

# OUR ENERGY



ANNUAL REPORT 2 0 1 3



Dawood Hercules

Dawood Hercules Corporation Limited (DH Corp.) is an investment holding company with associated business interests which range from fertilizer and energy to food, chemicals manufacturing and storage, information technology, and financial services.

# OUR ENERGY



Energy in all its sustainable forms is the key to Pakistan's future prosperity and well-being. It is crucial for industrial development and progress, and ultimately our survival. To endure and flourish, it is imperative for the country to develop a diversified and sustainable energy mix.

The Dawood Hercules Group aims to be at the forefront of the energy revolution in the country. It is our commitment to encourage sustainable business practices which enhance economic growth while simultaneously protecting our nation's human, natural and cultural resources. We firmly believe that this approach will ensure a brighter future for us all.

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# Vision

To be the leading investor and wealth creator of value driven businesses

# Mission

We will maximize profit by investing in businesses that share our vision and fulfill our investment criteria to achieve growth and return aspirations on a consistent basis.

We will create intrinsic value by incorporating efficiency and capability within our existing operations and through our investments.





# Business Ethics & Core Values

This statement of Business Ethics and Core Values constitutes the basis on which Dawood Hercules Corporation Limited conducts its business. The Board of Directors and the employees of Dawood Hercules Corporation Limited are the custodians of the excellent reputation for conducting our business according to the highest principles of business ethics.

Our reputation not only affects whether or not someone will do business with us, it also determines whether we are proud to be associated with this Company.

We are committed to conducting our business activities in honest and sincere alignment with our Core Values and in full compliance with all the applicable laws and regulations. We also believe in treating our employees with the same principles in order to build mutual respect, confidence and trust based upon integrity, honesty, openness and competence.

In order to maintain and enhance our reputation for integrity in our business, it is important for all of us individually and collectively to adhere to the highest moral, ethical and legal standards.

# Core Values

At Dawood Hercules Corporation Limited, all our actions are based on and guided by the following values:

## Diversity

We respect the dignity, rights and views of others and will provide unrestricted opportunity for personal advancement to employees irrespective of gender, ethnicity, beliefs, cultures and religions.

## Teamwork

We are committed to work as a team to achieve common goals whilst fairly recognising and rewarding individual contributions on merit.

## Integrity

We will conduct ourselves with uncompromising ethics and honesty at all times, in all situations, both professionally and personally.

## Accountability

We will be accountable as individuals and as employees for our ethical conduct and for compliance with applicable laws and policies and directives of the management.

## Commitment to Excellence

We will drive and achieve results while pursuing the highest standards and maximizing the use of resources.







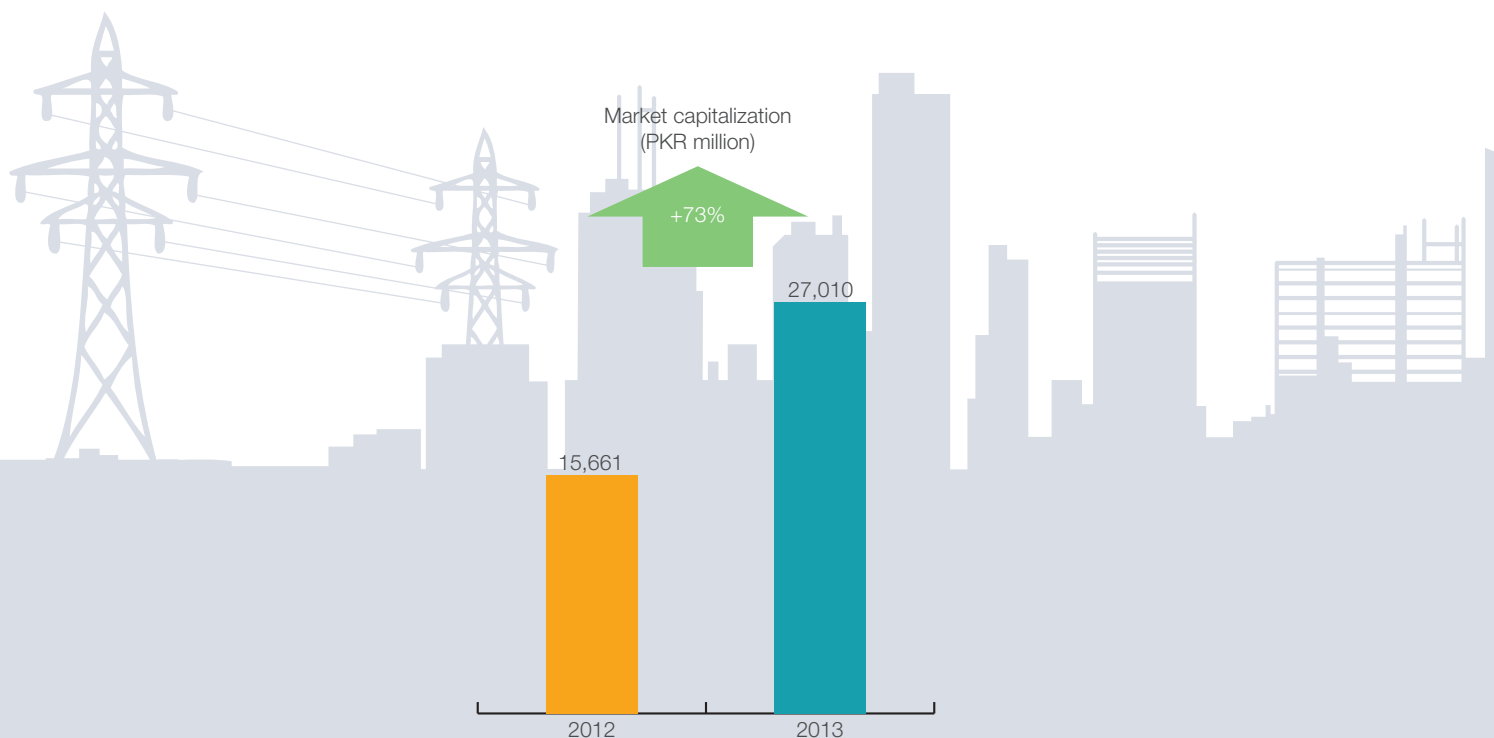
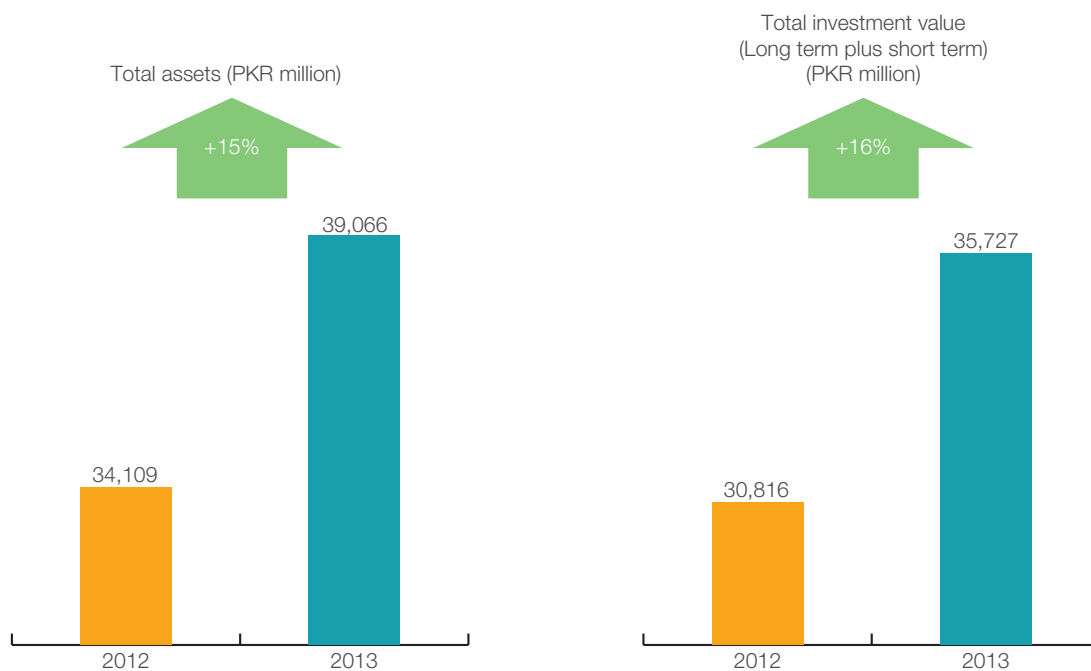
# GAS

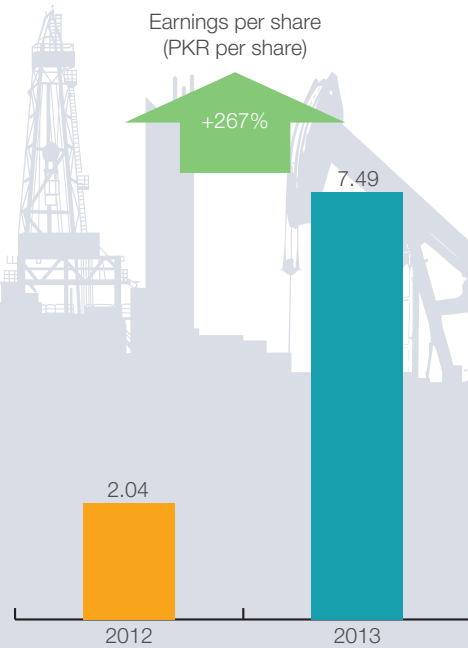
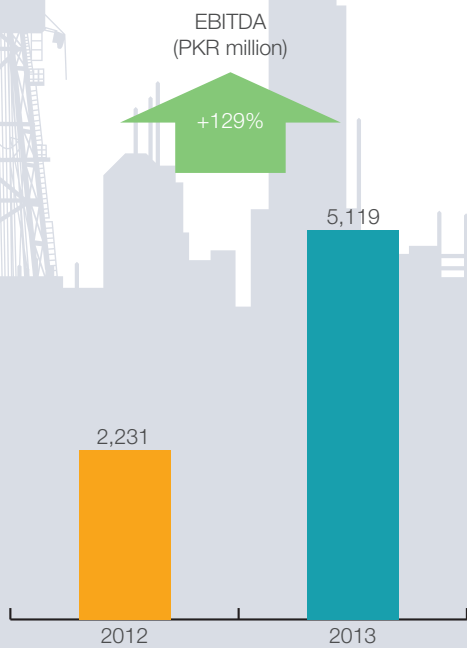
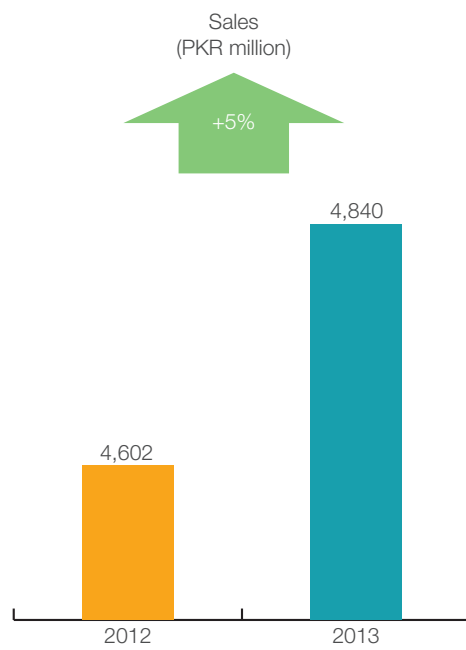
Natural gas is a combustible mixture of hydrocarbon gases. Formed primarily of methane, it can also include ethane, propane, butane and pentane. Natural gas is an energy source used extensively for heating, cooking, electricity generation, and chemical feedstock for manufacturing fertilizers.



