

Half Year Ended June 30, 2014 (Un-audited)

TOWARDS A BETTER

T O M  R R O W



**Dawood Lawrencepur Limited**



## Towards a Better Tomorrow

REON Energy Solutions – a renewable energy division of Dawood Lawrencepur Limited; aims to provide energy-starved customers with technically sound and cost-effective solutions through their technical and financial expertise and to assist the customers through the journey to energy sufficiency.

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## Vision

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

## Mission

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

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

# Company Information

## Board of Directors

Shahid Hamid Pracha (Chairman)  
Inam ur Rahman (Chief Executive)  
Shafiq Ahmed  
Abdul Samad Dawood  
Shahzada Dawood  
Sarfaraz Ahmed Rehman  
Dr. Jawaid Abdul Ghani

## Board Audit Committee

Shafiq Ahmed  
Dr. Jawaid Abdul Ghani

## Human Resource and Remuneration Committee

Shahid Hamid Pracha (Chairman)  
Abdul Samad Dawood  
Sarfaraz Ahmed Rehman

## CFO and Company Secretary

Hafsa Shamsie

## Auditors

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

## Bankers

Bank Al-Habib Limited  
Habib Bank Limited  
National Bank of Pakistan  
MCB Bank Limited  
Barclays Bank PLC

## Legal Advisor

Zia Law Associates  
17, Second Floor  
Shah Chiragh Chambers  
The Mall, Lahore

## Share Registrar

C&K Management Associates (Pvt.) Ltd.  
404-Trade Tower, Abdullah Haroon Road  
Near Metropole Hotel, Karachi-75530  
Ph# : 021-35685930, 35687839

## Registered / Head Office

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

## Mills

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

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

Dawoodpur  
District Attock  
Ph# : 057-2641074-6  
Fax# : 057-2641073

# Directors' Review

For The Half Year Ended June 30, 2014

The Directors are pleased to present the un-audited financial statements of Dawood Lawrencepur Limited for the half year ended June 30, 2014.

## OPERATING RESULTS

Renewable energy business turnover of the Company for the half year ended June 30, 2014 was Rs. 60.22 million as against Rs. 13.85 million for the similar period last year. The comparative figures have been reclassified for a more appropriate comparison. Turnover improved on the back of larger scale solar projects which were executed successfully and this endorses the Company's strategic intent to be a large scale energy provider using renewable resources. Textiles sales, shown in discontinued operations, were Rs. 37.96 million as compared to Rs. 75.84 million for the similar period last year, in line with expectation given the difficult competitive landscape of the worsted fabric industry. Startup costs associated with the new renewable energy business have led to an increase in the operating loss of the Company to Rs. 103.52 million as compared to a loss of Rs. 29.28 million last year. The Company is pleased to report that it has sold one of its legacy assets at a considerable profit resulting in income of Rs. 224.9 million from discontinued operations as compared to a loss of Rs. 54.69 million last year.

The summary of operating results is as follows:

	Half year ended June 30, 2014 Rupees (million)	Half year ended June 30, 2013 Rupees (million)
Sales	60.22	13.85
Operating Loss	(103.52)	(29.28)
Share of profit from associate	264.96	146.31
Other operating income	6.34	21.05
Profit after taxation from continuing operations	111.37	113.71
(Loss)/ Profit from discontinued operations	224.99	(54.69)
Profit for the half year	336.35	59.02

## EARNINGS PER SHARE

Earnings per share on a standalone basis for the half year were Rs. 2.92 per share as compared to Rs. 0.24 per share in June 2013. Earnings per share for the Group were Rs. 5.70 as compared to Rs. 1.00 per share for the similar period last year.

## PROGRESS REVIEW

Key renewable energy projects were installed during the period, which are expected to establish the Reon brand as a trusted name in the renewables market. These projects have attracted overwhelming response from clients as well as considerable publicity, owing to which the Company is focusing on building its competency in handling large-scale projects, including complete turn-key solutions and utility sales.

The Company is investing in the training and development of its employees in the Health Safety, and Environment methods and objectives. A leading consultant is driving this initiative along with strong management support. This commitment is now being reflected in a safe and sustainable working environment for our team and is also being appreciated by our clients as a competitive factor.

During the period under review, the Board of Directors have approved the setup of a wholly owned subsidiary of the Company, Reon Energy Limited, mandated to carry out all solar and

biogas related business activities for the Company. This move is expected to bring focus to the renewable energy initiatives of the Company and consequently improve shareholder return.

The Company entered into a sale contract for a parcel of land near Lahore during the quarter. Negotiations are ongoing with prospective buyers for the Company's other land holdings and for which shareholder approval has already been acquired. The Lawrencepur brand licensing arrangement has also successfully revived the brand through a complete re-launch which will ensure long term returns to the shareholders in the form of royalty income.

Tenaga Generasi Limited (TGL), our 49.5 MW wind, has engaged a highly respected professional organization – Engro Powergen (EPL) for project management of this large investment. This appointment has been appreciated by all other stakeholders including the lenders and will give the right impetus for further milestones. Meanwhile TGL is on course to achieve the timelines laid down by the regulator (NEPRA) for financial close and is expected to comfortably manage before the deadline of March 2015. One key element of concern remains the timely availability of the NTDC grid because these are new transmission lines that are being constructed primarily for wind projects in that corridor. Whilst the delay in project has added to the costs, TGL has recommenced negotiations with EPC/O&M contractors in a bid to keep the project cost within budget despite the delay.

## BUSINESS OUTLOOK

In the next three decades, more than half of the global investment in generation capacity is expected to be in the renewable energy sector. This calls for a significant investment in building capability of handling large utility scale projects, with the key areas of focus being technology acquisition, project management and financing.

In line with its long term vision, the Company is focusing on building capability to provide abundant clean energy to its customers. The Company is investing in human capital through training and development, acquisition of latest and the most efficient renewable energy technology with international partnerships and capability to handle large scale projects through knowledge sharing. In addition to this, trading of solar portable lights and medium scale solar and biogas solutions is growing steadily and are expected to deliver a positive bottom-line in next few years.

The Company plans to dispose of its textiles assets over the next few years, with a goal of bringing the best value to its shareholders and a suitable close to a business that dominated the industry for decades. However, the Company plans to continue reaping the benefits from the 'Lawrencepur' brand over the years to come through its licensing arrangement.

It is now widely recognized that renewable energy and more specifically wind projects can quickly add to the generation capacity in the country. The wind patterns in the country also coincide with the peak demand cycle and hence provide a natural fit. Additionally, there is substantial competition in the sector as international investors have entered the fray owing to an attractive return on investment. The Government has to rapidly invest in generation and transmission infrastructure to harvest maximum benefit from this international interest in the sector. The Company remains optimistic about the future of Wind Energy given its cost competitiveness over other conventional energy forms and the promise of energy security, and is committed to deliver the Project within budgeted time and cost.

On Behalf of the Board



Karachi:  
August 27, 2014

INAM UR RAHMAN  
Chief Executive

# Auditors' Report to the Members on Review of Condensed Interim Financial Information

## Introduction

We have reviewed the accompanying condensed interim balance sheet of DAWOOD LAWRENCEPUR LIMITED ("the Company") as at June 30, 2014 and the related condensed interim profit and loss account, condensed interim cash flow statement, condensed interim comprehensive income and condensed interim statement of changes in equity, together with the notes forming part thereof, for the half year then ended (here-in-after referred to as "condensed interim financial information"). The Company's management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim profit and loss account for the quarter ended June 30, 2014 have not been reviewed, as we were required to review only the cumulative figures for the half year ended June 30, 2014.

