listed Securities				
795,000	795,000	Karnaphuli Paper Mills Limited	-	-
100	100	Mianwali Central Co-operative Bank Limited	1	1
1,500	1,500	Asian Co-operative Society Limited	15	15
			16	16
			9,569	215,166

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

	2010	2009
Fair value of investments	9,569	215,166
Gain on remeasurement of investment recognized in equity	(4,627)	(3,655)
Impairment loss charged to profit and loss account		
- for the year	1,411	170,178
- in prior years	10,713	115,616
	7,497	282,139
Cost of investments	17,066	497,305

7. LONG TERM DEPOSITS

	2010	2009
Electricity and gas deposits	9,019	8,561
Others	1,525	842
	10,544	9,403

8. STORES AND SPARES

	2010	2009
Stores	36,200	25,458
Spares	32,053	28,647
	68,253	54,105
Provision for slow moving and obsolete items	(19,134)	(5,230)
	49,119	48,875

Notes to the Consolidated Financial Statements

For the year ended December 31, 2010

		Note	2010	2009
			Rupees in 000	
9.	STOCK IN TRADE			
	Raw material		11,566	7,567
	Work in process		88375	101,853
	Finished goods		105,393	106,390
			205,334	215,810
	Raw material in transit		10,763	10,809
			216,097	226,619
	Provision for slow moving and obsolete items		(14,994)	(10,306)
			201,103	216,313
9.1	Provision for slow moving and obsolete items			
	Raw material		4,915	3,440
	Work in process		3,259	1,248
	Finished goods		6,820	5,618
			14,994	10,306
10.	TRADE DEBTORS			
	Unsecured			
	Considered good		69,763	43,750
	Considered doubtful		23,060	19,714
			92,823	63,464
	Provision against doubtful receivable	10.1	(23,060)	(19,714)
			69,763	43,750
10.1	Movement in provision for doubtful debt			
	Opening balance		19,714	20,049
	Provision made during the year		3,346	-
	Written off / adjustment during the year		-	(335)
	Closing balance		23,060	19,714

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

	Amount Outstanding	Maximum month end balance
	Rupees in 000	
December 31, 2010		
Sach International (Private) Limited	6,788	17,492
December 31, 2009		
Sach International (Private) Limited	321	2,609

Notes to the Consolidated Financial Statements
For the year ended December 31, 2010

	Note	2010	2009
		Rupees in 000	
11. LOANS AND ADVANCES			
Unsecured			
Considered good			
Income tax	11.1	69,090	76,695
Loans and advances to employees		877	1,049
Advances to suppliers and others		845	820
		70,812	78,564
11.1 Income tax			
Advance		90,599	76,695
Prior years adjustment		(21,509)	-
		69,090	76,695
12. DEPOSIT, PREPAYMENTS AND OTHER RECEIVABLES			
Security deposits		386	1,825
Prepayments		2,134	3,001
Letters of credit		1,053	601
Receivable against disposal of held for sale assets		86,500	-
Sales tax	12.1	3,324	11,302
Others	12.2	5	506
		93,402	17,235
12.1 Sales tax			
Sales tax		11,452	11,302
Provision against doubtful receivable		(8,128)	-
		3,324	11,302

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

	Amount Outstanding	Maximum month end balance
	Rupees in 000	
December 31, 2010		
Dawood Hercules Chemicals Limited	5	5,033
December 31, 2009		
Sach International (Private) Limited	438	5,119
Dawood Hercules Chemicals Limited	68	884

Notes to the Consolidated Financial Statements

For the year ended December 31, 2010

		Note	2010	2009
			Rupees in 000	
13.	SHORT TERM INVESTMENTS			
	Held for trading at fair value through Profit or Loss	13.1	761,362	121,794

Held for trading at fair value through Profit or Loss

2010	2009	Name of Investee	2010	2009
No. of Units			Rupees in 000	
4,906,434	2,320,760	Meezan Cash Fund	245,518	121,794
2,690,456	Nil	UBL Liquidity Plus Fund - Class - C	269,575	-
2,409,499	Nil	MCB Cash Management Optimizer	246,269	-
			761,362	121,794