# Performance highlights

## Key Figures



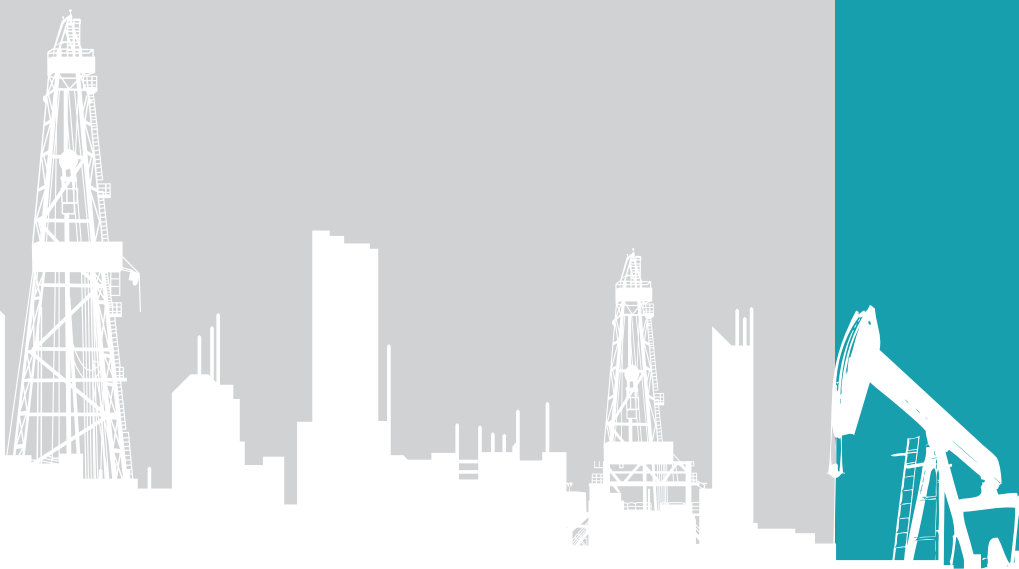






# ELECTRICITY

Electrical power is the backbone of modern industrial societies. Its extraordinary versatility means it can be put to an almost limitless set of applications which include transport, heating, lighting, and communications. The Hub Power Company Ltd (in picture) is one of the largest private-sector power companies in Pakistan, producing over 1,200 MW of electricity with generation facilities located in Hub, Narowal, and Mangla.







DH Corp. HQ



# Company Information

## Board of Directors

Mr. Hussain Dawood	Chairman
Mr. Shahid Hamid Pracha	Chief Executive Officer
Mr. Javed Akbar	Director
Mr. M. Abdul Aleem	Director
Mr. M. Aliuddin Ansari	Director
Mr. A. Samad Dawood	Director
Mr. Shahzada Dawood	Director
Mr. Parvez Ghias	Director
Mr. Saad Raja	Director

## Board Audit Committee

Mr. M. Abdul Aleem	Chairman
Mr. Javed Akbar	Member
Mr. Parvez Ghias	Member

## Board Compensation Committee

Mr. Hussain Dawood	Chairman
Mr. M. Aliuddin Ansari	Member
Mr. A. Samad Dawood	Member
Mr. Parvez Ghias	Member

## Board Investment Committee

Mr. A. Samad Dawood	Chairman
Mr. Shahid Hamid Pracha	Member
Mr. Ali Aamir	Member

## Company Secretary

Mr. Shafiq Ahmed

## Chief Financial Officer

Mr. Ali Aamir

## Registered Office

Dawood Centre, M.T. Khan Road  
Karachi-75530

Tel: +92 (21) 35686001

Fax: +92 (21) 35693416

Email: [shareholders@dawoodhercules.com](mailto:shareholders@dawoodhercules.com)

Web: [www.dawoodhercules.com](http://www.dawoodhercules.com)

## Bankers

Bank Al-Habib Limited  
Barclays Bank PLC, Pakistan  
Allied Bank Limited  
United Bank Limited

## Auditors

A.F. Ferguson & Co.  
Chartered Accountants  
State Life Building No. 1-C  
I.I. Chundrigar Road  
P.O. Box 4716 Karachi-74000  
Tel: +92 (21) 32426682-6  
Fax: +92 (21) 32415007, 32427938

## Shares Registrar

M/s. FAMCO Associates (Pvt.) Ltd.  
8-F, Next to Hotel Faran, Nursery, Block - 6,  
P.E.C.H.S, Shahrah-e-Faisal, Karachi  
Tel: +92 (21) 34380101-2  
Fax: +92 (21) 34380106

## Tax Consultants

A.F. Ferguson & Co.  
Chartered Accountants  
State Life Building No. 1-C  
I.I. Chundrigar Road  
P.O. Box 4716 Karachi-74000  
Tel: +92 (21) 32426682-6  
Fax: +92 (21) 32415007, 32427938

## Legal Advisors

M/s. HaidermotaBNR & Co.  
(Barristers at law)  
D-79, Block-5, Clifton,  
KDA Scheme No.5  
Karachi 75600  
Tel: +92 (21) 111520000, 35879097  
Fax: +92(21) 35862329, 35871054

Solar panels on the roof of Dawood Centre





# SOLAR

Solar power is the conversion of sunlight into electricity, either directly using photovoltaics (PV), or indirectly using concentrated solar power (CSP). With sunshine throughout the year, the potential for generating solar energy in Pakistan is immense.



# Board of Directors



**M. Aliuddin Ansari**  
Director

**Saad Raja**  
Director

**Shahid H. Pracha**  
Chief Executive Officer

**Shahzada Dawood**  
Director

**Hussain Dawood**  
Chairman



M. Abdul Aleem  
Director

A. Samad Dawood  
Director

Parvez Ghias  
Director

Javed Akbar  
Director



# Directors' Profiles



**Hussain Dawood**  
Chairman

Mr. Hussain Dawood is the Chairman of Dawood Hercules Corporation Limited. He is also the Chairman of Engro Corporation Limited, The Hub Power Company Limited, Pakistan Poverty Alleviation Fund, Karachi Education Initiative (KEI) and The Dawood Foundation.

His social responsibilities include Chairmanship of the International Advisory Council of the Cradle to Cradle Institute in San Francisco, and Karachi Education Initiative's Karachi School for Business & Leadership. Mr. Dawood also serves as a Director of the Pakistan Business Council, Pakistan Centre for Philanthropy, Beaconhouse National University and iCare Foundation. He is the Patron of the Pakistani Entrepreneurs of North America and is a Global Charter Member of The Indus Entrepreneurs (TiE).

Mr. Dawood is the Honorary Consul of Italy in Lahore and was conferred the award "Ufficiale Ordine Al merito della Repubblica Italiana" by the Italian Government. He is an MBA from the Kellogg School of Management, Northwestern University, USA, and a graduate in Metallurgy from Sheffield University, UK.



**Shahid Hamid Pracha**  
Chief Executive Officer

Mr. Pracha serves as Chief Executive of Dawood Hercules Corporation Limited and Chairman of DH Fertilizers Limited, Dawood Lawrencepur Limited, and Tenaga Generasi Limited. He is also a Director on the Boards of Hub Power Company Limited, Engro Corporation, Engro Fertilizer Ltd., e2e Business Enterprises (Private) Limited, Cyan Ltd., Engro Powergen Ltd. and Engro Powergen Qadirpur Ltd. He previously served as Chief Executive of the Dawood Foundation, the philanthropic arm of the Dawood Hercules Group. Whilst in that role, he was concurrently the first CEO of The Karachi Education Initiative, the sponsoring entity of the Karachi School for Business & Leadership.

Mr. Pracha is a graduate electrical engineer from the University of Salford, UK and prior to joining the Dawood Hercules Group, spent a major part of his career with ICI Plc's Pakistan operations in a variety of senior roles including a period of international secondment with the parent company in the UK.



**Javed Akbar**  
Director

Mr. Javed has a Masters degree in Chemical Engineering from United Kingdom and has over 35 years of experience in fertilizer and chemical business with Exxon, Engro and Vopak. He has managed Exxon and Engro fertilizer plants and their expansions in Pakistan, worked in Exxon's Chemical Technology divisions in USA and Canada, and served as Human Resources Manager in Exxon Pakistan. He was part of the buyout team when Exxon divested its stake in Engro. Prior to his retirement in 2006, Javed Akbar was Chief Executive of Engro Vopak Terminal Limited, a joint venture between Engro and Royal Vopak of Holland. After his retirement he established a consulting company specializing in analysing and forecasting petroleum, petrochemical and energy industry trends and providing strategic insight. He also serves on the Board of Directors of DH Fertilizers Limited, Engro Fertilizers Limited, Engro Powergen Limited, Engro Powergen Qadirpur Limited, Engro Vopak Terminal Limited, Javed Akbar Associates (Private) Limited, Pakistan Petroleum Limited and is also on the panel of environmental experts of Sindh Environmental Protection Agency.



**M. Abdul Aleem**  
Director

Mr. Mohammad Aleem is a Fellow Chartered Accountant (FCA) and a Fellow Cost and Management Accountant (FCMA). Mr. Aleem has worked for 16 years in senior positions with Engro Corporation Limited and Esso Singapore. Thereafter, he has worked for another 14 years with British American Tobacco Group UK (BAT) in Pakistan and overseas. For over ten years Mr. Aleem served as Chief Executive Officer of BAT operations in Cambodia, Mauritius and Indian Ocean.

Since 2004, Mr. Aleem has served in senior positions with large Government owned corporations in Pakistan. His last assignment was as the Managing Director, Pakistan State Oil Company Limited. Currently, he is the Chief Executive and Secretary General of Overseas Investors Chamber of Commerce and Industry. Mr. Aleem is also serving on the Board of Directors of Meezan Bank Limited and Pakistan Institute of Corporate Governance.





**Muhammad Aliuddin Ansari**  
Director

Mr. Ali was appointed as a President and CEO of Engro Corporation Limited in May 2012. He holds a degree in Business Administration, with a specialization in Finance & Investments. Mr. Ali started his career as an Investment Manager at Bank of America in London which later became Worldinvest after a management buyout. Thereafter, he worked as CEO Pakistan and later as COO Emerging Europe for Credit Lyonnais Securities Asia. He has also worked as CEO AKD Securities and Dewan Drilling. Ali currently holds directorships in all Engro companies, and is also a member of the Board of Directors of Dewan Drilling Ltd, Dewan Petroleum Ltd, Pakistan Chemical & Energy Sector Skill Development Company and Pakistan Business Council. He has also chaired a number of SECP committees and has served on the Boards of the KSE, NCCPL, Lucky Cement and Al Meezan Investment Management amongst others.



**A. Samad Dawood**  
Director

Mr. Samad Dawood is a graduate in Economics from University College London, UK and a Certified Director of Corporate Governance from the Pakistan Institute of Corporate Governance. He is the Chief Executive of Cyan Limited. He also serves as Director on the Boards of Dawood Lawrencepur Limited, DH Fertilizers Limited, The Hub Power Company Limited, Engro Foods Limited, Engro Corporation Limited, Engro Fertilizers Limited and Tenaga Generasi Limited. Mr. Samad is a member of Young Presidents' Organization, Pakistan Chapter.