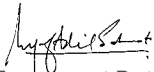
## Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial information Performed by the Independent Auditor of the Entity". A review of condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half year ended June 30, 2014 is not prepared in all material respect, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Chartered Accountants



Engagement Partner:  
Mushtaq Ali Hirani

Dated: August 27, 2014  
Karachi



# Condensed Interim Balance Sheet (Un-Audited)

As at June 30, 2014

	Note	(Unaudited) June 30, 2014 ---- Rupees in '000 ----	(Audited) December 31, 2013 -----
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	49,960	48,453
Intangible assets	5	14,507	1,147
Long term investments		447,919	445,785
Long term deposits		10,544	10,544
		<b>522,930</b>	<b>505,929</b>
<b>Current assets</b>			
Stores and spares		36,519	36,582
Stock-in-trade	6	345,625	261,306
Trade debts		35,269	94,882
Loans and advances		59,752	42,108
Deposits, prepayments and other receivables	7	291,395	96,961
Cash and bank balances		7,426	20,256
		<b>775,986</b>	<b>552,095</b>
Assets classified as 'held for sale'		194,529	194,529
		<b>1,493,445</b>	<b>1,252,553</b>
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital		590,578	590,578
Reserves		216,308	214,174
Unappropriated profit		221,729	49,027
		<b>1,028,615</b>	<b>853,779</b>
<b>LIABILITIES</b>			
<b>Non current liabilities</b>			
Deferred liabilities - staff retirement benefits		10,984	9,419
<b>Current liabilities</b>			
Running finance	8	299,391	261,708
Trade and other payables		116,570	109,618
Accrued markup		8,304	5,131
Provision for taxation		29,581	12,898
		<b>453,846</b>	<b>389,355</b>
		<b>1,493,445</b>	<b>1,252,553</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	9		

The annexed notes from 1 to 15 form an integral part of this condensed interim financial information.

  
INAM UR RAHMAN  
Chief Executive

  
SHAFIQ AHMED  
Director

# Condensed Interim Profit and Loss Account (Un-Audited)

For the Half Year Ended June 30, 2014

	Note	Quarter Ended		Half Year Ended	
		June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
		----- Rupees in '000 -----			
		(Restated)		(Restated)	
<b>CONTINUING OPERATIONS</b>					
Sales - net	10	35,813	10,889	60,217	13,850
Cost of goods sold	11	(33,561)	(8,684)	(51,731)	(10,705)
Gross profit		2,252	2,205	8,486	3,145
Other income		78,571	6,607	79,238	97,515
Selling and distribution expenses		23,649	5,069	45,646	8,574
Administrative expenses		28,203	8,328	57,331	13,718
Finance cost		8,406	2	16,491	145
Workers welfare fund		3,858	-	3,858	-
		(64,116)	(13,399)	(123,326)	(22,437)
Profit/(loss) before taxation		16,707	(4,587)	(35,602)	78,223
Taxation		(16,166)	(8,551)	(16,683)	(8,984)
Profit/(loss) after taxation from continuing operations		541	(13,138)	(52,285)	69,239
<b>DISCONTINUED OPERATIONS</b>					
Profit/(loss) from discontinued operations	12.1	238,464	(26,604)	224,988	(55,133)
Profit/(loss) for the period		239,005	(39,742)	172,703	14,106
Earnings per share - Basic and diluted					
Continuing operations (Rs.)		0.01	(0.22)	(0.89)	1.17
Earnings per share - Basic and diluted					
Discontinued operations (Rs.)		4.04	(0.45)	3.81	(0.93)

The annexed notes from 1 to 15 form an integral part of this condensed interim financial information.

  
INAM UR RAHMAN  
Chief Executive

  
SHAFIQ AHMED  
Director

# Condensed Interim Statement of Comprehensive Income (Un-Audited)

For the Half Year Ended June 30, 2014

	Quarter Ended		Half Year Ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
	----- Rupees in '000 -----			
Profit/(loss) after taxation	239,005	(39,742)	172,703	14,106
Other comprehensive income				
Surplus on remeasurement of 'available for sale' investments	920	1,588	2,134	1,844
Total comprehensive income	<u>239,925</u>	<u>(38,154)</u>	<u>174,837</u>	<u>15,950</u>

The annexed notes from 1 to 15 form an integral part of this condensed interim financial information.

  
INAM UR RAHMAN  
Chief Executive

  
SHAFIQ AHMED  
Director

# Condensed Interim Cash Flow Statement (Un-Audited)

For the Half Year Ended June 30, 2014

	Half Year ended June 30, 2014			Half Year ended June 30, 2013		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	Rupees in ,000					
	(Restated)					
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Profit / (loss) before taxation	(35,602)	224,988	189,386	(19,292)	41,936	22,644
<b>Adjustments for :</b>						
Depreciation	1,925	1,759	3,684	-	3,085	3,085
Amortization	309	-	309	-	243	243
Provision for gratuity	3,698	-	3,698	-	8,828	8,828
Provision against doubtful debts	-	-	-	-	446	446
Reversal of provision against doubtful debts	(287)	(1,020)	(1,307)	-	-	-
Provision against slow moving/obsolete stock	1,347	-	1,347	-	-	-
Finance cost	16,491	-	16,491	-	-	-
(Gain) / Loss on disposal of property, plant and equipment	(89)	(251,024)	(251,113)	-	421	421
Dividend income	(77,932)	-	(77,932)	(77,932)	-	(77,932)
Unrealised gain on remeasurement of short-term investments	-	-	-	-	(18,716)	(18,716)
Operating loss before working capital changes	(90,140)	(25,297)	(115,437)	(97,224)	36,243	(60,981)
<b>(Increase) / decrease in current assets</b>						
Stores and spares	-	63	63	-	784	784
Stock in trade	(117,196)	31,530	(85,666)	-	(20,430)	(20,430)
Trade debts	(4,690)	65,610	60,920	-	95,304	95,304
Loans and advances	(20,036)	12,115	(7,921)	-	(6,700)	(6,700)
Deposits, prepayments and other receivables	4,843	(199,277)	(194,434)	-	(21,743)	(21,743)
<b>Increase/ (decrease) in current liabilities</b>						
Trade and other payables	11,835	(4,732)	7,103	-	1,224	1,224
	(125,244)	(94,691)	(219,935)	-	48,439	48,439
Cash (used in) / generated from operations	(215,384)	(119,988)	(335,372)	(97,224)	84,682	(12,542)
Gratuity paid	(1,604)	(530)	(2,134)	-	(4,070)	(4,070)
Finance cost paid	(13,318)	-	(13,318)	-	-	-
Tax paid	(8,362)	(1,361)	(9,723)	-	(9,625)	(9,625)
Net cash (used in) / generated from operating activities	(238,668)	(121,879)	(360,547)	(97,224)	70,987	(26,237)
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Purchase of property, plant and equipment	(5,686)	-	(5,686)	-	(3,007)	(3,007)
Sale proceeds from disposal of property, plant and equipment	541	251,067	251,608	-	1,550	1,550
Capital work in progress	(13,583)	-	(13,583)	-	(1,900)	(1,900)
Investment in subsidiary	-	-	-	-	(100,000)	(100,000)
Purchase of intangible assets	(86)	-	(86)	-	-	-
Purchase of short-term investments	-	-	-	-	(48,000)	(48,000)
Sales proceed from short term investments	-	-	-	-	394,500	394,500
Dividend received	77,932	-	77,932	77,932	-	77,932
Net cash generated from investing activities	59,118	251,067	310,185	77,932	243,143	321,075
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Payment of dividend	(151)	-	(151)	(288,338)	-	(288,338)
Net cash used in financing activities	(151)	-	(151)	(288,338)	-	(288,338)
Net (decrease) / increase in cash and cash equivalent (A+B+C)	(179,701)	129,188	(50,513)	(307,630)	314,130	6,500
Cash and cash equivalent at beginning of the period			(241,452)	(41,448)	64,842	23,394
Cash and cash equivalent at end of the period	(179,701)	129,188	(291,965)	(349,078)	378,972	29,894
<b>Cash and cash equivalent</b>						
Cash and bank balances			7,426			30,340
Running finance			(299,391)			-
			(291,965)			30,340

The annexed notes from 1 to 15 form an integral part of this condensed interim financial information.