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

	2010	2009
Fair value of investments	761,362	121,794
Unrealized gain on remeasurement of investment recognised in profit or loss account		
- for the year	28,651	1,794
- in prior years	1,794	
	(30,445)	(1,794)
Cost of investments	730,917	120,000

		Note	2010	2009
14.	CASH AND BANK BALANCES			
	Cash in hand		1,118	1,058
	Cash at banks			
	In current accounts		8,901	18,941
	In deposit accounts	14.1	16,614	4,053
			25,515	22,994
			26,633	24,052

14.1 These represent deposits with commercial banks and carry profit at the rate of 5% (December 31, 2009: 5%) per annum.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2010

	Note	2010	2009
		Rupees in 000	

15. ASSETS CLASSIFIED AS HELD FOR SALE

	Note	2010	2009
Property, plant and equipment	15.1	172,762	648,330
Stock-in-trade		11,946	38,823
Stores and spares		16,447	40,307
		201,155	727,460
Provision for slow moving and obsolescence on stock in trade and stores & spares	15.2	(5,883)	(18,467)
		195,272	708,993

15.1 Plant and equipments

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

For comparative year

Particulars	Cost at July 01, 2009	Additions/ (disposals)	Cost at December 31, 2009	Accumulated depreciation at July 01, 2009	Impairment/ (disposal) for the period	Accumulated depreciation at December 31, 2009	Carrying value at December 31, 2009
	Rupees in 000						
Plant and machinery	1,296,452	-	1,296,452	654,001	-	654,001	642,451
Furniture, fixtures and office equipment	1,169	-	1,169	1,063	-	1,063	106
Electric installations	36,712	-	36,712	31,685	-	31,685	5,027
Tools and equipment	2,893	-	2,893	2,147	-	2,147	746
	1,337,226	-	1,337,226	688,896	-	688,896	648,330

15.1.1 During the year Company disposed off all of its plant and equipments classified as held for sale of two of its discontinued units at Landhi, Karachi. Remaining assets under held for sale relate to Burewala unit for which approval of disposal from the Board of Directors has already been obtained during the year and after approval of the same from the shareholders in 2011, management of the Company will dispose off the remaining assets.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2010

		2010	2009
		Rupees in 000	
15.2	Movement in slow moving / obsolescence on stock in trade and stores & spares		
	Opening balance	18,467	18,467
	Provision made during the year	4,066	-
	Provision written off against stock in trade	(16,650)	-
	Closing balance	5,883	18,467

16. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

16.1 Authorized capital

2010	2009			
Number of Shares				
75,000,000	55,000,000	Ordinary shares of Rs.10/- each	750,000	550,000

16.2 Issued, subscribed and paid up capital

2010	2009			
Number 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
36,345,540	36,345,540	Fully paid as bonus	363,456	363,456
51,354,660	51,354,660		513,547	513,547

16.2.1 Associates holding of the Companys' share capital are as under:

Dawood Corporation (Private) Limited	25,195,651	25,195,651
Patek (Private) Limited	3,045,117	3,045,117
Central Insurance Company Limited	2,795,735	2,853,778
Pebbles (Private) Limited	596,277	596,277
Dawood Industries (Private) Limited	105,959	105,749
Sach International (Private) Limited	3,284	3,284
	31,742,023	31,799,856

Notes to the Consolidated Financial Statements
For the year ended December 31, 2010

	Note	2010	2009
		Rupees in 000	
17. DEFERRED LIABILITIES			
Gratuity	17.1	48,557	44,695
Deferred taxation	17.2	-	-
		48,557	44,695

17.1 Movement in the liability recognized in the balance sheet

	2010	2009
Opening balance	44,695	41,621
Net charge for the year	9,945	4,476
	54,640	46,097
Payments made during the year / period	(6,083)	(1,402)
Closing balance	48,557	44,695

17.1.1 Charge for defined benefit plan

	2010	2009
Current service cost	4,078	1,779
Interest cost	6,127	2,827
Return on plan assets	(260)	(130)
	9,945	4,476