**Shahzada Dawood**  
Director

Mr. Shahzada Dawood serves as a Director on the Boards of Dawood Hercules Corporation Ltd, Engro Corporation Ltd, DH Fertilizers Ltd, Dawood Corporation (Pvt) Ltd, Engro Foods Ltd, Engro Powergen Ltd, Engro Vopak Terminal Ltd, Engro Eximp Ltd, Pebbles (Pvt) Ltd, Patek (Pvt) Ltd, Engro Polymer & Chemicals Ltd, Sirius (Pvt) Ltd, Tenaga Generasi Ltd and Dawood Lawrencepur Ltd. He is a Trustee of The Dawood Foundation. Mr. Shahzada is an M.Sc. in Global Textile Marketing from Philadelphia University, USA, an LLB from Buckingham University, UK and a Certified Director of Corporate Governance from the Pakistan Institute of Corporate Governance. He has been selected as a Young Global Leader 2012 by the World Economic Forum.



**Parvez Ghias**  
Director

Mr. Parvez Ghias is the CEO at Indus Motor Company Limited, a leading automobile manufacturer in the country of Toyota brand vehicles.

He holds a Bachelor Degree in Economics and is a fellow of the Institute of Chartered Accountants in England & Wales.

Parvez Ghias also serves as an independent director on the boards of Standard Chartered Bank (Pakistan) Limited and Injaz Pakistan.



**Saad Raja**  
Director

Mr. Saad Raja is an engineer from UET, Lahore and an MBA from the London Business School. He joined DFJ eplanet ventures in 2001, prior to which he had worked at senior management levels in the international asset management and investment sector. His diverse experiences have included tenures with Diachi Life Mizuho Asset Management and Industrial Bank of Japan – Asset Management International. He is also a Director on the Board of Engro Corporation Limited.



# HYDRO

Hydro or water power is electricity derived from falling or running water. The identified hydropower potential in Pakistan is approximately 42,000 MW, whereas current generation is about 6,600 MW. HUBCO's subsidiary, Laraib Energy Limited, set up the first hydropower project (pictured) by the private sector in Pakistan.





# Committees

## Board Audit Committee

The Board has set up an audit committee comprising of four Directors. Presently, two of whom are independent and one is non-executive. The Chairman of the Committee is an independent director. Mr. Isar Ahmed resigned from the Board of Directors with effect from February 5, 2014 and the casual vacancy so created will be filled in due course. The Committee meets at least once in a quarter or as often as it considers necessary, to review and discuss all matters specified in the Code of Corporate Governance. The Committee also meets with the external auditors at least once a year.

The Head of Internal Audit acts as Secretary of the Committee.



M. Abdul Aleem  
(Chairman)



Javed Akbar



Parvez Ghias

## Board Compensation Committee

Board Compensation Committee is responsible for reviewing and approving the company's executive compensation, overall compensation strategy, human resources management policies, performance evaluation and succession plans including career planning for employees with high potential.

The Board Compensation Committee consists of three non-executive Directors and one independent Director. The Chief Executive Officer attends the meetings by invitation.



Hussain Dawood  
(Chairman)



M. Aliuddin Ansari



A. Samad Dawood



Parvez Ghias



A. Samad Dawood  
(Chairman)



Shahid H. Pracha



Ali Aamir

### Board Investment Committee

The Board Investment Committee is responsible for reviewing the Company's strategic investments in accordance with the mandate of the Board.

The Board Investment Committee consists of three members, as follows:

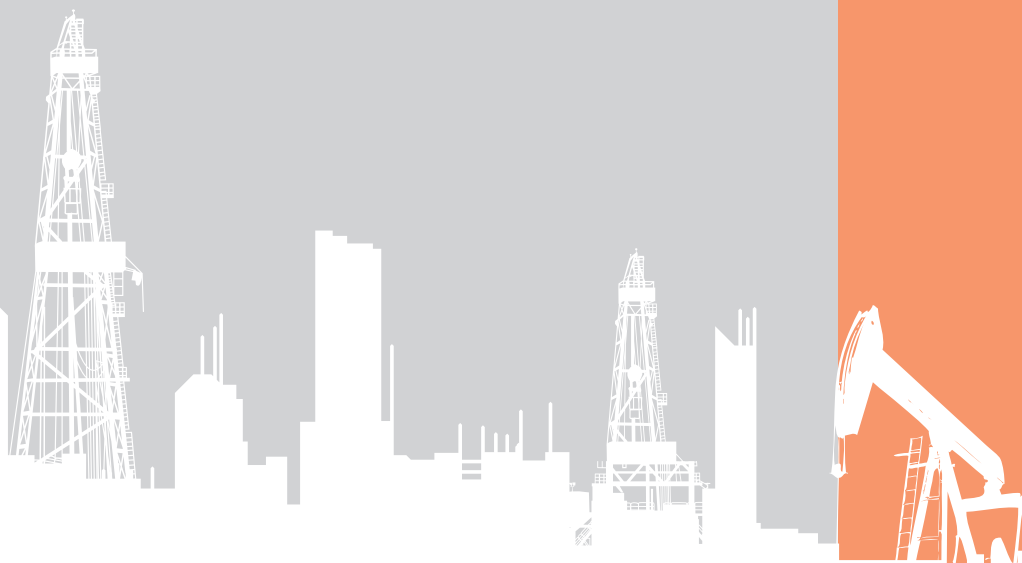
The Chief Financial Officer acts as Secretary of the Committee.





# BIO GAS

Biogas typically refers to a mixture of gases produced by the breakdown of organic matter in the absence of oxygen. It can be produced from regionally available raw materials such as recycled waste. Pictured is the USAID-DRDF community project at Vehari which was brought to operation by REON Energy Solutions - a division of Dawood Lawrencepur Ltd - in collaboration with WINROCK International.



# Operating highlights

Six years at a glance		
Sr.#	PARTICULARS	UNIT
A)	INCOME STATEMENT	
1	Sales Value	Rs. in Million
2	Gross Profit	Rs. in Million
3	Operating Profit	Rs. in Million
4	EBITDA	Rs. in Million
5	Profit Before Taxation	Rs. in Million
6	Profit After Taxation	Rs. in Million
B)	DIVIDEND	
1	Cash Dividend	%
2	Stock Dividend	%
C)	BALANCE SHEET	
1	Fixed assets	Rs. in Million
2	Long term investments	Rs. in Million
3	Current Assets	Rs. in Million
4	Current Liabilities	Rs. in Million
5	Paid Up Capital	Rs. in Million
6	Reserves	Rs. in Million
7	No. of Ordinary Shares	Million
D)	RATIO ANALYSIS	
1	Gross Profit	%
2	Net Profit to Sales	%
3	Operating Profit Margin	%
4	EBITDA margin	%
5	Earnings Per Share	Rs.
6	Inventory Turnover	Time
7	Age of Inventory	Days
8	Debtors Turnover	Time
9	Average Collection Period	Days
10	Operating Cycle	Days
11	Total Assets Turnover	Time
12	Fixed Assets Turnover	Time
13	Break-up Value of Share	Rs.
14	Dividend Yield	%
15	Dividend Payout Ratio	%
16	Return on Equity	%
17	Debt Equity Ratio	Time
18	Current Ratio	Time
19	Quick Ratio	Time
20	Total Debt Ratio	Time
21	Interest Cover Ratio	Time
22	Dividend Cover Ratio	Time
23	Market Value per Share	Rs.
24	Market Capitalization	Rs. in Million
25	Price Earning Ratio	Times
E)	PRODUCTION	
1	Designed Production (for 12 months)	Thousand M.T.
2	Actual Production	Thousand M.T.
3	Capacity Utilization	%
4	Sales	Thousand M.T.
F)	OTHERS	
1	Employees	Nos.
2	Capital Expenditure	Rs. in Million
3	Contribution to the National Exchequer	Rs. in Million

2008	2009 Restated	2010	2011	2012 Restated	2013
7,429	11,040	8,716	6,310	4,602	4,840
3,116	3,960	3,501	2,266	786	789
2,952	(560)	3,145	1,462	746	294
4,943	921	5,308	4,636	2,231	5,119
3,900	(213)	4,191	3,632	1,107	4,063
3,063	(1,138)	3,248	2,893	984	3,604
25	40	50	10	10	10
10	10	300	-	-	-
1,396	2,075	2,238	2,247	2,229	2,009
19,206	21,543	22,425	24,702	30,814	34,393
5,027	5,987	5,690	4,579	1,065	2,665
1,577	2,983	2,320	680	582	3,847
1,094	1,094	1,203	4,813	4,813	4,813
16,289	18,789	21,156	20,293	20,892	24,111
109.38	109.38	120.32	481.29	481.29	481.29
41.95	35.87	40.17	35.91	17.08	16.31
41.23	(10.31)	37.27	45.85	21.38	74.47
39.73	(5.07)	36.09	23.17	16.20	6.08
66.53	8.34	60.90	73.48	48.48	105.77
28.00	(9.46)	6.75	6.01	2.04	7.49
9.01	81.93	34.83	22.01	37.53	65.10
40.50	4.46	10.48	16.58	9.72	5.61
1,095.5	1,171.5	1,433.6	2,619.73	3,053.01	241.11
0.33	0.31	0.25	0.14	0.12	1.51
40.84	4.77	10.73	16.72	9.84	7.12
0.29	0.37	0.29	0.20	0.13	0.12
5.32	5.32	3.89	2.81	2.06	2.41
158.91	181.77	185.83	52.16	53.41	60.10
1.13	2.22	2.52	2.36	3.07	1.78
8.93	(38.44)	18.52	16.64	48.92	13.35
17.62	(5.72)	14.53	11.52	3.83	12.46
0.36	0.32	0.26	0.19	0.27	0.24
3.19	2.01	2.45	6.74	1.83	0.69
3.13	1.98	2.36	6.52	1.74	0.67
0.32	0.33	0.26	0.20	0.25	0.26
5.33	0.78	5.61	5.48	2.21	5.78
11.20	(2.60)	5.40	6.01	2.04	7.49
220.30	179.81	198.36	42.39	32.54	56.12
24,097	19,668	23,867	20,402	15,661	27,010
7.87	(19.01)	29.39	7.05	15.95	7.49
445.50	445.50	445.50	445.50	445.50	445.50
508.05	513.32	456.12	199.90	57.88	60.77
114	115	102	45	13	14
527.86	513.22	441.51	207.24	72.75	60.77
478	576	564	572	473	465
163.26	833.17	393.12	91.64	217.21	6.82
1,059	1,003	783	1,557	1,145	1,206