  
INAM UR RAHMAN  
Chief Executive

  
SHAFIQ AHMED  
Director

# Condensed Interim Statement of Changes in Equity (Un-Audited)

For the Half Year Ended June 30, 2014

	Capital Reserves				Unappropriated profit	Unrealized gain on re-measurement of available for sale investments	Total		
	Ordinary shares	Merger reserve	Share premium reserve	Capital redemption reserve fund				General reserve	
	----- Rupees in ,000 -----								
<b>Balance at January 01, 2013 - restated (Audited)</b>	590,578	10,521	136,865	33,311	25,969	395,355	355,168	4,198	1,551,965
Profit after tax for the half year ended June 30, 2013	-	-	-	-	-	-	14,106	-	14,106
Other comprehensive income	-	-	-	-	-	-	-	1,844	1,844
Final cash dividend for the year ended December 31, 2012 @ Rs. 5 per share	-	-	-	-	-	-	(295,289)	-	(295,289)
<b>Balance at June 30, 2013 (Unaudited)</b>	590,578	10,521	136,865	33,311	25,969	395,355	73,985	6,042	1,272,626
Profit after tax for the half year ended December 31, 2013	-	-	-	-	-	-	(361,256)	-	(361,256)
Other comprehensive income	-	-	-	-	-	-	-	1,466	1,466
Interim cash dividend for the year ended December 31, 2013 @ Re. 1 per share	-	-	-	-	-	-	(59,058)	-	(59,058)
Transfer to unappropriated profit	-	-	-	-	-	(395,355)	395,355	-	-
<b>Balance at December 31, 2013 (Audited)</b>	590,578	10,521	136,865	33,311	25,969	-	49,026	7,508	853,778
Profit after tax for the half year ended June 30, 2014	-	-	-	-	-	-	172,703	-	172,703
Other comprehensive income	-	-	-	-	-	-	-	2,134	2,134
<b>Balance at June 30, 2014 (Unaudited)</b>	590,578	10,521	136,865	33,311	25,969	-	221,729	9,642	1,028,615

The annexed notes from 1 to 15 form an integral part of this condensed interim financial information.

  
 INAM UR RAHMAN  
 Chief Executive

  
 SHAFIQ AHMED  
 Director

# Notes to the Condensed Interim Financial Information (Un-Audited)

For the Half Year Ended June 30, 2014

## 1. GENERAL INFORMATION

- 1.1 Dawood Lawrencepur Limited, "the Company" was incorporated in Pakistan in the year 2004 as a public listed company formed as a result of a Scheme of Arrangement for Amalgamation in terms of the provisions of the Companies Ordinance, 1984 between Dawood Cotton Mills Limited, Dilon Limited, Burewala Textile Mills Limited and Lawrencepur Woolen and Textile Mills Limited. The shares of the Company are listed on the Karachi and Lahore Stock Exchanges. The Company is engaged in the business of trading and marketing of renewable energy solutions, mainly solar, to commercial and industrial consumers, along with the trading textile business. The registered office of the Company is situated at 3rd Floor, Dawood Centre, M.T.Khan Road, Karachi in the province of Sindh.
- 1.2 The Company in the year 2008 suspended its manufacturing operations located at Burewala, District Vehari and closed down the Mills in 2009. All assets relating to the closed down unit have been classified as discontinued operations, and are accounted for as per the requirement of IFRS - 5 'Non-current Assets Held for Sale and Discontinued Operations'. The Company is currently negotiating terms and conditions for sale of these assets.
- 1.3 The Company suspended operations of its Woolen Textile Mill in August 2013 and the Labour Court granted permission to the Company for closure of the Mill in February 2014. The results of discontinued operations include Dawood Cotton Mill, Burewala Textile Mill and Lawrencepur Woolen and Textile Mills. Accordingly the comparative information and results of operations have been restated wherever necessary. The 'Lawrencepur' brand name continues to operate under license.

## 2. BASIS OF PREPARATION

This condensed interim financial information has been prepared on the historical cost convention except that certain investments are carried at fair value and staff retirement benefits have been measured at present value. All amounts are in Pakistani Rupees which is the functional and presentation currency of the Company unless stated otherwise.

### 2.1 Statement of compliance

This condensed interim financial information of the Company for the half year ended June 30, 2014 has been prepared in accordance with the requirements of International Accounting Standard 34 - Interim Financial Reporting.

- 2.2 The disclosures made in this condensed interim financial information have been limited based on the International Accounting Standard 34 - Interim Financial Reporting. This does not include all of the information and disclosures required in the annual financial statements and should be read in conjunction with the annual financial statements of the Company for the year ended December 31, 2013. The profit and loss account has been prepared using a classification based on function of income and expense of the Company.
- 2.3 This condensed interim financial information is unaudited. However it is subjected to limited scope review by the auditors and is being submitted to the shareholders in accordance with Section 245 of the Companies Ordinance, 1984.

# Notes to the Condensed Interim Financial Information (Un-Audited)

For the Half Year Ended June 30, 2014

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND RISK MANAGEMENT POLICIES

3.1 The accounting policies, underlying estimates and methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of annual audited financial statements of the Company for the year ended December 31, 2013.

3.2 The financial risk management objectives and policies adopted by the Company are consistent with those disclosed in the financial statements of the Company for the year ended December 31, 2013.

(Unaudited) June 30, 2014	(Audited) December 31, 2013
----- Rupees in '000 -----	

## 4. PROPERTY, PLANT AND EQUIPMENT

Operating assets

<b>49,960</b>	<b>48,453</b>
---------------	---------------

(Unaudited) June 30, 2014		(Audited) December 31, 2013	
Acquisition at cost	Disposal at written down value	Acquisition at cost	Disposal at written down value
----- Rupees in '000 -----			

4.1 Plant and machinery	-	-	439	-
Promotional and demo projects	2,449	-	4,107	-
Furniture, fixture and office equipment	781	-	7,866	357
Computer equipment	810	29	2,999	577
Vehicles	1,646	467	1,920	1,534
	<b>5,686</b>	<b>496</b>	<b>17,331</b>	<b>2,468</b>

4.2 Property, plant and equipment include assets having carrying value amounting to Rs. 26.73 million (Dec 2013: Rs. 28.54 million) held as idle assets which relates to discontinued units i.e. Lawrencepur woolen and textile mills limited and Dilon limited .