17.1.2 Reconciliation

	2010	2009
Present value of defined benefit obligation	50,644	51,059
Fair value of plan assets	(2,082)	(2,163)
Actuarial losses to be recognized in later periods	(5)	(4,201)
	48,557	44,695

	December 2010	December 2009	June 2009	June 2008	June 2007
			Rupees in 000		
Present value of defined benefit obligation	50,644	51,059	47,107	29,616	76,631
Fair value of plan assets	(2,082)	(2,163)	(2,163)	(2,163)	(2,162)
Surplus /(Deficit) in the plan	48,562	48,896	44,944	27,453	74,469
Unrecognised actuarial (loss) / gain	(5)	(4,201)	(3,323)	10,287	8,267
Liability in balance sheet	48,557	44,695	41,621	37,740	82,736
Experience adjustment arising on plan liabilities (gains) / losses	(4,537)	749	12,580	4,054	11,281
Experience adjustment arising on plan assets losses	(341)	(130)	(216)	(216)	(237)

17.2 Deferred taxation

Deferred tax asset works out to Rs. 135.43 million. However, it is likely that the income of the Company will be taxable based on tunrover tax and under final tax regime in future. As a matter of prudence, deferred tax asset is not recognized.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2010

	Note	2010	2009
		Rupees in 000	
18. TRADE AND OTHER PAYABLES			
Creditors		22,400	34,741
Accrued expenses		35,595	29,570
Gratuity payable to ex staff		6,104	8,307
Advance from customers and others		3,770	12,345
Unclaimed dividend		21,058	20,698
Due to Islamic Development Bank	18.1	25,960	25,960
Deposits	18.2	719	740
Workers' welfare fund		1,705	-
Withholding tax		92	157
Others	18.3	8,146	6,857
		125,549	139,375

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 right to redeem. The merged entity had served notice to the Bank for redemption before the scheme of amalgamation and redemption reserve has been created.

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

18.3 These includes amount due to following related parties

	2010	2009
	Rupees in 000	
Sach International (Private) Limited	275	-
Dawood Corporation (Private) Limited	155	155
The Dawood Foundation	9	173
Central Insurance Company Limited	8	277

19. CONTINGENCIES AND COMMITMENTS

19.1 Contingencies

The Taxation Officer while making assessments for the tax years 2003 to 2005, had made additions on account of allocation of expenses between the normal and presumptive income and disallowance of expenses against the operating income of the Holding Company of Rs. 136.10 million, made errors in allowing expenses relating to gratuity, lease rentals, employee perquisites, utilities of Rs. 29.34 million etc. The Holding Company preferred appeals before CIT (Appeals) and Income Tax Appellate Tribunal. The Holding Company has also applied for the rectification of different mistakes in assessment orders for the tax years 2004 amounting to Rs 5.53 million, and against calculation of minimum tax and adjustment of brought forward losses amounting to Rs 20.92 million and Rs. 20.62 million in which decision of Tribunal is awaited. The tax impact of all the cases amount to Rs. 91.56 million.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2010

The Holding Company obtained a bank guarantee in favour of Alternative Energy Development Board (AEDB) on behalf of Tenaga Generasi Limited (the subsidiary company) for US$ 50,000 (December 31, 2009: US$ 25,000). The guarantee is valid upto February 2011.
The Holding Company is contingently liable against the guarantees and the counter guarantees amounting to Rs 64.37 million (December 31, 2009: Rs. 64.16 million). These are secured against margins and investment in NIT units.

19.2 Commitments

The Holding Company has commitments against letters of credit for purchases amounting to Rs. 42.44 million (December, 2009: Rs. 37.33 million).

The Holding Company has commitment to supply to one of its customers fabric amounting to Rs. 16.79 million (December 31 , 2009: Rs. 69.78 million).