# Horizontal analysis

## Balance Sheet

-----Rs. in million-----						
Particulars	2008	2009 Restated	2010	2011	2012 Restated	2013
Share Capital and Reserves						
Issued, subscribed and paid up capital	1,094	1,094	1,203	4,813	4,813	4,813
Revenue reserves	20,415	18,785	21,021	20,293	20,890	24,111
Fair value reserve	(4,127)	4	136	0	1	0
Share holder's equity with FVR	17,383	19,883	22,360	25,106	25,704	28,924
Non Current Liabilities	6,670	6,742	5,675	5,744	7,822	6,296
<b>Sub Total</b>	<b>24,053</b>	<b>26,624</b>	<b>28,035</b>	<b>30,850</b>	<b>33,526</b>	<b>35,220</b>
Current Liabilities						
Current portion - long term loan	0	0	661	0	216	1,996
Short term financing - secured	70	1,197	46	0	32	905
Trade and other payables	538	648	695	642	302	892
Markup payable on secured loans	276	280	233	9	32	54
Provision for taxation	693	858	686	29	0	0
<b>Sub Total</b>	<b>1,577</b>	<b>2,983</b>	<b>2,320</b>	<b>680</b>	<b>582</b>	<b>3,847</b>
<b>Total</b>	<b>25,630</b>	<b>29,607</b>	<b>30,355</b>	<b>31,530</b>	<b>34,109</b>	<b>39,066</b>
-----Rs. in million-----						
Particulars	2008	2009 Restated	2010	2011	2012 Restated	2013
Assets						
Property, plant and equipment	1,396	2,075	2,238	2,247	2,229	2,009
Long term investments	19,206	21,543	22,425	24,702	30,814	34,393
Long term loans and advances	1	2	2	2	1	0
<b>Sub Total</b>	<b>20,603</b>	<b>23,621</b>	<b>24,665</b>	<b>26,951</b>	<b>33,044</b>	<b>36,401</b>
Current Assets						
Stores, spares and loose tools	1,026	1,303	1,074	678	676	768
Stock in trade	90	83	216	151	52	72
Trade debts	9	10	2	3	0	40
Loans, advances, deposit, prepayments and other receivables including advance income tax	735	913	708	66	298	308
Short term investments	2,233	3,399	2,440	2,951	3	1,335
Cash and bank balances	934	278	1,250	731	36	143
<b>Sub Total</b>	<b>5,027</b>	<b>5,987</b>	<b>5,690</b>	<b>4,579</b>	<b>1,065</b>	<b>2,665</b>
<b>Total Assets Employed</b>	<b>25,630</b>	<b>29,607</b>	<b>30,355</b>	<b>31,530</b>	<b>34,109</b>	<b>39,066</b>

-----Percentage change-----				
09 Over 08	10 Over 09	11 Over 10	12 Over 11	13 Over 12
0%	10%	300%	0%	0%
-8%	12%	-3%	3%	15%
-100%	3307%	-100%	100%	-100%
14%	12%	12%	2%	13%
1%	-16%	1%	36%	-20%
11%	5%	10%	9%	5%
0%	100%	-100%	100%	825%
1606%	-96%	-100%	100%	2702%
20%	7%	-8%	-53%	195%
2%	-17%	-96%	275%	66%
24%	-20%	-96%	-100%	0%
89%	-22%	-71%	-14%	560%
16%	3%	4%	8%	15%
-----Percentage change-----				
09 Over 08	10 Over 09	11 Over 10	12 Over 11	13 Over 12
49%	8%	0%	-1%	-10%
12%	4%	10%	25%	12%
92%	-31%	31%	-37%	-100%
15%	4%	9%	23%	10%
27%	-18%	-37%	0%	14%
-7%	160%	-30%	-66%	39%
14%	-79%	26%	-88%	12003%
24%	-22%	-91%	354%	3%
52%	-28%	21%	-100%	50933%
-70%	350%	-42%	-95%	302%
19%	-5%	-20%	-77%	150%
16%	3%	4%	8%	15%

# Vertical analysis

## Balance Sheet

-----Rs. in million-----						
Particulars	2008	2009 Restated	2010	2011	2012 Restated	2013
Share Capital and Reserves						
Issued, subscribed and paid up capital	1,094	1,094	1,203	4,813	4,813	4,813
Revenue reserves	20,415	18,785	21,021	20,293	20,890	24,111
Fair value reserve	(4,127)	4	136	0	1	0
Share holder's Equity with FVR	17,383	19,883	22,360	25,106	25,704	28,924
Non Current Liabilities	6,670	6,742	5,675	5,744	7,822	6,296
<b>Sub Total</b>	<b>24,053</b>	<b>26,624</b>	<b>28,035</b>	<b>30,850</b>	<b>33,526</b>	<b>35,220</b>
Current Liabilities						
Current portion - long term loan	0	0	661	0	216	1,996
Short term financing - secured	70	1,197	46	0	32	905
Trade and other payables	538	648	695	642	302	892
Markup payable on secured loans	276	280	233	9	32	54
Provision for taxation	693	858	686	29	0	0
<b>Sub Total</b>	<b>1,577</b>	<b>2,983</b>	<b>2,320</b>	<b>680</b>	<b>582</b>	<b>3,847</b>
<b>Total</b>	<b>25,630</b>	<b>29,607</b>	<b>30,355</b>	<b>31,530</b>	<b>34,109</b>	<b>39,066</b>
-----Rs. in million-----						
Particulars	2008	2009 Restated	2010	2011	2012 Restated	2013
Assets						
Property, plant and equipment	1,396	2,075	2,238	2,247	2,229	2,009
Long term investments	19,206	21,543	22,425	24,702	30,814	34,393
Long term loans and advances	1	2	2	2	1	0
<b>Sub Total</b>	<b>20,603</b>	<b>23,621</b>	<b>24,665</b>	<b>26,951</b>	<b>33,044</b>	<b>36,401</b>
Current Assets						
Stores, spares and loose tools	1,026	1,303	1,074	678	676	768
Stock in trade	90	83	216	151	52	72
Trade debts	9	10	2	3	0	40
Loans, advances, deposit, prepayments and other receivables including advance income tax	735	913	708	66	298	308
Short term investments	2,233	3,399	2,440	2,951	3	1,335
Cash and bank balances	934	278	1,250	731	36	143
<b>Sub Total</b>	<b>5,027</b>	<b>5,987</b>	<b>5,690</b>	<b>4,579</b>	<b>1,065</b>	<b>2,665</b>
<b>Total Assets Employed</b>	<b>25,630</b>	<b>29,607</b>	<b>30,355</b>	<b>31,530</b>	<b>34,109</b>	<b>39,066</b>

-----Percentage-----					
2008	2009	2010	2011	2012	2013
4%	4%	4%	15%	14%	12%
80%	63%	69%	64%	61%	62%
-16%	0%	0%	0%	0%	0%
68%	67%	73%	80%	75%	74%
26%	23%	19%	18%	23%	16%
94%	90%	92%	98%	98%	90%
0%	0%	2%	0%	1%	5%
0%	4%	0%	0%	0%	2%
2%	2%	3%	2%	1%	2%
1%	1%	1%	0%	0%	1%
3%	3%	2%	0%	0%	0%
6%	10%	8%	2%	2%	10%
100%	100%	100%	100%	100%	100%
-----Percentage-----					
2008	2009	2010	2011	2012	2013
5%	7%	7%	7%	7%	5%
75%	73%	74%	78%	90%	88%
0%	0%	0%	0%	0%	0%
80%	80%	81%	85%	97%	93%
			-	-	-
4%	4%	4%	2%	2%	2%
0%	0%	1%	0%	0%	0%
0%	0%	0%	0%	0%	0%
3%	3%	2%	0%	1%	1%
9%	12%	8%	9%	0%	3%
4%	1%	4%	2%	0%	1%
20%	20%	19%	15%	3%	7%
100%	100%	100%	100%	100%	100%



# Horizontal analysis

Profit and Loss

Rs. in million

Particulars	2008	2009 Restated	2010	2011	2012 Restated	2013
Sales - net	7,429	11,040	8,716	6,310	4,602	4,840
Cost of goods sold	4,312	7,080	5,214	4,044	3,816	4,051
Gross profit	3,116	3,960	3,501	2,266	786	789
Distribution expenses	72	392	268	67	76	96
Administrative expenses	318	328	432	418	443	641
Impairment loss	100	3,791	2	587	0	-
Other expenses	184	160	116	82	9	39
Other income	510	151	462	351	488	280
Result from operating activities	2,952	-560	3,145	1,462	746	294
Finance cost	901	985	910	811	915	850
Share of profit from associate net of tax	1,850	1,331	1,956	2,981	1,275	4,618
Profit before tax	3,900	-213	4,191	3,632	1,107	4,063
Income tax expenses	838	925	943	739	123	459
Profit after tax	3,063	-1,138	3,248	2,893	984	3,604

# Vertical analysis

Profit and Loss

Rs. in million

Particulars	2008	2009 Restated	2010	2011	2012	2013
Sales - net	7,429	11,040	8,716	6,310	4,602	4,840
Cost of goods sold	4,312	7,080	5,214	4,044	3,816	4,051
Gross profit	3,116	3,960	3,501	2,266	786	789
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Income tax expenses	838	925	943	739	123	459
Profit after tax	3,063	-1,138	3,248	2,893	984	3,604

-----Percentage change-----

09 Over 08	10 Over 09	11 Over 10	12 Over 11	13 Over 12
49%	-21%	-28%	-27%	5%
64%	-26%	-22%	-6%	6%
27%	-12%	-35%	-65%	0%
442%	-32%	-75%	13%	26%
3%	32%	-3%	6%	45%
3679%	-100%	24449%	-100%	0%
-13%	-27%	-29%	-89%	319%
-70%	206%	-24%	39%	-43%
-119%	-662%	-54%	-49%	-61%
9%	-8%	-11%	13%	-7%
-28%	47%	52%	-57%	262%
-105%	-2063%	-13%	-70%	267%
10%	2%	-22%	-83%	274%
-137%	-385%	-11%	-66%	266%

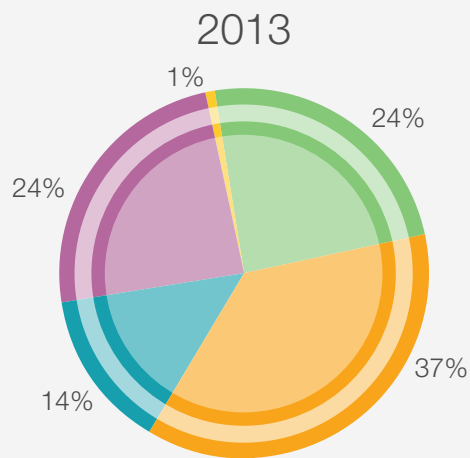
-----Percentage-----

2008	2009	2010	2011	2012	2013
100%	100%	100%	100%	100%	100%
58%	64%	60%	64%	83%	84%
42%	36%	40%	36%	17%	16%
1%	4%	3%	1%	2%	2%
4%	3%	5%	7%	10%	13%
1%	34%	0%	9%	0%	0%
1%	1%	1%	1%	0%	1%
7%	1%	5%	6%	11%	6%
40%	-5%	36%	24%	16%	6%
12%	9%	10%	13%	20%	18%
25%	12%	22%	47%	28%	95%
53%	-2%	48%	58%	24%	83%
12%	8%	11%	12%	3%	9%
41%	-10%	37%	46%	21%	74%

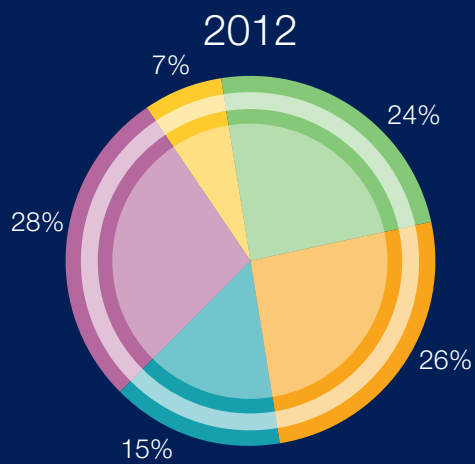
# Statement of value addition

	2013 Rs in '000	%	2012 Rs in '000	%
<b>Wealth generated</b>				
Total gross revenue and other income	7,234,009		6,620,902	
Bought-in materials and services	(3,776,748)		(3,314,377)	
Total value addition	3,457,261		3,306,525	
<b>Wealth distribution</b>				
To employees (salaries, wages & benefits)	820,093	24%	811,813	24%
To government (income tax, sales tax & WWF)	1,276,398	37%	867,138	26%
To providers of capital:				
Dividend to Shareholders	481,287	14%	481,287	15%
Mark-up/interest expense on borrowed money	849,839	24%	914,556	28%
Retained for reinvestment and future growth, depreciation and retained profits	29,644	1%	231,731	7%
Total value distribution	3,457,261		3,306,525	





■ Employees cost     ■ Government taxes     ■ Shareholder  
■ Finance cost     ■ Retained in business



■ Employees cost     ■ Government taxes     ■ Shareholders  
■ Finance cost     ■ Retained in business



# COAL

Coal is a combustible black or brownish-black sedimentary rock. It is the largest source for generation of electricity worldwide. The recently held ground breaking ceremony for the coal mining project by Sindh Engro Coal Mining Company aims to make use of Pakistan's vast Thar coal reserves for generation of electricity.