## 5. INTANGIBLE ASSETS

This includes amount related to the implementation of an Enterprise Resource Program amounting to Rs. 13.58 million (Dec 2013: Nil).

## 6. STOCK-IN-TRADE-Net of provisions

(Unaudited) June 30, 2014	(Audited) December 31, 2013
----- Rupees in '000 -----	

Renewable energy - continuing operations	189,527	73,678
Textile - discontinued operations	156,098	187,628
	<b>345,625</b>	<b>261,306</b>

# Notes to the Condensed Interim Financial Information (Un-Audited)

For the Half Year Ended June 30, 2014

## 7. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

It includes Rs. 200 million receivable on account of sale of land (refer Note 12.3).

## 8. RUNNING FINANCE

The Company has arranged running finance of Rs. 400 million (Dec 2013: 400 million) under a mark-up arrangement. The facility is subject to markup @ 3 month KIBOR + 1.1% which is determined at the start of each quarter and is payable on a quarterly basis in arrears. The running finance under mark-up arrangement is secured by way of pledge over 18 million shares of 'Dawood Hercules Corporation Limited'.

## 9. CONTINGENCIES AND COMMITMENTS

There is no material change in contingencies and commitments since financial year ended December 31, 2013 except the following;

### 9.1 Contingencies

- a) For the tax year 2003, the Taxation Officer while framing assessment disallowed expenses relating to gratuity, lease rentals, employee perquisites and utilities amounting to Rs. 29.34 million. The Commissioner Inland Revenue (Appeals) [CIR(A)] also maintained these disallowances. The Company had filed an appeal against these issues before Appellate Tribunal Inland Revenue (ATIR). The appeal has been heard and the issues have been set aside by the said ATIR and remanded back to the taxation officer for reconsideration. The tax incidence of above mentioned issues is Rs. 10.27 million. The appeal effect order has not been passed by the said authority.
- b) For the tax years 2004 to 2005, the ATIR set aside proceedings of the appeal filed by the Company on account of allocation of expenses and credit of taxes including adjustments of refunds amounting to Rs. 47.64 million, Rs. 19.37 million and Rs. 39.90 million respectively. Subsequently the Additional Commissioner Inland Revenue (ACIR) revised the amount of allocation of expenses to Rs. 21.88 million resulting in tax demand of Rs. 15.32 million. The Company filed an appeal before CIR(A) on account of above mentioned allocation of expenses and adjustments of refunds, who later disallowed the appeal in respect of allocation of expenses and directed Taxation Officer to allow after due verification, the credit of taxes paid and adjustment of said refunds. The Company again filed an appeal in respect of allocation of expenses before the ATIR, the hearing of which is pending.

Further for the tax year 2004, the ATIR disallowed adjustment of assessed losses of amalgamating companies against the income of the Company amounting to Rs. 20.62 million. However, the Company has filed an appeal before the Lahore High Court, the proceedings of which have not yet commenced.



# Notes to the Condensed Interim Financial Information (Un-Audited)

For the Half Year Ended June 30, 2014

- c) For the tax years 2006, 2008 & 2009, the Deputy Commissioner Inland Revenue (DCIR) has made a decision on application filed by the Company and raised tax demand of Rs. 19.98 million as against original demand of Rs.59.40 million on account of minimum tax, dividend income and export sales. The Company again filed an appeal in respect of minimum tax relating to tax years 2006 and 2009, dividend income and export sales before ATIR against which the decision is pending. However the Company filed an application for rectification to ACIR in respect of minimum tax and adjustment of taxes paid amounting to Rs. 1.92 million and Rs. 20.18 million respectively. The ACIR allowed the said credit of taxes paid and eliminated minimum tax liability relating to tax year 2009 thereby reducing tax demand of Rs. 19.98 million to tax refundable of Rs. 2.11 million.
- d) A sales tax audit was initiated by the Sales Tax Department for the period July 2010 to June 2011. During the period the Company received an order from DCIR, raising a demand of Rs. 5.88 million relating mainly to inadmissible input taxes, non-payment of sales tax on scrap scales and non-payment of withholding sales tax. The Company has filed an appeal against the order before CIR(A) on which a decision is pending.

Since the outcome of the above appeals and tax thereon are pending and in view of the fact that management is confident based on tax advisor's opinion that the appeals will be decided in the Company's favor, no provision has been made in these financial statements relating to above appeals.

- 9.2 The Company is contingently liable against guarantees and counter guarantees amounting to Rs. 25.53 million (Dec 2013: Rs. 15.13 million).

## 9.3 Commitments

Letters of credit outstanding for purchase of renewable energy products amount to Rs. Nil (Dec 2013: Rs. 9.98 million).

	(Unaudited) June 30, 2014	(Unaudited) June 30, 2013
	----- Rupees in '000 -----	
<b>10. SALES - NET</b>		
<b>Renewable energy</b>		
Project sales	39,979	8,528
Solar lights	10,982	5,325
Others	10,392	-
	<u>61,353</u>	<u>13,853</u>
Less: Commission and discount	(1,136)	(3)
	<u>60,217</u>	<u>13,850</u>
<b>11. COST OF GOODS SOLD</b>		
<b>Renewable energy</b>		
Opening stock	71,188	10,091
Purchases and related expenses	170,070	26,920
Closing stock	(189,527)	(26,306)
Cost of goods sold	<u>51,731</u>	<u>10,705</u>
<b>12. SEGMENT REPORTING</b>		

Management has determined the operating segments for allocation of resources and assessment of performance. The Company is organized into the following two reportable operating segments;

- Renewable energy solutions - continuing operations
- Textile - discontinued operations

# Notes to the Condensed Interim Financial Information (Un-Audited)

For the Half Year Ended June 30, 2014

Segment analysis is as under:

## 12.1 Segment results

	Renewable energy - continuing operations		Textile - discontinued operations		Unallocated		The Company	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
	Rupees in '000							
	(Restated)		(Restated)		(Restated)		(Restated)	
Revenue	60,217	13,850	37,957	75,844	-	-	98,174	89,694
Cost of goods sold	(51,731)	(10,705)	(31,593)	(73,055)	-	-	(83,324)	(83,760)
Segment gross profit	8,486	3,145	6,364	2,790	-	-	14,850	5,935
Administrative expenses	(57,331)	(13,718)	(39,695)	(65,557)	-	-	(97,026)	(79,275)
Selling and distribution expenses	(45,646)	(8,574)	(458)	(394)	-	-	(46,104)	(8,968)
Finance cost	-	(145)	-	(2)	(16,491)	-	(16,491)	(147)
Other income-Refer Note 12.3	-	-	258,777	8,030	79,238	97,515	338,015	105,545
Workers' welfare fund	-	-	-	-	(3,858)	-	(3,858)	-
Taxation	-	-	-	-	(16,688)	(8,984)	(16,688)	(8,984)
Segment net profit	(94,491)	(19,292)	224,988	(55,133)	42,206	88,531	172,703	14,106

## 12.2 Segment assets

	Renewable energy - continuing operations		Textile - discontinued operations		Unallocated		The Company	
	Jun 30, 2014	Dec 31, 2013	Jun 30, 2014	Dec 31, 2013	Jun 30, 2014	Dec 31, 2013	Jun 30, 2014	Dec 31, 2013
	Rupees in '000							
Segment assets	304,890	152,420	732,287	632,945	456,268	467,188	1,493,445	1,252,553
Segment liabilities	39,282	21,773	88,272	97,264	337,276	279,737	464,830	399,774

12.3 Other Income includes net gain of Rs. 248.94 million on disposal pertaining to land in Village Mange Autar, Tehsil and District Lahore, of Burewala Textile Mills Limited. It also includes Rs. 1.63 million being cost of land transferred to the Company during amalgamation, however recorded during the current period.