	2010	For six months ended December 31, 2009
	Rupees in 000	
20. SALES - NET		
Fabric	387,208	208,885
Yarn	6,055	7,957
Waste	3,805	2,738
	397,068	219,580
Less: brokerage, commission and discount	(4,704)	(1,827)
	392,364	217,753
Related to discontinued operations		
Fabric	11,502	24,212
Yarn	-	-
Waste	-	176
	(11,502)	(24,388)
	380,862	193,365

Notes to the Consolidated Financial Statements
For the year ended December 31, 2010

	Note	2010	For six months ended December 31, 2009
		Rupees in 000	
21. COST OF GOODS SOLD			
Raw material consumed	21.1	122,362	56,983
Salaries, wages and allowances	21.2	96,171	45,738
Electricity, gas and water		61,869	24,493
Stores and spares consumed	21.3	24,289	15,362
Depreciation		4,395	2,298
Insurance		1,532	660
Repairs and maintenance		305	454
Workers' canteen		1,251	591
Travelling and conveyance		2,078	869
Postage and telephone		339	140
Other manufacturing overheads		1,139	428
		315,730	148,016
Work-in-process			
Opening balance		100,605	81,864
Closing balance		(87,127)	(100,605)
		13,478	(18,741)
Cost of goods manufactured		329,208	129,275
Finished goods			
Opening balance		121,057	152,990
Closing balance		(109,833)	(121,057)
		11,224	31,933
Cost of goods sold		340,432	161,208
Related to discontinued operations		(10,226)	(20,767)
		330,206	140,441

21.1 Raw material consumed

At Jan 01,	4,938	14,651
Purchases and purchase expenses	126,542	47,270
	131,480	61,921
At Dec 31,	(9,118)	(4,938)
	122,362	56,983

21.2 Staff salaries and benefits include Rs.5.3 million (2009 : Rs. 3.3 million) in respect of the staff retirement benefits.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2010

	Note	2010	For six months ended December 31, 2009
		Rupees in 000	
21.3 Stores and spares consumed			
At Jan 01,		50,635	50,389
Purchases and purchase expenses		38,437	15,608
		89,072	65,997
At Dec 31,		(64,783)	(50,635)
		24,289	15,362

22. OTHER OPERATING INCOME

		2010	2009
Income from financial assets			
Dividend Income			
Sui Southern Gas Company Limited		83	-
National Investment Trust Limited		450	650
		533	650
Profit on deposits		1,321	795
Capital gain on sale of investments			
- available for sale		22,335	-
- held for trading		6,918	-
Unrealized gain on short term investments		28,651	1,794
		59,225	2,589
Income from non financial assets			
Profit on sale of property, plant and equipment		1,363	-
Profit on sale of assets classified as held for sale		15	-
Interest on security deposits		344	-
Sundry sales and receipts		7,671	473
Insurance claim		5,600	-
Other income		1,450	2,868
Liabilities written back		328	-
Reversal of provision for doubt full debts		-	335
		76,529	6,915
Related to discontinued operations		(13,149)	(1,975)
		63,380	4,940

Notes to the Consolidated Financial Statements

For the year ended December 31, 2010

	Note	2010	For six months ended December 31, 2009
		Rupees in 000	
23. SELLING AND DISTRIBUTION			
Salaries and allowances	23.1	6,319	2,414
Sales promotion expenses		1,517	110
Storage and forwarding		931	433
Depreciation		584	135
Conveyance and travelling		500	80
Rent, rates and taxes		401	930
Printing and stationery		395	427
Repairs and maintenance		153	104
Freight and insurance		147	285
Advertisement		136	419
Postage and telephone		111	24
Entertainment		88	23
Electricity and gas		63	163
Miscellaneous		4	8
		11,349	5,555

23.1 This includes staff retirement benefits of Rs. 1.1 million (December 31, 2009: Rs. 0.1 million.)

	Note	2010	For six months ended December 31, 2009
24. ADMINISTRATIVE EXPENSES			
Salaries and allowances	24.1	61,751	26,194
Printing and stationery		1,677	1,000
Rent, rates and taxes		7,277	4,016
Electricity and gas		6,343	5,843
Conveyance and travelling		3,103	1,779
Postage and telephone		2,152	951
Insurance		2,780	1,475
Repairs and maintenance		1,241	414
Legal and professional		3,550	2,161
Auditors' remuneration	24.2	541	437
Fees and subscription		3,754	1,072
Advertisement		-	84
Entertainment		690	226
Workers' welfare fund		1,705	-
Depreciation		4,858	2,127
Amortization		370	220
Miscellaneous expenses		1,018	473
		102,810	48,472
Related to discontinued operations		(39,692)	(28,173)
		63,118	20,299