# Notice of annual general meeting

Notice is hereby given that the Forty Sixth Annual General Meeting of Dawood Hercules Corporation Limited will be held at Pearl Continental Hotel, Club Road, Karachi, on Monday, April 28, 2014 at 11:00 a.m. to transact the following business:

## ORDINARY BUSINESS:

1. To confirm the Minutes of the Forty Fifth Annual General Meeting held on Friday, March 29, 2013.
2. To receive, consider and adopt the Audited Accounts of the Company for the year ended December 31, 2013 together with the Auditors' and Directors' Reports thereon.
3. To consider and, if thought fit, approve payment of final cash dividend at the rate of Rs. 1 per share (10%) for the year ended December 31, 2013 as recommended by the Board of Directors.
4. To appoint Auditors for the year ending December 31, 2014 and to fix their remuneration.
5. To elect ten (10) Directors of the Company as fixed by the Board of Directors in accordance with Section 178(1) of the Companies Ordinance, 1984, for a period of three (3) years commencing from April 29, 2014. The names of the retiring Directors who are eligible for re-election are given below:

1. Mr. Hussain Dawood
2. Mr. Shahid Hamid Pracha
3. Mr. M. Aliuddin Ansari
4. Mr. Javed Akbar
5. Mr. M. Abdul Aleem
6. Mr. A. Samad Dawood
7. Mr. Shahzada Dawood
8. Mr. Parvez Ghias
9. Mr. Saad Raja

## SPECIAL BUSINESS:

6. To consider and, if thought appropriate, pass with or without modification, the following special resolution in terms of Section 208 of the Companies Ordinance 1984, to authorize the Company's equity investments in its associated company, Messrs e2e Business Enterprises (Private) Limited:

**"RESOLVED** that pursuant to Section 208 of the Companies Ordinance, 1984, the Company be and is hereby authorized to invest in 28,000,000 ordinary shares in e2e Business Enterprises (Private) Limited, an associated company, at a price of PKR 10 per share amounting to a value of approximately PKR 280,000,000 in aggregate;

**FURTHER RESOLVED** that the Chief Executive, Chief Financial Officer and the Company Secretary of the Company be and are hereby authorized to do all such things and acts necessary for this investment in the best interests of the Company, including but not limited to the execution of all/any documents required for the purposes contemplated in this resolution."

A statement under section 160(1)(b) of the Companies Ordinance, 1984 relating to the aforesaid special business to be transacted at the said Annual General Meeting is attached.

## Any other business

7. To transact any other business of the Company with the permission of the Chair

By Order of the Board

Shafiq Ahmed  
Company Secretary

Karachi  
February 27, 2014



## NOTES:

### 1. Closure of Share Transfer Books:

The share transfer books of the Company will remain closed from April 15, 2014 to April 28, 2014 (both days inclusive). Transfers received in order at the office of our Shares Registrar, M/s. FAMCO Associates (Pvt.) Limited, 8-F, Next to Hotel Faran, Nursery, Block – 6, P.E.C.H.S., Shahrah-e-Faisal, Karachi, by the close of business (1700 hours) on Monday, April 14, 2014 will be treated in time for the purpose of above entitlement to the transferees.

### 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 the 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 Registered Office, 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. For Election of Directors

Any person, who seeks to contest an election to the office of Directors, shall whether he/she is a retiring Director or otherwise file with the Company at its Registered Office not later than fourteen days before the date of the meeting, the following documents;

- (a) Notice of his /her intention to offer himself/ herself for election as a Director;
- (b) Consent to act as a director u/s 184 of the Companies Ordinance, 1984 (Form 28);
- (c) A detailed profile along with office address as required under SECP's SRO 25(1) 2012 dated January 16, 2012;
- (d) A declaration confirming that:
  - i. He/she is aware of the duties of directors under the Companies Ordinance, 1984, the Memorandum and Articles of Association and listing regulations of the Karachi Stock Exchange.
  - ii. He / she is not ineligible to become a director of the Company under any applicable laws and regulations (including listing regulations of the stock exchanges)
  - iii. He/she is not serving as a director of more than seven listed companies including this company excluding directorships in listed subsidiaries of listed holding companies

- 5. Members who have deposited their shares into Central Depository Company of Pakistan Limited ("CDC") will further have to follow the under mentioned guidelines as laid down in Circular 1 of 2000, dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

#### A. For Attending the Meeting

- a. In case of Individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his/her identity by showing his/her original CNIC or, original Passport at the time of attending the Meeting.
- b. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

#### B. For Appointing Proxies

- a. In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per above requirements.
- b. The proxy form shall be witnessed by the two persons, whose names, addresses and CNIC numbers shall be mentioned on the form.
- c. Attested copies of CNIC or the Passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- d. The proxy shall produce his original CNIC or original Passport at the time of the Meeting.
- e. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

6. A copy of the Memorandum and Articles of Association has been kept at the Registered Office of the Company and may be inspected during business hours on any working day from the date of publication of this notice till the conclusion of the Annual General Meeting.

#### 7. Notice to members who have not provided their CNIC:

The directive of the Securities and Exchange Commission of Pakistan contained in S.R.O. 19 (I) / 2014 dated January 10, 2014 in continuation to S.R.O. 831 (I) / 2012 dated July 05, 2012 provides that the dividend warrants should bear the Computerized National Identity Card (CNIC) Numbers of the registered members or the authorized person except in the case of minor(s) and corporate members. CNIC number of the members is, therefore, mandatory for the issuance of future dividend warrants and in the absence of such information, payment of dividend may be withheld. Therefore, the members who have not yet provided their CNICs are once again advised to provide the attested copies of their CNICs (if not already provided) directly to our Share Registrar at the following address without any further delay:

FAMCO Associates (Pvt.) Limited  
8-F, Next to Hotel Faran, Nursery  
Block – 6, P.E.C.H.S  
Shahrah-e-Faisal  
Karachi

#### 8. E- dividend mandate:

In order to make process of payment of cash dividend more efficient, e-dividend mechanism has been envisaged by SECP where shareholders can get amount of the dividend credited into their respective bank accounts electronically. In this way, dividends may be instantly credited to respective bank accounts and there are no chances of dividend warrants getting lost in the post, undelivered or delivered to the wrong address, etc. The Securities and Exchange Commission of Pakistan (SECP) through Notice No. 8(4) SM/CDC 2008 dated April 05, 2013 has advised all listed companies to adopt e-dividend mechanism due to the benefits it entails for their members. In view of the above, you are hereby encouraged to provide a dividend mandate in favour of e-dividend by providing dividend mandate form duly filled in and signed.

#### 9. Change of Address:

Members are requested to notify any change in their addresses immediately to the Share Registrar M/s. FAMCO Associate (Private) Limited.

# Statement under section 160(1)(b) of the Companies Ordinance, 1984

This statement annexed to the Notice of the Annual General Meeting of the Company to be held on April 28, 2014 and sets forth the material facts pertaining to the foregoing special business.

S. No.	NATURE OF INFORMATION REQUIRED TO BE DISCLOSED PURSUANT TO THE COMPANIES (INVESTMENTS IN ASSOCIATED COMPANIES OR UNDERTAKINGS) REGULATIONS, 2012	Relevant Information
1	Name of the associated company or associated undertaking along with criteria based on which the associated relationship is established	e2e Business Enterprises (Private) Limited (e2e BE). The relationship is established based on the common directors and 39% holding of the Company in e2e BE.
2	Purpose, benefits and period of investment	<p><b>Purpose &amp; Benefit</b> The objective of the Company is to make equity investment in projects which are new and have a potential of generating profit and increase shareholders' value. It is a greenfield project to produce Rice Bran Oil and is based in the heart of the rice growing area in Punjab.</p> <p><b>Period of Investment</b> Long term</p>
3	Maximum amount of investment	PKR 280 million
4	Maximum price at which securities will be acquired	PKR 10/-
5	Maximum number of securities to be acquired	28 million ordinary shares
6	Number of securities/units and percentage thereof held before and after the proposed investment	<p><b>Before acquisition</b> nil</p> <p><b>After acquisition</b> 39%</p>
7	In case of investment in listed securities, average of the preceding twelve weekly average price of the security intended to be acquired	N/A
8	In case of investment in unlisted securities fair market value of such securities determined in terms of regulation 6(1)	e2e BE is a newly set up company and the project is currently in a construction phase. The current fair value of investment is assumed at PKR 10/- due to the above factor. The fair value of the investment will be applicable once the company commences its operations.