# Notes to the Condensed Interim Financial Information (Un-Audited)

For the Quarter Ended March 31, 2014

## 13. TRANSACTIONS WITH RELATED PARTIES

The Company in the normal course of business carries out transactions with various related parties. Related parties comprise of a subsidiary company, associated undertakings, directors, key management personnel and others. Transactions with related parties are as follows:

Relationship	Nature of transaction	(Unaudited)	(Unaudited)
		June 30, 2014	June 30, 2013
		----- Rupees in '000 -----	
<b>a. Subsidiary company</b>			
Tenaga Generasi Limited	Reimbursable expenses to the Company	6,274	8,068
	Subscription of ordinary shares	-	100,000
<b>b. Associated companies</b>			
Dawood Hercules Corporation Limited	Dividend income	77,932	77,932
	Reimbursable expenses by the Company	2,203	2,637
	Reimbursable expenses to the Company	27	-
D H Fertilizer Limited	Reimbursable expenses by the Company	2,766	665
Sach International (Private) Limited	Sale of fabric	23,806	69,969
	Reimbursable expenses to the Company	374	672
	Royalty charged by the Company	3,558	1,858
	Penal charges against overdue receivables	674	-
	Transfer of assets by the Company	-	1,514
	Transfer of assets to the Company	-	395
	Retirement and other benefits transferred to the Company	-	1,113
Cyan Limited	Reimbursable expenses to the Company	34	31
Sui Northern Gas Pipelines Limited	Utility charges paid	-	5,505
The Dawood Foundation	Rental charges paid	2,415	2,415
	Reimbursable expenses by the Company	1,039	989
	Utility charges	109	-
Inbox Business Technologies (Pvt) Limited	Hardware maintenance charges paid	279	250
Pebbles (Private) Limited	Penal charges against overdue receivables	93	-
National Database and Registration Authority (NADRA)	Verification charges	8	-
<b>c. Other related parties</b>			
Dawood Lawrencepur Limited - (Burewala Mills) - Staff Provident Fund	Contribution by the Company	-	48
<b>d. Key management personnel</b>			
	Salaries and employee benefits	16,187	9,330

# Notes to the Condensed Interim Financial Information (Un-Audited)

For the Half Year Ended June 30, 2014

## 14. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue on August 27, 2014 by the Board of Directors of the Company.

## 15. GENERAL

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



INAM UR RAHMAN  
Chief Executive



SHAFIQ AHMED  
Director

Condensed Interim  
Consolidated  
Financial Information  
(Un-audited)

# Condensed Interim Consolidated Balance Sheet (Un-Audited)

As at June 30, 2014

		(Unaudited) June 30, 2014 ---- Rupees in '000 ----	(Audited) December 31, 2013 ---- Rupees in '000 ----
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	236,517	235,209
Intangible assets	5	37,431	24,124
Long term investments		4,786,489	4,615,752
Long term deposits		10,544	10,544
		<b>5,070,981</b>	<b>4,885,629</b>
<b>Current assets</b>			
Stores and spares		36,519	36,582
Stock-in-trade	6	345,625	261,306
Trade debts		35,269	94,882
Loans and advances		60,047	42,301
Deposits, prepayments and other receivables	7	288,002	95,147
Short term investments		105,216	107,624
Cash and bank balances		22,976	35,415
		<b>893,654</b>	<b>673,257</b>
Assets classified as 'held for sale'		194,529	194,529
		<b>6,159,164</b>	<b>5,753,415</b>
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital		590,578	590,578
Reserves		210,946	208,282
Unappropriated profit		4,886,188	4,549,834
		<b>5,687,712</b>	<b>5,348,694</b>
<b>LIABILITIES</b>			
<b>Non current liabilities</b>			
Deferred liabilities - staff retirement benefits		13,422	11,388
<b>Current liabilities</b>			
Running finance	8	299,391	261,708
Trade and other payables		120,101	113,171
Accrued markup		8,304	5,131
Provision for taxation		30,234	13,323
		<b>458,030</b>	<b>393,333</b>
		<b>6,159,164</b>	<b>5,753,415</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	9		

The annexed notes from 1 to 15 form an integral part of this condensed interim consolidated financial information.

  
INAM UR RAHMAN  
Chief Executive

  
SHAFIQ AHMED  
Director

# Condensed Interim Consolidated Profit and Loss Account (Un-Audited)

For the Half Year Ended June 30, 2014

	Note	Quarter Ended		Half Year Ended	
		June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
		----- Rupees in '000 -----			
		(Restated)		(Restated)	
<b>CONTINUING OPERATIONS</b>					
Sales - net	10	35,813	10,889	60,217	13,850
Cost of goods sold	11	(33,561)	(8,684)	(51,731)	(10,705)
Gross profit		2,252	2,205	8,486	3,145
Other income		3,056	7,292	6,339	21,048
Selling and distribution expenses		23,649	5,069	45,646	8,574
Administrative expenses		32,932	14,518	66,360	23,261
Finance cost		8,481	44	16,680	229
Workers welfare fund		3,858	-	3,858	-
		(68,920)	(19,631)	(132,544)	(32,064)
Share of profit from associate excluding impairment loss on 'available for sale' investments		99,500	122,148	264,959	146,314
Profit before taxation		35,888	112,014	147,240	138,443
Taxation		(17,577)	(28,692)	(35,874)	(24,292)
Profit after taxation from continuing operations		18,311	83,322	111,366	114,151
<b>DISCONTINUED OPERATIONS</b>					
Profit/(loss) from discontinued operations	12.1	238,464	(26,604)	224,988	(55,133)
Profit for the period		256,775	56,717	336,354	59,018
Earnings per share - Basic and diluted					
Continuing operations (Rs.)		0.31	1.41	1.89	1.93
Earnings per share - Basic and diluted					
Discontinued operations (Rs.)		4.04	(0.45)	3.81	(0.93)

The annexed notes from 1 to 15 form an integral part of this condensed interim consolidated financial information.

  
INAM UR RAHMAN  
Chief Executive

  
SHAFIQ AHMED  
Director

# Condensed Interim Consolidated Statement Of Comprehensive Income (Un-Audited)

For the Half Year Ended June 30, 2014

Quarter Ended		Half Year Ended	
June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013

----- Rupees in '000 -----

Profit after taxation	256,775	56,717	336,354	59,018
<b>Other comprehensive income</b>				
Surplus on remeasurement of 'available for sale' investments				
- holding company	920	1,588	2,134	1,844
- associated company	(3,877)	6,660	530	(2,868)
<b>Total comprehensive income</b>	<b>253,818</b>	<b>64,965</b>	<b>339,018</b>	<b>57,994</b>

The annexed notes from 1 to 15 form an integral part of this condensed interim consolidated financial information.