24.1 Staff salaries and benefits include Rs.2.9 million (2009 : Rs. 0.4 million) in respect of the staff retirement benefits.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2010

		2010	For six months ended December 31, 2009
		Rupees in 000	
24.2	**Auditors' remuneration**		
	Annual audit fee	375	240
	Audit fee of consolidated financial statements	40	40
	Half yearly review and other certification fee	126	102
	Taxation services	-	55
		541	437
25.	**FINANCE COST**		
	Bank charges	1,720	167
	Zakat	51	50
		1,771	217
	Related to discontinued operations	(458)	(62)
		1,313	155
26.	**PROVISIONS**		
	Stores and spares	15,351	1,760
	Stock in trade	7,307	921
	Debtors	3,346	-
	Sales tax refundable	8,128	-
		34,132	2,681
	Related to discontinued operations	(14,727)	-
		19,405	2,681
27.	**PROVISION FOR TAXATION**		
	Current		
	for the year	13,591	1,089
	for prior years	10,519	-
	Share of taxation from associated company	136,919	85,111
		161,029	86,200

27.1 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) tax on dividend income under section 5 of the Income Tax Ordinance, 2001.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2010

		Note	2010	For six months ended December 31, 2009
			Rupees in 000	
28.	**LOSS FROM DISCONTINUED OPERATIONS**			
	Sales - net		11,502	24,388
	Cost of goods sold	28.1	(10,226)	(20,767)
	Gross (loss) / profit		1,276	3,621
	Other Income		13,149	1,975
	Administrative expenses		(39,692)	(28,173)
	Provisions		(14,727)	-
	Finance cost		(458)	(62)
	Net loss from discontinuing operations		(40,452)	(22,639)
28.1	**Cost of good sold**			
	Raw material			
	Opening inventory		71	71
	Less: closing inventory		(71)	(71)
	Raw materials consumed		-	-
	Add: opening inventory of finished goods		20,284	41,051
	Less: closing inventory of finished goods		(10,058)	(20,284)
	Cost of good sold		10,226	20,767

29. EARNINGS PER SHARE

- Basic & diluted

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

			2010	2009
			Rupees in 000	
29.1	**Continuing operations**			
	Profit / (loss) after taxation	Rs.	520,575,305	(302,018,406)
	Weighted average number of ordinary shares outstanding during the year		51,354,660	51,354,660
	Earnings per share	Rs.	10.14	(5.88)
29.2	**Discontinued operations**			
	Loss after taxation	Rs.	(40,452,004)	(22,638,624)
	Weighted average number of ordinary shares outstanding during the year		51,354,660	51,354,660
	Earnings per share	Rs.	(0.79)	(0.44)

Notes to the Consolidated Financial Statements
For the year ended December 31, 2010

30. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVE

	2010		For six months ended December 31, 2009	
	Chief Executive	Executives	Chief Executive	Executives
	Rupees in 000			
Remuneration	4,348	8,424	1,391	4,347
House rent allowance	2,174	2,969	696	1,795
Utilities	1,087	1,036	348	655
Retirement benefits	347	207	116	169
Other allowance	1,714	3,537	609	1,311
	9,670	16,173	3,160	8,277
No. of person	1	7	1	6

Chief executive and directors of the Group are entitled to use of Group maintained vehicle.

31. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of a subsidiary and associated undertakings, other related group companies, directors of the Group and key management personnel. The Group in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties, directors and key management personnels are shown under respective notes receivables and payables. Remuneration of directors and key management personnel is disclosed in note 30. Other significant transactions with related parties are as follows:

Relationship	Nature of transaction	2010	For six months ended December 31, 2009
		Rupees in 000	
a. Associated company			
Dawood Hercules Chemicals Limited	Dividend income	95,644	53,135
Sach International (Private) Limited	Sale of cloth	28,968	2,419
Central Insurance Company Limited	Premium paid	3,240	4,222
b. Other related parties			
Sui Northern Gas Pipelines Limited	Payment of utility charges	23,342	9,681
The Dawood Foundation	Rental charges	6,353	2,955

Notes to the Consolidated Financial Statements

For the year ended December 31, 2010

32. FINANCIAL RISK MANAGEMENT

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

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

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

32.1 Credit risk and concentration of credit risk

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

Out of the total financial assets of Rs. 4,662.6 million (2009: Rs. 3,616.1 million), the financial assets which are subject to credit risk amounted to Rs. 4,661.5 million (2009: Rs. 3,615.1 million).