9	Break-up value of securities intended to be acquired on the basis of the latest audited financial statements	PKR 8.80/- per share (June 30, 2013 audited accounts). The company was incorporated in January 2012)
10	Earning/(Loss) per share of the associated company or associated undertaking for the last three years	N/A
11	Sources of fund from which securities will be acquired	Bank financing
12	<p>If the securities are intended to be acquired using borrowed funds;</p> <p>a. justification for investment through borrowings; and</p> <p>b. detail of the guarantees and assets pledged for obtaining such funds</p>	<p>The investment is expected to earn a high IRR which is expected to substantially exceed the cost of borrowed funds. The project also has a relatively short payback period.</p> <p>Shares of a listed company are pledged for obtaining funds.</p>
13	Salient features of the agreement(s), if any, entered into with its associated company or associated undertaking with regards to the proposed investment	The Company has signed Shareholders Agreement and Subscription Agreement with five other parties including e2e BE for the investment in the Project. The Company is required to make investment in four tranches equal to 39% of the total equity of e2e BE. In addition, the Company is entitled to nominate four directors, out of a total of ten, on the Board of e2e BE.
14	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration	None of the directors, sponsors, majority shareholders and their relatives have any interest in the proposed acquisition, except to the extent of their shareholding in the associated company or associated undertaking or the transaction under consideration.
15	Any other important details necessary for the members to understand the transaction	None

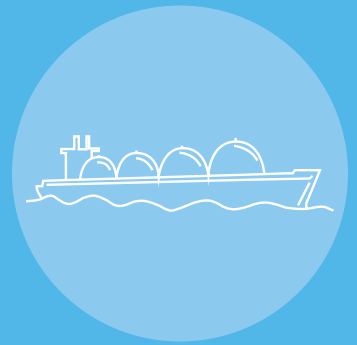


16	<p>In case of investment in securities of a project of an associated company or associated undertaking that has not commenced operations, in addition to the information referred to above, disclose further information as follows:</p> <ol style="list-style-type: none"> <li>Description of the project and its history since conceptualization.</li> <li>Starting and expected date of completion of work.</li> <li>Time by which such project shall become commercially viable.</li> <li>Expected time by which the project shall start paying return on investment.</li> </ol>	<p>The project is to establish 12,000 tons crude Rice Bran Oil (RBO) extraction unit to process 70,000 tons Rice Bran followed by conversion of the crude RBO to recover 9,700 tons of high quality edible oil at full seasonal capacity. The Rice Bran will be sourced from the rice growing areas of Punjab. The total cost of the project is currently estimated at PKR 1.20 billion and involves installation of modern solvent extraction plant. The project is sponsored by e2e Supply Chain Management (Private) Limited, a leading logistics service provider in Pakistan. Other shareholders are Mr. Ibrahim Shamsie, Mr. Ali Al Makky and Mr. Irfan Mustafa.</p> <p>The project company was established in January 2012 and the expected date of completion of the project is November 2014.</p> <p>The project has an estimated payback period of 3 years and is expected to be commercially viable in the first year of its operation.</p> <p>First year of operations</p>
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# LNG

Liquefied natural gas (LNG) is the easiest, fastest and safest way to store and transport natural gas. Elengy Terminal Pakistan Ltd, a wholly owned subsidiary of Engro Corporation Ltd, has recently been awarded the contract to set up Pakistan's first ever LNG terminal at Port Qasim, Karachi, to handle the receipt and re-gasification of upto 600 mmscfd of LNG.



# Directors' Report

The Directors are pleased to present their report and the audited financial statements of the Company and the audited consolidated financial statements of the Group for the year ended December 31, 2013.

## Economic Overview - Pakistan

The country witnessed a historical event in June 2013 with the peaceful transfer of power from one elected civilian government to another. This ushered in a period of heightened euphoria on the economic front with the new government being perceived as business friendly. With relatively subdued economic activity in H1 2013 due to the build up to the general elections, the second half of the year witnessed hectic efforts by the new government on multiple fronts such as negotiating the Extended Fund Facility (EFF) with the IMF for US\$ 6.6 billion, paying down of the circular debt which had built up to a high of Rs. 500 billion in June 2013, intense focus on reducing the energy deficit and cost of its production through finalizing the LNG terminal project and launching of various nuclear and coal fired electricity generation plants. In addition, after languishing on the back burner for over a period of four years, the Thar coal mining and power projects were finally launched in February 2014 with the completion date targeted for H2 2017. The feather in the cap for the government during the closing months of 2013 was the grant of GSP Plus status by the European Union (EU) which allows duty free/concessional duty on import of Pakistani manufactured textile, leather and sports goods into the EU. This measure alone is expected to boost the country's export earnings by over US\$ 1 billion per annum. The Karachi Stock Exchange responded to all these positives in kind and rose to its highest ever level of 26,914 points in January 2014.

Despite heavy government borrowings mainly from the commercial banking sector during 2013 and some from the State Bank of Pakistan, the fiscal deficit as at the end of the year clocked in at 2.1% of GDP which was significantly better than 8% for the financial year ended June 30, 2013. As a result,

inflationary pressures remained relatively benign with the CPI decreasing to single figures (7.9%) in January 2014 and further reductions expected going forward. The discount rate was maintained at 10% in the most recently announced monetary policy statement by the State Bank of Pakistan and is likely to fall in line with the expected deflationary trend in CPI witnessed during the last few months, thereby reducing borrowing costs for businesses.

On the negative side, however, relentless energy constraints continued to plague the industrial sector with severe gas and electricity shortages occurring throughout the year. State Bank of Pakistan's foreign exchange reserves continued on their negative trajectory falling to a low of around US\$3 billion by the end of 2013. The longer term stability of the Rupee/Dollar rate of exchange will only be achieved if the Government is equally successful in following up on its plans to float a Eurobond issue, get projected privatization and 3G licensing proceeds and hasten the disbursement of coalition support funds.

After the one-off pay down of the energy related 'circular debt' in June 2013, the issue has gradually crept up again with the aggregate amount having shot back up to Rs. 194 billion as of end January 2014. The law and order situation, particularly, in Karachi remained under stress which further subdued business activity in the port city. The federal and provincial governments, to their credit, are however, making concerted efforts jointly to address this problem in a planned and comprehensive manner to flush out the drug, extortion and terrorist mafias from the worst affected areas of the city.

## Fertilizer market overview

### Urea & DAP

Domestic urea production in Pakistan continued to suffer owing to ad-hoc and short term policies adopted by the Government in the wake of waning natural gas supplies, particularly on the Sui Northern Gas Pipelines (SNGPL) network. This



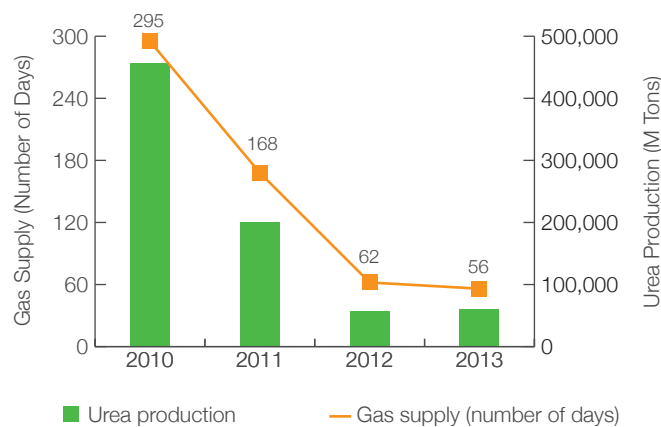
resulted in 4.8 million tonnes of urea produced during 2013 which, although 16% higher than the previous year, represented 75% utilization of the country's total installed capacity. Urea sales volume of 5.9 million tonnes in 2013 was 13% higher than the previous year mainly due to adequate availability during the peak consumption months of November and December and better crop earnings for farmers. The gap between local urea production and sales was met by imports of 0.9 million tonnes. With a closing inventory of 0.3 million tonnes as at December 31, 2013 and continued availability of Mari gas to Engro's Enven plant, adequate urea stock will be available for the wheat crop being sown in the Rabi season.

Local DAP production of 0.7 million tonnes was 15% higher than last year while aggregate sales (including imports of 0.9 million tonnes) at 1.7 million tonnes jumped by 38% over 2012. DAP price in the international market dropped from US\$ 505 per tonne in December 2012 to US\$ 398 per tonne in December 2013 primarily due to lower imports by India during the year owing to subsidy related issues that triggered a global inventory surplus. Pakistan took advantage of this situation and imported 0.85 million tonnes which was 42% higher than the 0.6 million tonnes imported in 2012. Closing inventory at the year end of 0.1 million tonnes along with expected resumption of gas to FFB's plant in February/March 2014 is likely to meet the demand for DAP during the Rabi season.

### Business overview

#### a. Fertilizers (DH Fertilizers Limited)

Once again DHFL's urea production was severely constrained due to suspension of gas supply for a total of 309 days during the year (the highest for any urea plant). This trend has now been continuing for the third consecutive year as is evident from the following graph.



As is clear from the above, whereas the over all supply of gas to fertilizer plants improved during the year, the Government was not able to address the element of inequity and discrimination in the supply of gas within the fertilizer industry thereby contributing to lack of a level playing field causing great economic disparities between fertilizer players. DH Fertilizers has suffered most of all in the last three years on this account. This is not only a clear case of discrimination between users but also represents a violation of the contractual obligations of a government owned entity. As a result, gas supply was limited to a meagre 56 days in 2013 which allowed urea production of only 60,770 tonnes representing 14% of its installed capacity during the entire year, marginally higher than 57,876 tonnes or 13% of installed capacity last year. Further, due to unplanned gas suspension, the DHFL plant, designed for continuous operation, had to be shut down and restarted a number of times during the year resulting in conversion inefficiencies adding considerably to production costs. Frequent gas stoppages at short notice presented potential process safety hazards but were handled with due care by DHFL's competent plant operations team. Urea sales volume at 60,772 tonnes was 16% lower as compared to last year mainly due to higher level of inventory at the beginning of 2012.

Despite all these adversities, DHFL has not laid off any permanent staff and continues to maintain operational readiness at all times, albeit at a very high cost, in the hope that the government will address the critical gas supply issue on a fast track basis.

Due to the continuously constrained gas supplies and resultant low production of urea, net sales for the year at Rs. 4,840 million were marginally higher than Rs. 4,602 million last year and the company made an operational loss (excluding other income) after finance cost of Rs. 338 million. The only silver lining was the higher dividend income of Rs. 1 billion (2012: Rs. 375 million) from HUBCO which improved the profit after tax from Rs. 386 million last year to Rs. 814 million in 2013.

As previously informed, the long term dedicated gas supply arrangement for the Four Fertilizer Manufacturers (FFMs) on the SNGPL network was approved by the Economic Coordination Committee (ECC) of the Federal Cabinet in December 2012. Pursuant to this approval, Gas Sales & Purchase Agreements (GSPAs) were signed by the FFMs with the concerned field operators and the largest of them for 130 mmscf/d was with OGDC for supply of gas from the Kunhar Pasaki Deep (KPD) gas field. Work on this project is being completed on fast track basis and gas is expected to flow from the field by end of Q3 2014. Although indications are that the new government which took charge in June 2013 continues to be favorably inclined towards honoring the GSPAs signed with the FFMs the project may be delayed to early 2015 pending completion of the LNG import project.

#### **b. Investments – energy**

##### **The Hub Power Company Limited (HUBCO)**

HUBCO's profitability for the year ended September 30, 2013 improved due to currency devaluation and lower financing cost which was partially offset by lower efficiency and higher repairs and maintenance

expenditure. With the backlog of 'circular debt' having been paid off by the government to a large extent by the end of June 2013, overdue payables to trade creditors were also settled by HUBCO and fuel supplies were restored to both plants at Hub and Narowal with a view to achieving maximum generation of electricity from July onwards. However, the aggregate overdue receivables from WAPDA and NTDC which had been reduced to around Rs. 12 billion as at June 30, 2013 have started piling up once again and stood at Rs. 38.8 billion as at September 30, 2013.

With a view to reducing the cost of producing electricity, the government has signed a Memorandum of Understanding with HUBCO to convert its Hub plant from Residual Furnace Oil (RFO) to coal. However, if the power purchasers are unable to pay the outstanding amounts and demonstrate that the 'circular debt' would not build up again, it will not be possible to arrange financing for the coal conversion project. Also till date, the Government has not announced specific policy incentives for plants converting to coal and this could weigh on future developments in the IPP industry.

#### **c. Investments – other (Engro Corporation Limited & e2e Business Enterprises (Private) Limited)**

##### **Engro Corporation Limited (Engro)**

Engro's profitability has improved significantly during the nine months to September 30, 2013 primarily due to a turnaround at its fertilizer business where both its base and Enven plants operated at 80% capacity due to additional supply of gas from the Mari field. Furthermore, the ECC in its meeting held on January 16, 2014 approved the price of gas to be supplied to E.Fert's Enven plant at the originally contracted rate of US\$ 0.70 per MMBTU for a period of 10 years. E.Fert's shares were also listed on the Karachi Stock Exchange on January 17, 2014 at a premium of Rs. 18.25 per share. Another

major development in January 2014 was the award of a contract by the government to Elengy Terminal Pakistan Limited (ETPL), a wholly owned subsidiary of Engro, to set up Pakistan's first ever LNG terminal at Port Qasim to handle the re-gasification of up to 600 mmscfd of liquefied natural gas imported by the government, which will increase the country's gas supply by 10-15% of existing capacity and is expected to be commissioned in Q1 2015.