INAM UR RAHMAN  
Chief Executive



SHAFIQ AHMED  
Director



# Condensed Interim Consolidated Cash Flow Statement (Unaudited)

For the Half Year Ended June 30, 2014

	Half Year ended June 30, 2014			Half Year ended June 30, 2013		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	Rupees in ,000					
	(Restated)					
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Profit / (loss) before taxation	147,240	224,988	372,228	138,443	(55,133)	83,310
Adjustments for :						
Depreciation	2,167	1,759	3,926	2,683	719	3,402
Amortization	362	-	362	284	-	284
Provision for gratuity	4,167	-	4,167	9,183	95	9,278
Provision against doubtful debts	-	-	-	120	326	446
Reversal of provision against doubtful debts	(287)	(1,020)	(1,307)	-	-	-
Provision against slow moving/obsolete stock	1,347	-	1,347	-	-	-
Finance cost	16,680	-	16,680	84	-	84
(Gain) / Loss on disposal of property, plant and equipment	(220)	(251,024)	(251,244)	431	3	434
Dividend income	-	-	-	-	-	-
Interest income	(560)	-	(560)	(566)	-	(566)
Share of profit from associates	(264,959)	-	(264,959)	(146,314)	-	(146,314)
Gain on sale of short term investments	(137)	-	(137)	-	-	-
Unrealised gain on remeasurement of short-term investments	(4,205)	-	(4,205)	(19,615)	-	(19,615)
Operating loss before working capital changes	(98,405)	(25,297)	(123,702)	(15,267)	(53,990)	(69,257)
<b>(Increase) / decrease in current assets</b>						
Stores and spares	-	63	63	784	-	784
Stock in trade	(117,196)	31,530	(85,666)	(20,430)	-	(20,430)
Trade debts	(4,690)	65,610	60,920	95,304	-	95,304
Loans and advances	(20,030)	12,115	(7,915)	(6,694)	-	(6,694)
Deposits, prepayments and other receivables	8,301	(199,277)	(190,976)	(22,011)	-	(22,011)
<b>Increase/ (decrease) in current liabilities</b>						
Trade and other payables	9,437	(4,732)	4,705	(1,428)	-	(1,428)
	(124,178)	(94,691)	(218,869)	45,525	-	45,525
Cash (used in) / generated from operations	(222,583)	(119,988)	(342,571)	30,258	(53,990)	(23,732)
Gratuity paid	(1,604)	(530)	(2,134)	(3,930)	-	(3,930)
Finance cost paid	(13,507)	-	(13,507)	(9,751)	-	(9,751)
Tax paid	(8,470)	(1,361)	(9,831)	(84)	-	(84)
Net cash (used in) / generated from operating activities	(246,164)	(121,879)	(368,043)	16,493	(53,990)	(37,497)
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Purchase of property, plant and equipment	(5,686)	-	(5,686)	(3,061)	-	(3,061)
Sale proceeds from disposal of property, plant and equipment	1,114	251,067	252,181	1,608	18	1,626
Capital work in progress	(14,068)	-	(14,068)	(11,433)	-	(11,433)
Purchase of intangible assets	(86)	-	(86)	-	-	-
Sales proceed from short term investments	6,750	-	6,750	354,500	-	354,500
Interest received	1,049	-	1,049	1,220	-	1,220
Dividend received	77,932	-	77,932	77,932	-	77,932
Net cash generated from investing activities	67,005	251,067	318,072	420,766	18	420,784
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Payment of dividend	(151)	-	(151)	(288,338)	-	(288,338)
Net cash used in financing activities	(151)	-	(151)	(288,338)	-	(288,338)
Net (decrease) / increase in cash and cash equivalent (A+B+C)	(179,310)	129,188	(50,122)	148,921	(53,972)	94,949
Cash and cash equivalent at beginning of the period			(226,293)			48,916
Cash and cash equivalent at end of the period	(179,310)	129,188	(276,415)	148,921	(53,972)	143,865
<b>Cash and cash equivalent</b>						
Cash and bank balances			22,976			143,865
Running finance			(299,391)			-
			(276,415)			143,865

The annexed notes from 1 to 15 form an integral part of this condensed interim consolidated financial information.

  
INAM UR RAHMAN  
Chief Executive

  
SHAFIQ AHMED  
Director  
HALF YEARLY REPORT 2014 23

# Condensed Interim Consolidated Statement of Changes in Equity (Un-Audited)

For the Half Year Ended June 30, 2014

	Capital Reserves				General reserve	Unappropriated profit	Unrealized gain on re-measurement of available for sale investments	Share of other comprehensive income of associated company	Total
	Ordinary shares	Merger reserve	Share premium reserve	Capital reserve					
<b>Balance at January 01, 2013 - restated (Audited)</b>	590,578	10,521	136,865	33,311	25,969	395,355	4,198	(7,564)	5,671,096
Profit after tax for the half year ended June 30, 2013	-	-	-	-	-	-	-	-	59,018
Other comprehensive income	-	-	-	-	-	-	1,844	(2,868)	(1,024)
Final cash dividend for the year ended December 31, 2012 @ Rs. 5 per share	-	-	-	-	-	-	-	-	(295,289)
<b>Balance at June 30, 2013 (Unaudited)</b>	590,578	10,521	136,865	33,311	25,969	395,355	6,042	(10,432)	5,433,801
Profit after tax for the half year ended December 31, 2013	-	-	-	-	-	-	-	-	(32,055)
Other comprehensive income	-	-	-	-	-	-	1,466	4,540	6,006
Interim cash dividend for the year ended December 31, 2013 @ Rs. 1 per share	-	-	-	-	-	-	-	-	(59,058)
Transfer to unappropriated profit	-	-	-	-	-	(386,355)	395,355	-	-
<b>Balance at December 31, 2013 (Audited)</b>	590,578	10,521	136,865	33,311	25,969	-	4,549,834	(5,892)	5,348,694
Profit after tax for the half year ended June 30, 2014	-	-	-	-	-	-	-	-	336,354
Other comprehensive income	-	-	-	-	-	-	2,134	530	2,664
<b>Balance at June 30, 2014 (Unaudited)</b>	590,578	10,521	136,865	33,311	25,969	-	4,886,188	(5,362)	5,687,712

The annexed notes from 1 to 15 form an integral part of this condensed interim consolidated financial information.

  
 INAM UR RAHMAN  
 Chief Executive

  
 SHAFIQ AHMED  
 Director

# Notes to the Condensed Interim Consolidated Financial Information (Un-Audited)

For the Half Year Ended June 30, 2014

## 1. GENERAL INFORMATION

### 1.1 Holding company

Dawood Lawrencepur Limited, "the Holding Company" was incorporated in Pakistan in 2004 as a public listed company formed as a result of a Scheme of Arrangement for Amalgamation in terms of the provisions of the Companies Ordinance, 1984 between Dawood Cotton Mills Limited, Dilon Limited, Burewala Textile Mills Limited, 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 engaged in the business of trading and marketing of renewable energy solutions, mainly solar, to commercial and industrial consumers, along with the legacy textile business. The registered office of the Company is situated at 3rd Floor, Dawood Centre, M.T.Khan Road, Karachi, in the province of Sindh.

The Holding Company in the year 2008 suspended its manufacturing operations located at Burewala, District Vehari and closed down the Mill in 2009. All assets relating to the closed down unit have been classified as discontinued operations, and are accounted for as per the requirement of IFRS - 5 'Non-current Assets Held for Sale and Discontinued Operations'. The Company is currently negotiating terms and conditions for sale of these assets.

The Holding Company suspended operations of its Woolen Textile Mill in August 2013 and the Labour Court granted permission to the Company for closure of the Mill in February 2014. The results of discontinued operations include Dawood Cotton Mill, Burewala Textile Mill and Lawrencepur Woolen and Textile Mills. Accordingly the comparative information and results of operations have been restated wherever necessary. The 'Lawrencepur' brand name continues to operate under license.