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

32.1.1 Credit risk related to receivables

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 control relating to customer credit risk management. Holding Company mainly deals with customers of high credit rating based on its internal assessment, taking into 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, 2010, the Holding Company had approximately 186 customers (2009:169 customers) that owed Rs. 69.76 million (2009: Rs. 43.75 million). There were 3 customers (2009:1 customers) with balances greater than Rs. 5 million accounting for over 34% (2009: 21%) of trade debts.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2010

32.1.2 Credit risk related to financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by chief executive officer, chief operating officer and risk 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 January 01, 2011, where the Group maintains its major bank balances are as follows:

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

32.2 Liquidity risk

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

The Group is not materially exposed to liquidity risk as the Group is already surplus of funds. The contractual obligations to the Group amounts to Rs. 125.6 million (2009: Rs. 139.3 million) are against the currents assets of Rs. 946.7 million (2009: Rs. 194.0 million).

32.3 Market risk management

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

32.3.1 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.

32.3.2 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 payable to foreign suppliers of goods in foreign currency. The Holding Company deals completely in local sales and do not have any foreign currency exports against foreign debtors.

At June 30, 2010, considering the total outstanding exposure in foreign currency, if the Rupee had weakened / strengthened by 5% against the US dollar with all other variables held constant, profit for the year would have been higher / lower by Rs. 1.10 million (2009: Rs. 2.4 million), mainly as a result of foreign exchange gains / losses on translation of foreign currency import loans.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2010

32.3.3 Equity price risk management

The Group's listed equity 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 offer proper review of individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis.

At the balance sheet date, the exposure to listed units of mutual funds at fair value was Rs. 761.36 million (2009: Rs. 121.79 million). A decrease / increase of 5% in the net asset value per unit would have an impact of approximately Rs. 38.07 million (2009: Rs. 6.09 million) on the income of the Group, depending on whether or not the decline is significant and prolonged. In addition Hoding Company has investment in listed equity shares of its associate which is carried under equity method. As at balance sheet date the market value of this investment is Rs. 3,864 million (2009; Rs. 3,185 million). A decrease / increase of 5% on the KSE market index woulod have an impact of approximately Rs. 193.2 million (209: Rs. 159.25 million) on the fair value of these listed equity securities.

At the balance sheet date, the exposure to listed equity securities at fair value is Rs. 9.55 million (2009: Rs. 215.15 million). A decrease / increase of 5% on the KSE market index would have an impact of approximately Rs. 0.48 million (2009: Rs. 10.76 million) on the other comprehensive income of the Company, depending on whether or not the decline is significant and prolonged .

32.4 Determination of fair values

32.4.1 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.

32.5 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, 2010				
Long term investments	-	3,632,325	-	3,632,325
Long term deposits	10,544	-	-	10,544
Trade debtors	69,763	-	-	69,763
Loans and advances	70,812	-	-	70,812
Deposits, prepayments and other receivables	89,025	-	-	89,025
Short term investments	-	-	761,362	761,362
Cash and bank balances	26,633	-	-	26,633
	266,777	3,632,325	761,362	4,660,464

Notes to the Consolidated Financial Statements

For the year ended December 31, 2010

	At amortized cost	Total
	Rupees in 000	
Liabilities as per balance sheet - December 31, 2010		
Trade and other payables	125,549	125,549
	125,549	125,549

	Loan & advances	Available for sale	Fair value through profit or loss	Total
	Rupees in 000			
Assets as per balance sheet - December 31, 2009				
Long term investments	-	3,333,078	-	3,333,078
Long term deposits	9,403	-	-	9,403
Trade debtors	43,750	-	-	43,750
Loans and advances	78,564	-	-	78,564
Deposits, prepayments and other receivables	5,332	-	-	5,332
Short term investments	-	-	121,794	121,794
Cash and bank balances	24,052	-	-	24,052
	161,101	3,333,078	121,794	3,615,973