#### **e2e Business Enterprises (Private) Limited**

Work on the Rice Bran Oil project being set up by e2e Business Enterprises (Private) Limited in partnership with the Company has commenced in earnest and various major items of imported plant & machinery have already arrived at the site. An EPC contractor has also been appointed for undertaking the construction work and key personnel have been hired and put in place to manage the project. The plant commissioning date continues to be on track for the rice harvesting season in Q4 2014.

#### **Financial performance**

The consolidated gross profit of the Company for 2013 at Rs. 789 million was marginally higher than Rs. 786 million for 2012. Consolidated operating profit of Rs. 294 million was, however, 61% less than the previous year mainly due to a one-off expense incurred on a management consultancy exercise to chalk out the Group's future strategic focus, and lower operating income on account of a non-recurring capital gain on the sale of SNGPL shares in 2012. Consolidated finance cost of Rs. 850 million for 2013 was Rs. 65 million lower than 2012 mainly due to lower borrowing rates and repayment of loan installments of certain long term financing facilities. Consolidated tax charge for the year of Rs. 486 million is Rs. 363 million higher than the previous year mainly due to deferred tax on share of profits from associated companies.

Engro's consolidated profit after tax of Rs. 8,312

million for the year ended September 30, 2013 was substantially higher than Rs. 2,273 million for the corresponding period last year mainly due to profits from its fertilizer subsidiary. As a result, the Group's share of the consolidated profit after tax of Rs. 3,170 million for 2013 was also considerably higher than Rs. 867 million for the previous year. This performance trend was maintained in Q4 2013 as the company has declared a profit after tax for the full year 2013 of Rs. 8,690 million (2012: Rs. 1,797 million) and a specie dividend of one share of Engro Fertilizer Limited (E.Fert) for every ten shares of Engro (2012: Nil).

HUBCO declared and paid a final dividend of Rs. 4.5 per share for the year ended June 30, 2013 bringing the total payout for that year to the highest ever Rs. 8 per share. HUBCO's consolidated profit after tax for the year ended September 30, 2013 of Rs. 10,168 million was higher than Rs. 9,453 million for the same period last year mainly due to devaluation of PKR versus the US\$ and lower financing cost. In view of the extended maintenance shut-down of the Hub plant during H2 2013, the half yearly profit after tax at Rs. 2,937 million was lower than Rs. 4,741 million for the corresponding period in 2012, as declared by the company in its announcement to the stock exchanges on February 18, 2014. Based on this result, the company declared an interim dividend of Rs. 2.5 per share (2012: Rs. 3.5 per share).

#### **Earnings per share**

The unconsolidated earnings per share for the year 2013 were Rs. 0.89 per share as compared to Rs. 0.35 per share for the year 2012. Consolidated earnings per share for the year were Rs. 7.49 (2012: Rs. 2.04) per share.

#### **Auditors**

The present auditors, A.F. Ferguson & Co., Chartered Accountants are retiring at the conclusion of the forthcoming annual general meeting and





Employees @ DH Corp

offer themselves for reappointment. The Audit Committee has recommended the re-appointment of A.F. Ferguson & Co., Chartered Accountants as auditors of the Company for the year ending December 31, 2014 and the Board has endorsed this recommendation.

### Pattern of shareholding

The pattern of shareholding of the Company as at December 31, 2013 together with other necessary information, is available at the end of this report along with the proxy form.

### Market capitalization and book value

At the close of the year, the market capitalization of the Company was Rs. 27,010 million (2012: Rs. 15,661 million) with a market value of Rs. 56.12 per share (2012: Rs. 32.54 per share) and a book value of Rs. 19,479 million (2012: Rs. 19,532 million) or Rs. 40.47 per share (2012: Rs. 40.59 per share).

### Appropriation

The Board has recommended a final cash dividend of Rs. 1 per share (10%) for approval by the

shareholders in the 46<sup>th</sup> Annual General Meeting.

### Contribution to the national exchequer and economy

During the year, in aggregate, a sum of Rs. 1,073 million (2012: Rs. 1,004 million) was paid as taxes and levies. Furthermore, the contribution to the national exchequer as a withholding tax agent under different provisions of the Income Tax Ordinance 2001 amounted to Rs. 133 million (2012: Rs. 141 million).

### Provident and gratuity funds

The funded retirement benefits of the employees of the Company are audited once a year and are adequately covered by appropriate investments. The value of the investments of the provident fund as per the last audited accounts aggregated to Rs. 51.5 million.

Fair value of the assets of the funded defined benefit gratuity plan was Rs. 19.5 million as at December 31, 2013. Based on the actuarial valuation, the value of assets of defined contribution plan was Rs. 19.48 million as on December 31, 2013.



## Board of directors

There has been no change in the composition of the Board during the year. The Board comprises of ten directors as follows:

Independent Directors	3
Non-Executive Directors	6
Executive Director	1

## Board meetings

Five meetings of the Board were held during the year 2013, which were all presided over by the Chairman. The Company Secretary and Chief Financial Officer also attended the meetings as required by the Code of Corporate Governance. Attendance by each Director in the meeting of the Board, Board Audit Committee and Board Compensation Committee was as follows:

Name of the Director	Meetings attended		
	Board Meetings	Board Audit Committee	Board Compensation Committee
Mr. Hussain Dawood	5/5	-	1/1
Mr. Shahid Hamid Pracha	5/5	-	-
Mr. Isar Ahmad	5/5	5/5	-
Mr. M. Aliuddin Ansari	4/5	-	0/1
Mr. M. Abdul Aleem	4/5	5/5	-
Mr. Javed Akbar	5/5	5/5	-
Mr. Shahzada Dawood	1/5	-	-
Mr. A. Samad Dawood	5/5	-	1/1
Mr. Parvez Ghias	4/5	3/5	1/1
Mr. Saad Raja	2/5	-	-

## Statement of directors' responsibility

The Directors confirm compliance with Corporate and Financial Reporting Framework as per the Listing Regulations of the Stock Exchanges in Pakistan as follows:

a. The financial statements prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and change in equity.

b. Proper books of accounts of the Company have been maintained.

c. Appropriate accounting policies have been consistently applied in preparation of the financial statements except for changes resulting on initial application of standards, amendments or interpretations to existing standards and reclassification of capital spares. Accounting estimates are based on reasonable prudent judgment.

d. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements and any departures therefrom have been adequately disclosed.

e. The system of internal controls is sound in design and has been effectively implemented and monitored.

f. There are no significant doubts upon the Company's ability to continue as a going concern.

g. There is no material departure from the best practices of corporate governance, as detailed in the Listing Regulations.

h. Key operating and financial data for the last six years in summarized form are annexed to the report.

#### Directors training program

All ten directors have a minimum of fourteen years of education. Nine directors have fifteen years or more of experience on the board of at least one listed company and five directors have obtained certification under the directors' training program as stipulated in the Code of Corporate Governance.

#### Related party transactions

In accordance with the requirements of the Code of Corporate Governance, the Company presented all related party transactions before the Audit Committee and Board for their review and approval, respectively.

#### Future outlook

Through our interactions at various levels with the Government, it has been indicated that it intends to

substantially reduce the burden of subsidy and to conserve foreign exchange on imports of fertilizer by maximizing local production to the extent possible within the gas supply constraints. In the short term, supply of gas is planned to be restored on rota basis to two fertilizer plants on the SNGPL network including DH Fertilizers as soon as the peak winter demand begins easing in Punjab around the first or second week of March 2014. The fertilizer industry has served the farmer well in the past and effectively supports the national food security agenda. Despite competing demand pressures, the Government must be encouraged to come out with a policy which is consistent with the large investments that have been made and are required to be made in the future in order to improve efficiencies and maintain plants to international standards of operational readiness and safety. DHFL will be in the forefront at every possible forum to convince the government to supply at least four to six months of gas on rota basis to the most critically affected fertilizer plants in the country. As stated earlier, the government still remains favorably inclined towards the long term dedicated gas supply arrangement for the four fertilizer plants on the SNGPL network and it is hoped that, with the advent of LNG imports by the beginning of next year, gas supply to these manufacturers will commence in line with the agreed framework. .

Engro is expected to perform better in 2014 as compared to the recent past mainly due to additional supply of gas from the Mari field to E.Fert in lieu of the curtailed supply by SNGPL, which has allowed it to operate both its base and Enven plants at around 80% of their installed capacities for part of the year.

The energy sector as a whole has been the focus of the new government ever since it took charge in June 2013. As a result, a number of fast track initiatives have been undertaken including paying down of the circular debt, announcement of a number of coal

based and nuclear powered electricity generation projects, finalization of the LNG import facility contract along with concerted efforts to tie up LNG supplies from certain Middle Eastern countries and, last but not least, ground breaking ceremony of the Sindh Engro Coal Mining Company's (SECMC) Thar coal mining and power projects by the Prime Minister of Pakistan. SECMC is a joint venture company of Engro and the Government of Sindh and was established in 2009.

Performance of HUBCO's main plant is expected to improve progressively as the maintenance issues are gradually resolved while the company's Narowal and Laraib plants are operating normally and are expected to contribute to its profitability in line with projections, provided the government does not allow the 'circular debt' to arise once again to unmanageable proportions. This will also be a critical factor in determining whether the private sector is willing to make further investments in conversion of existing RFO based plants to coal or to set up new projects.

### Acknowledgement

The board expresses its gratitude to all the shareholders for their confidence and support. We would like to thank all stakeholders, including but

not limited to financial institutions, who have been associated with us, for their support and cooperation and assure them of our commitment to look after their respective interests.

We would like to thank the management and employees for their sincere contributions in these challenging times.

On behalf of the Board



**Hussain Dawood**  
Chairman



**Shahid Hamid Pracha**  
Chief Executive







# WIND

Wind energy may be converted into electricity by using wind turbines. To make use of this vast potential, Pakistan recently started developing wind energy projects. Tenaga Generasi Ltd (subsidiary of Dawood Lawrencepur Ltd) is planning to set up a 50MW Wind Energy Project in the main wind corridor of Gharo, Sindh.



# Statement of Compliance with the Code of Corporate Governance

For the year ended December 31, 2013

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in Regulation No. 35 of the Listing Regulations of the Karachi, Lahore & Islamabad 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 Company encourages representation of independent non-executive Directors and Directors representing minority interests on its Board of Directors (the Board). At present the Board includes:

Category	Names
Independent Directors	M. Abdul Aleem Pervez Ghias Saad Raja
Executive Director	Shahid Hamid Pracha
Non-Executive Directors	Hussain Dawood Isar Ahmad M. Aliuddin Ansari Javed Akbar Shahzada Dawood Abdul Samad Dawood

The independent Directors meet the criteria of independence under clause i (b) of the Code.