### 1.2 Subsidiary company

The Holding Company has a wholly owned subsidiary namely Tenaga Generasi Limited "the Subsidiary Company". The Subsidiary Company was incorporated in 2005 as an unlisted public limited company under the Companies Ordinance, 1984 to primarily carry out the business of power generation as an independent power producer using wind energy. The registered office of the Subsidiary Company is situated at Dawood Centre, M.T. Khan Road, Karachi, in the Province of Sindh.

The Subsidiary Company is in the process of setting up a wind energy project in Mirpur Sakro, District Thatta, Sindh. It has finalized necessary contracts i.e. Engineering Procurement and Construction Agreement, Operations & Maintenance Agreement. A Letter of Support has been obtained from Alternative Energy Development Board (AEDB) and the Subsidiary Company has obtained tariff under feed-in tariff regime and is now in process of finalizing financing arrangements prior to the Financial Close deadline of March 31, 2015.

### 1.3 Associated company

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

# Notes to the Condensed Interim Consolidated Financial Information (Un-Audited)

For the Half Year Ended June 30, 2014

## 2. BASIS OF PREPARATION

This condensed interim consolidated financial information includes the financial information of Dawood Lawrencepur Limited (the Holding Company). The condensed interim financial information of the Subsidiary Company has been consolidated on a line by line basis. This condensed interim consolidated financial information has 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 the equity method.

### 2.1 Statement of compliance

This condensed interim consolidated financial information of the Company for the half year ended June 30, 2014 has been prepared in accordance with the requirements of International Accounting Standard 34 - Interim Financial Reporting.

2.2 The disclosures made in this condensed interim consolidated financial information have been limited based on the International Accounting Standard 34 - Interim Financial Reporting. This does not include all of the information and disclosures required in the annual financial statements and should be read in conjunction with the annual financial statements for the year ended December 31, 2013. The profit and loss account has been prepared using a classification based on function of income and expense of the Company.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND RISK MANAGEMENT POLICIES

3.1 The accounting policies, underlying estimates and methods of computation adopted in the preparation of this condensed interim consolidated financial information are the same as those applied in the preparation of annual audited consolidated financial statements of the Holding Company for the year ended December 31, 2013.

3.2 The financial risk management objectives and policies adopted by the Holding Company are consistent with those disclosed in the consolidated financial statements of the Holding Company for the year ended December 31, 2013.

(Unaudited) June 30, 2014	(Audited) December 31, 2013
---- Rupees in '000 ----	

## 4. PROPERTY, PLANT AND EQUIPMENT

Operating assets	4.1	53,101	52,278
Capital work in progress	4.2	183,416	182,931
		<u>236,517</u>	<u>235,209</u>

# Notes to the Condensed Interim Consolidated Financial Information (Un-Audited)

For the Half Year Ended June 30, 2014

(Unaudited) June 30, 2014		(Audited) December 31, 2013	
Acquisition at cost	Disposal at written down value	Acquisition at cost	Disposal at written down value
----- Rupees in '000 -----			

## 4.1 Operating assets

Plant and machinery	-	-	439	-
Promotional and demo projects	2,449	-	4,107	-
Furniture, fixture and office equipment	781	-	7,798	312
Computer equipment	810	29	3,118	644
Vehicles	1,646	910	1,920	1,534
	<u>5,686</u>	<u>938</u>	<u>17,382</u>	<u>2,490</u>

## 4.2 Capital work in progress

Professional fee	456	-	11,970	-
Travelling, boarding and lodging	30	-	1,178	-
Advances	-	-	-	385
	<u>485</u>	<u>-</u>	<u>13,148</u>	<u>385</u>

4.3 Property, plant and equipment include assets having carrying value amounting to Rs. 26.73 million (Dec 2013: Rs. 28.54 million) held as idle assets which relates to discontinued units i.e. Lawrencepur woolen and textile mills limited and Dilon limited .

## 5. INTANGIBLE ASSETS

This includes amount related to the implementation of an Enterprise Resource Program amounting to Rs. 13.58 million (Dec 2013: Nil).

## 6. STOCK-IN-TRADE-Net of provisions

	(Unaudited) June 30, 2014	(Audited) December 31, 2013
	----- Rupees in '000 -----	
Renewable energy - continuing operations	189,527	73,678
Textile - discontinued operations	156,098	187,628
	<u>345,625</u>	<u>261,306</u>

## 7. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

It includes Rs. 200 million receivable on account of sale of land (refer Note 12.3).

## 8. RUNNING FINANCE

The Holding Company has arranged running finance of Rs. 400 million (Dec 2013: 400 million) under a mark-up arrangement. The facility is subject to markup @ 3 month KIBOR + 1.1% which is determined at the start of each quarter and is payable on a quarterly basis in arrears. The running finance under mark-up arrangement is secured by way of pledge over 18 million shares of 'Dawood Hercules Corporation Limited'.

# Notes to the Condensed Interim Consolidated Financial Information (Un-Audited)

For the Half Year Ended June 30, 2014

## 9. CONTINGENCIES AND COMMITMENTS

There is no material change in contingencies and commitments since financial year ended December 31, 2013 except the following:

### 9.1 Contingencies

- a) For the tax year 2003, the Taxation Officer while framing assessment disallowed expenses relating to gratuity, lease rentals, employee perquisites and utilities amounting to Rs. 29.34 million. The Commissioner Inland Revenue (Appeals) [CIR(A)] also maintained these disallowances. The Holding Company had filed an appeal against these issues before Appellate Tribunal Inland Revenue (ATIR). The appeal has been heard and the issues have been set aside by the said ATIR and remanded back to the taxation officer for reconsideration. The tax incidence of above mentioned issues is Rs. 10.27 million. The appeal effect order has not been passed by the said authority.
- b) For the tax years 2004 to 2005, the ATIR set aside proceedings of the appeal filed by the Holding Company on account of allocation of expenses and credit of taxes including adjustments of refunds amounting to Rs. 47.64 million, Rs. 19.37 million and Rs. 39.90 million respectively. Subsequently the Additional Commissioner Inland Revenue (ACIR) revised the amount of allocation of expenses to Rs. 21.88 million resulting in tax demand of Rs. 15.32 million. The Holding Company filed an appeal before CIR(A) on account of above mentioned allocation of expenses and adjustments of refunds, who later disallowed the appeal in respect of allocation of expenses and directed Taxation Officer to allow after due verification, the credit of taxes paid and adjustment of said refunds. The Holding Company again filed an appeal in respect of allocation of expenses before the ATIR, the hearing of which is pending.

Further for the tax year 2004, the ATIR disallowed adjustment of assessed losses of amalgamating companies against the income of the Holding Company amounting to Rs. 20.62 million. However, the Holding Company has filed an appeal before the Lahore High Court, the proceedings of which have not yet commenced.