	At amortized cost	Total
	Rupees in 000	
Liabilities as per balance sheet - December 31, 2009		
Trade and other payables	139,375	139,375
	139,375	139,375

Notes to the Consolidated Financial Statements

For the year ended December 31, 2010

32.6 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	761,362	-	-	761,362
	761,362	-	-	761,362
Available for sale				
Long term investments	74,863	100,528	-	175,391
	74,863	100,528	-	175,391
Loan & advances				
Long term deposits	-	10,544	-	10,544
Trade debtors	-	69,763	-	69,763
Loans and advances	-	70,812	-	70,812
Deposits, prepayments and other receivables	-	89,025	-	89,025
	-	240,144	-	240,144
Financial liabilities at fair value through profit or loss				
Trade and other payables		125,550		125,550
	-	125,550	-	125,550

Notes to the Consolidated Financial Statements
For the year ended December 31, 2010

33. CAPITAL RISK MANAGEMENT

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

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

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

34. PLANT CAPACITY AND ACTUAL PRODUCTION

	Unit	December 31, 2010		December 31, 2009 (Six Months)	
		Capacity	Actual	Capacity	Actual
Yarn	Kgs.	358,000	170,000	179,000	93,000
Cloth	Meters	754,000	664,000	377,000	307,000

The main reason for low production is due to lower market demand.

35. CORRESPONDING FIGURES

Certain corresponding figures have been reclassified / rearranged for the purpose of better presentation. The summary of material reclassification are as follows:

Note	Reclassification		Nature	Rupees in 000
	From	To		
11 & 12	Deposits, prepayments and others	Loans and advances	Reclassification of advance tax	76,695

36. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on March 15, 2011 by the Board of Directors of the Holding Company.

37. GENERAL

Figures have been rounded off to the nearest thousand rupees.

ISAR AHMAD
Chairman

INAM UR RAHMAN
Chief Executive

Pattern of Shareholding

As at December 31, 2010

Number of Shareholders	Type of Shareholdings			Total Shares Held
2894	1	TO	100	115,954
1824	101	TO	500	447,968
611	501	TO	1,000	451,375
711	1,001	TO	5,000	1,576,732
109	5,001	TO	10,000	767,738
34	10,001	TO	15,000	401,489
11	15,001	TO	20,000	195,951
12	20,001	TO	25,000	275,421
4	25,001	TO	30,000	112,834
1	30,001	TO	35,000	31,623
5	35,001	TO	40,000	187,441
3	40,001	TO	45,000	125,885
3	45,001	TO	50,000	145,294
1	55,001	TO	60,000	58,817
2	75,001	TO	80,000	157,770
1	85,001	TO	90,000	87,932
1	105,001	TO	110,000	105,749
1	115,001	TO	120,000	117,750
1	175,001	TO	180,000	177,390
1	230,001	TO	235,000	234,768
1	355,001	TO	360,000	360,000
1	480,001	TO	485,000	484,034
1	595,001	TO	600,000	596,277
1	625,001	TO	630,000	625,920
4	880,001	TO	885,000	3,534,597
1	940,001	TO	945,000	940,311
2	1,020,001	TO	1,025,000	2,046,516
1	2,590,001	TO	2,595,000	2,590,717
1	2,795,001	TO	2,800,000	2,795,735
1	3,045,001	TO	3,050,000	3,045,117
1	3,360,001	TO	3,365,000	3,363,904
1	25,195,001	TO	25,200,000	25,195,651
6,246			TOTAL	51,354,660