- c) For the tax years 2006, 2008 & 2009, the Deputy Commissioner Inland Revenue (DCIR) has made a decision on application filed by the Holding Company and raised tax demand of Rs. 19.98 million as against original demand of Rs. 59.40 million on account of minimum tax, dividend income and export sales. The Holding Company again filed an appeal in respect of minimum tax relating to tax years 2006 and 2009, dividend income and export sales before ATIR against which the decision is pending. However the Holding Company filed an application for rectification to ACIR in respect of minimum tax and adjustment of taxes paid amounting to Rs. 1.92 million and Rs. 20.18 million respectively. The ACIR allowed the said credit of taxes paid and eliminated minimum tax liability relating to tax year 2009 thereby reducing tax demand of Rs. 19.98 million to tax refundable of Rs. 2.11 million.
- d) A sales tax audit was initiated by the Sales Tax Department for the period July 2010 to June 2011. During the period the Holding Company received an order from DCIR, raising a demand of Rs. 5.88 million relating mainly to inadmissible input taxes, non-payment of sales tax on scrap scales and non-payment of withholding sales tax. The Holding Company has filed an appeal against the order before CIR(A) on which a decision is pending.

# Notes to the Condensed Interim Consolidated Financial Information (Un-Audited)

For the Half Year Ended June 30, 2014

Since the outcome of the above appeals and tax thereon are pending and in view of the fact that management is confident based on tax advisor's opinion that the appeals will be decided in the Holding Company's favor, no provision has been made in these financial statements relating to above appeals.

## 9.2 Commitments

The Holding Company is contingently liable against guarantees and counter guarantees amounting to Rs. 25.53 million (Dec 2013: Rs. 15.13 million).

The Subsidiary Company has arranged a bank guarantee of USD 125,000 (December 2013: USD 125,000) to Alternate Energy Development Board (AEDB) for letter of Support which is valid up to June 30, 2015.

The Holding Company has commitments against letters of credit outstanding for purchase of renewable energy products amount to Rs. Nil (Dec 2013: Rs. 9.98 million).

(Unaudited)	(Unaudited)
June 30, 2014	June 30, 2013
----- Rupees in '000 -----	

## 10. SALES - NET

### Renewable energy

Project sales	39,979	8,528
Solar lights	10,982	5,325
Others	10,392	-
	61,353	13,853
Less: Commission and discount	(1,136)	(3)
	60,217	13,850

## 11. COST OF GOODS SOLD

### Renewable energy

Opening stock	71,188	10,091
Purchases and related expenses	170,070	26,920
Closing stock	(189,527)	(26,306)
Cost of goods sold	51,731	10,705

## 12. SEGMENT REPORTING

Management has determined the operating segments for allocation of resources and assessment of performance. The Group is organized into the following three reportable operating segments;

- Renewable energy solutions - continuing operations
- Textile - discontinued operations
- Alternate energy

# Notes to the Condensed Interim Consolidated Financial Information (Un-Audited)

For the Half Year Ended June 30, 2014

Segment analysis is as under:

## 12.1 Segment results

	Renewable energy - continuing operations		Textile - discontinued operations		Alternate energy		Unallocated		The Company	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
	(Restated)	(Restated)	(Restated)	(Restated)					(Restated)	(Restated)
Revenue	60,217	13,850	37,957	75,844	-	-	-	-	98,174	89,694
Cost of goods sold	(51,731)	(10,705)	(31,593)	(73,055)	-	-	-	-	(83,324)	(83,760)
Segment gross profit	8,486	3,145	6,364	2,790	-	-	-	-	14,850	5,934
Administrative expenses	(57,331)	(13,718)	(39,696)	(65,557)	(9,029)	(9,543)	-	-	(106,055)	(88,818)
Selling and distribution expenses	(45,646)	(8,574)	(458)	(394)	-	-	-	-	(46,104)	(8,968)
Finance cost	-	(446)	-	(2)	(189)	217	(16,491)	-	(16,680)	(231)
Other income-Refer Note 12.3	-	-	258,777	8,030	5,033	1,465	1,306	19,583	265,116	29,078
Profit from associate	-	-	-	-	-	-	264,959	146,314	264,959	146,314
Workers' welfare fund	-	-	-	-	-	-	(3,858)	-	(3,858)	-
Taxation	-	-	-	-	(228)	(198)	(35,646)	(24,094)	(35,874)	(24,292)
Segment net profit	(94,491)	(19,593)	224,988	(55,133)	(4,413)	(8,059)	210,270	141,803	336,354	59,018

	Renewable energy - continuing operations		Textile - discontinued operations		Textile - discontinued operations		Unallocated		The Company	
	Jun 30, 2014	Dec 31, 2013	Jun 30, 2014	Dec 31, 2013	Jun 30, 2014	Dec 31, 2013	Jun 30, 2014	Dec 31, 2013	Jun 30, 2014	Dec 31, 2013
301,196	150,058	732,287	632,940	308,009	310,429	4,817,672	4,659,989	6,159,164	5,753,415	
35,587	21,773	88,272	97,264	10,317	5,947	337,276	279,737	471,452	404,721	

## 12.2 Segment assets

## Segment liabilities

12.3 Other income includes net gain of Rs. 248.94 million on disposal pertaining to land in Village Manga Autar, Tehsil and District Lahore, of Burewala Textile Mills Limited. It also includes Rs. 1.63 million being cost of land transferred to the Company during amalgamation, however recorded during the current period.



# Notes to the Condensed Interim Consolidated Financial Information (Un-Audited)

For the Half Year Ended June 30, 2014

## 13. TRANSACTIONS WITH RELATED PARTIES

The Holding Company in the normal course of business carries out transactions with various related parties. Related parties comprise of associated undertakings, directors, key management personnel and others. Transactions with related parties are as follows:

Relationship	Nature of transaction	(Unaudited)	(Unaudited)
		June 30, 2014	June 30, 2013
		----- Rupees in '000 -----	
<b>a. Associated companies</b>			
Dawood Hercules Corporation Limited	Dividend income	77,932	77,932
	Reimbursable expenses by the Company	2,328	2,896
	Reimbursable expenses to the Company	27	-
D H Fertilizer Limited	Reimbursable expenses by the Company	2,766	665
Sach International (Private) Limited	Sale of fabric	23,806	69,969
	Reimbursable expenses to the Company	374	851
	Reimbursable expenses by the Company	-	50
	Royalty charged by the Company	3,558	1,858
	Penal charges against overdue receivables	674	-
	Transfer of assets by the Company	-	1,514
	Transfer of assets to the Company	-	448
	Retirement and other benefits transferred to the Company	-	1,113
Cyan Limited	Reimbursable expenses to the Company	34	31
Sui Nothern Gas Pipelines Limited	Utility charges paid	-	5,505
The Dawood Foundation	Rental charges paid	2,415	2,415
	Reimbursable expenses by the Company	1,039	989
	Utility charges	109	-
Inbox Business Technologies (Pvt) Limited	Hardware maintenance charges paid	279	250
Pebbles (Private) Limited	Penal charges against overdue receivables	93	-
National Database and Registration Authority (NADRA)	Verification charges	8	-

# Notes to the Condensed Interim Consolidated Financial Information (Un-Audited)

For the Half Year Ended June 30, 2014

Relationship	Nature of transaction	(Unaudited)	(Unaudited)
		June 30, 2014	June 30, 2013
		----- Rupees in '000 -----	
<b>b. Other related parties</b>			
Dawood Lawrencepur Limited -(Burewala Mills)			
- Staff Provident Fund	Contribution by the Company	-	48
<b>c. Key management personnel</b>			
	Salaries and employee benefits	22,245	18,105

## 14. DATE OF AUTHORIZATION FOR ISSUE


This condensed interim consolidated financial information was authorized for issue on August 27, 2014 by the Board of Directors of the Holding Company.

## 15. GENERAL

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



INAM UR RAHMAN  
Chief Executive



SHAFIQ AHMED  
Director





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