Pattern of Shareholding

As at December 31, 2010

Categories of Shareholders as at December 31, 2010	Number of Shareholders	Total Shares Held	Percentage
Individuals	5,690	15,255,164	29.70
Investment Companies	5	12,384	0.02
Insurance Companies	5	3,291,619	6.41
Joint Stock Companies	46	29,122,945	56.71
Financial Institutions	19	377,728	0.74
Mutual Fund	1	234,768	0.46
Others			
Others Trusts	9	2,816,955	5.49
Charitable Organisation	1	31,623	0.06
Co-Operative Societies	466	90,140	0.18
Administrator, Abandoned Properties Orgnisation	2	119,921	0.23
Administrator General of Sindh	1	1,389	0.00
Kukab Agencies (Pakistan)	1	24	0.00
TOTAL	6,246	51,354,660	100.00

Disclosure Requirement under Code of Corporate Governance

			Shares held
1	**Directors, and CEO**		
	Isar Ahmad	Chairman	1,331
	Inam ur Rahman	Chief Executive	1,000
	Shahzada Dawood	Director	883,649
	A. Samad Dawood	Director	883,649
	S.M.Asghar	Director	1,100
	Haroon Mehanti	Director	13,318
	Shahid Hamid Pracha	Director	1,100
2	**Associated Companies / Undertakings**		
	Central Insurance Co. Ltd.		2,795,735
	Dawood Corporation (Pvt) Ltd.		25,195,651
	Sach International (Pvt) Ltd.		3,284
	Dawood Industries (Pvt) Ltd.		105,959
	Patek (Pvt) Ltd.		3,045,117
	Pebbles (Pvt) Ltd.		596,277
3	**N I T and I C P**		
	National Investment Trust Limited		5,950
	Investment Corporation of Pakistan		1,390
4	**Banks, DFI, NBFI, Insurance Companies, Modaraba and Mutual Funds**		1,101,040
5	**Investment Companies**		12,384
6	**Joint Stock Companies**		176,657
7	**Others (Detail below)**		
	Others Trusts		2,816,955
	Charitable Organisation		31,623
	Co-operative Societies		90,140
	Administrator General of Sindh		1,389
	Kaukab Agencies (Pakistan)		24
	Administrator, Abandoned Properties Organisations		119,921
8	**Shareholders holding ten percent or more shares**		
	Dawood Corporation (Pvt) Ltd.		25,195,651

Proxy Form

I/We ____

of ____________________ being a member of Dawood Lawrencepur Limited and holder of ____________________ Ordinary Shares, as per:

Share Register Folio No. ____________________ and/or

CDC Participant ID No. ____________________ Sub A/c No. ____________________

hereby appoint Mr./Ms. ____ of ____________________ ,another member of the Company* (or failing him Mr./Ms. ____________________ of ____________________ , another member of the Company*) as my/our proxy to attend, speak and vote for me/us and on my/our behalf, at the Sixty First Annual General Meeting of the Company to be held on Thursday April 28, 2011 at the Company's Registered Office at 35-A, Shahrah-e-Abdul Hameed Bin Baadees (Empress Road), Lahore, and at any adjournment thereof.

Signed this ____________________ day of ____________________ 2011.

WITNESSES:

1. Signature: ____________________
   Name: ____________________
   Address: ____________________
   ____
   CNIC No. or Passport No. ____________________

2. Signature: ____________________
   Name: ____________________
   Address: ____________________
   ____
   CNIC No. or Passport No. ____________________

Signature on
Revenue Stamps
of Rupees Five

Signature should agree with the specimen signature with the Company.

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

IMPORTANT:

1. This Proxy Form, duly completed, must be deposited at the Company's Registered Office, not less than forty eight hours before the meeting.

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

3. All proxies attending the AGM are requested to bring their original CNIC/Passport for identification.

AFFIX
CORRECT
POSTAGE

The Secretary
Dawood Lawrencepur Limited
35-A, Shahrah-e-Abdul Hameed Bin Baadees
(Empress Road), Lahore

Dawood Lawrencepur Limited

Head Office / Shares Department:
Dawood Centre, M.T. Khan Road,
Karachi-75530
Tel: (92-21) 35686001-16
Fax: (92-21) 35680598

Registered Office:
35-A, Empress Road,
Lahore-54000
Tel: (92-42) 36301601-07
Fax: (92-42) 36360343, 36364316

E-mail: info.textiles@dawoodgroup.com
Website: www.dawoodlawrencepur.com