2. The Directors have confirmed that none of them is serving as a Director on more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred on the Board during the year.
5. The Company has prepared a "Code of Conduct", and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer (CEO), other executive and non-executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the

Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. During the year one Director has attended the Directors' training program. Five out of ten Directors have certification under the Code and accordingly the Company is compliant with the requirement of the Code.
10. The Board has approved the appointments of Chief Financial Officer (CFO) and Company Secretary, including their remuneration and terms and conditions of employment, while those relating to Head of Internal Audit have been approved and ratified subsequent to December 31, 2013.
11. 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.
12. The financial statements of the Company were duly endorsed by the CEO and the CFO before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than those disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee (the Committee). It comprises of four members, two of whom are non-executive Directors and the chairman of the Committee is an independent Director.
16. The meetings of the Audit Committee were held at least once every quarter prior to the approval of interim and final results of the Company and as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The Board has formed a Board Compensation Committee. It comprises of four members, three of whom are non-executive Directors including the Chairman of the Committee.
18. The Board has outsourced the internal audit function of the Company to a firm of Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company. The Board has appointed the Head of Internal Audit to act as coordinator between the firm of Chartered Accountants and the Board.
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 (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of the Company's securities, was determined and intimated to Directors, employees and stock exchanges.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.
23. We confirm that all other material principles enshrined in the Code have been complied with.

Karachi  
February 27, 2014



Hussain Dawood  
Chairman



Shahid Hamid Pracha  
Chief Executive

**REVIEW REPORT TO THE MEMBERS ON THE STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE**

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Dawood Hercules Corporation Limited (the Company) for the year ended December 31, 2013 to comply with the requirements of Listing Regulation No. 35 of the Karachi, Lahore and Islamabad Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code 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 and report if it does not and to highlight any non-compliance with the requirements of the Code. 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 a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Director's statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended December 31, 2013.

We draw attention to paragraph 10 of the Statement of Compliance which interalia states that the Board of Directors of the Company have ratified the appointment and remuneration of the Head of Internal Audit subsequent to December 31, 2013.

*A. Ferguson & Co.*  
**Chartered Accountants**  
**Karachi, February 27, 2014**

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# FINANCIAL STATEMENTS





**AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of Dawood Hercules Corporation Limited (the Company) as at December 31, 2013 and the related profit and loss account, statement of total comprehensive income, statement of changes in equity and cash flow statement 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 account and are further in accordance with the accounting policies consistently applied except for the changes as stated in note 4 with which we concur;
  - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of total comprehensive income, statement of changes in equity and cash flow statement together with the notes forming part thereof conform with the 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, 2013 and of the profit, comprehensive income, its changes in equity and cash flows 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.

  
 Chartered Accountants  
 Karachi, February 27, 2014

**Audit Engagement Partner: Khurshid Hasan**

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# Balance sheet

As at December 31, 2013

	Note	As at December 31, 2013	As at December 31, 2012 (Rupees in '000) (Restated)	As at January 1, 2012 (Restated)
<b>ASSETS</b>				
<b>NON CURRENT ASSETS</b>				
Property, plant and equipment	5	57,607	65,227	42,809
Intangible assets	6	267	-	-
Long term investments	7	20,507,191	19,727,295	18,435,618
		20,565,065	19,792,522	18,478,427
<b>CURRENT ASSETS</b>				
Short term advances	8	983	308	368
Short term deposits and prepayments	9	16,626	9,486	1,573
Other receivables	10	6,504	492	-
Short term investments	11	-	2,615	971,818
Taxation - net		-	-	1,618
Cash and bank balances	12	13,727	6,387	435,445
		37,840	19,288	1,410,822
		20,602,905	19,811,810	19,889,249
<b>EQUITY AND LIABILITIES</b>				
<b>SHARE CAPITAL AND RESERVES</b>				
Authorised capital	13	10,000,000	10,000,000	10,000,000
Issued, subscribed and paid up capital	13	4,812,871	4,812,871	4,812,871
Revenue reserves	14	14,665,990	14,717,716	15,032,574
Surplus on revaluation of investments		-	1,269	-
		19,478,861	19,531,856	19,845,445
<b>NON CURRENT LIABILITIES</b>				
Long term financing	15	304,918	169,147	-
Deferred liabilities	16	402	9,026	10,103
		305,320	178,173	10,103
<b>CURRENT LIABILITIES</b>				
Current portion of long term financing	15	33,880	8,903	-
Short term running finance	17	519,542	32,299	-
Trade and other payables	18	235,614	47,802	33,701
Accrued mark-up		28,081	12,405	-
Taxation - net		1,607	372	-
		818,724	101,781	33,701
		20,602,905	19,811,810	19,889,249
<b>CONTINGENCIES AND COMMITMENTS</b>				
	19			

The annexed notes from 1 to 34 form an integral part of these financial statements.

Karachi  
February 27, 2014

  
M. A. Aleem  
Director

  
Shahid Hamid Pracha  
Chief Executive



# Profit and loss account

For the year ended December 31, 2013

	Note	2013 ------(Rupees in '000)----- (Restated)	2012 ------(Rupees in '000)----- (Restated)
Dividend income	20	922,406	380,679
Administrative expenses	21	(418,737)	(234,052)
		503,669	146,627
Other operating expenses	22	(428)	(320)
Other income	23	16,818	80,118
Operating profit		520,059	226,425
Finance cost	24	(65,447)	(20,898)
Profit before taxation		454,612	205,527
Taxation	25	(25,327)	(38,500)
Profit after taxation		429,285	167,027
Earnings per share (Rupees) – basic and diluted	26	0.89	0.35

The annexed notes from 1 to 34 form an integral part of these financial statements.

Karachi  
February 27, 2014

  
M. A. Aleem  
Director

  
Shahid Hamid Pracha  
Chief Executive

# Statement of total comprehensive income

For the year ended December 31, 2013

	2013 ------(Rupees in '000)----- (Restated)	2012 ------(Rupees in '000)----- (Restated)
Profit after taxation	429,285	167,027
Other comprehensive income		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
- remeasurements on staff retirement benefits (note 4.3)	276	(598)
<i>Items that may be reclassified subsequently to profit or loss</i>		
Changes in value of investment classified as 'available for sale'	-	1,269
Fair value reserve transferred to profit and loss account on disposal of investment classified as 'available for sale'	(1,269)	-
	(1,269)	1,269
Other comprehensive income for the year	(993)	671
Total comprehensive income	428,292	167,698

Karachi  
February 27, 2014

  
M. A. Aleem  
Director

  
Shahid Hamid Pracha  
Chief Executive

# Statement of changes in equity

For the year ended December 31, 2013

	-----Revenue reserves-----					
	Issued, subscribed and paid up capital	General reserve	Unappropri- ated profit	Sub-total	Surplus on revaluation of investments	Total
	------(Rupees in '000)-----					
Balance as at January 1, 2012 (as previously reported)	4,812,871	700,000	14,336,168	15,036,168	-	19,849,039
Effect of retrospective application of change in accounting policy referred in note 4	-	-	(3,594)	(3,594)	-	(3,594)
Balance as at January 1, 2012 (restated)	4,812,871	700,000	14,332,574	15,032,574	-	19,845,445
Total comprehensive income						
Profit for the year	-	-	167,027	167,027	-	167,027
Other comprehensive income	-	-	(598)	(598)	1,269	671
	-	-	166,429	166,429	1,269	167,698
Final cash dividend @10% for the year ended December 31, 2011	-	-	(481,287)	(481,287)	-	(481,287)
Balance as at December 31, 2012 (restated)	4,812,871	700,000	14,017,716	14,717,716	1,269	19,531,856
Total comprehensive income						
Profit for the year	-	-	429,285	429,285	-	429,285
Other comprehensive income	-	-	276	276	(1,269)	(993)
	-	-	429,561	429,561	(1,269)	428,292
Final cash dividend @10% for the year ended December 31, 2012	-	-	(481,287)	(481,287)	-	(481,287)
Balance as at December 31, 2013	4,812,871	700,000	13,965,990	14,665,990	-	19,478,861

The annexed notes from 1 to 34 form an integral part of these financial statements.

Karachi  
February 27, 2014

  
M. A. Aleem  
Director

  
Shahid Hamid Pracha  
Chief Executive

# Cash flow statement

For the year ended December 31, 2013

	Note	2013 ------(Rupees in '000)----- (Restated)	2012
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash utilised in operations	29	(220,317)	(213,867)
Finance cost paid		(49,771)	(8,493)
Taxes paid		(24,092)	(36,510)
Staff retirement and other service benefits paid		(12,727)	(8,274)
Net cash utilised in operating activities		(306,907)	(267,144)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment		(3,939)	(34,284)
Additions to intangibles		(400)	-
Proceeds from disposal of property, plant and equipment		1,630	7,374
Proceeds from disposal of short term investments		6,208	2,519,436
Income received from bank deposits		272	16,148
Investments made		(175,146)	(2,781,710)
Dividends received		317,656	380,679
Net cash generated from investing activities		146,281	107,643
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Long term finance acquired		175,500	178,050
Long term finance repaid		(14,752)	-
Dividends paid		(480,025)	(479,906)
Net cash utilised in financing activities		(319,277)	(301,856)
Net decrease in cash and cash equivalents		(479,903)	(461,357)
Cash and cash equivalents at the beginning of the year		(25,912)	435,445
Cash and cash equivalents at the end of the year	30	(505,815)	(25,912)

The annexed notes from 1 to 34 form an integral part of these financial statements.

Karachi  
February 27, 2014

  
M. A. Aleem  
Director

  
Shahid Hamid Pracha  
Chief Executive



# Notes to and forming part of the financial statements

For the year ended December 31, 2013

## 1. THE COMPANY AND ITS OPERATIONS

- 1.1 Dawood Hercules Corporation Limited (the Company) - formerly Dawood Hercules Chemicals Limited was incorporated in Pakistan on April 17, 1968 as a public limited company under the Companies Act 1913 (now Companies Ordinance, 1984) (the Ordinance) and its shares are quoted on Karachi, Lahore and Islamabad Stock Exchanges. The principal activity of the Company is to manage investments in its subsidiary and associated companies. The registered office of the Company is situated at Dawood Center, M.T. Khan Road, Karachi.
- 1.2 The Board of Directors of the Company in its meeting held on June 16, 2010 decided to separate its fertilizer business by divesting it into a newly formed wholly owned subsidiary, DH Fertilizers Limited. In this regard a wholly owned subsidiary named DH Fertilizers Limited (subsidiary company) was incorporated on August 2, 2010. The division was effected on January 1, 2011 (the effective date) through a Scheme of Arrangement (the Scheme) under Section 284 to 288 of the Ordinance, which was duly approved by the Honorable Lahore High Court whereby:
- (a) the fertilizer business was transferred and vested in the subsidiary company against the issuance of ordinary shares of subsidiary company; and
  - (b) the remaining business (other than fertilizer) was retained in the Company along with the change of name of the Company to Dawood Hercules Corporation Limited. Thereafter, Dawood Hercules Corporation Limited started functioning as a Holding Company to oversee the business of the new fertilizer subsidiary and to manage its other investments.

## 2. SIGNIFICANT ACCOUNTING INFORMATION AND POLICIES

### 2.1 Accounting convention

These financial statements have been prepared under the historical cost convention, except as stated otherwise in the notes below.

### 2.2 Basis of preparation

These financial statements have been prepared in accordance with the requirements of the Ordinance and the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Ordinance and the requirements of and directives issued under that Ordinance. However, the requirements of and the directives issued under that Ordinance have been followed where those requirements are not consistent with the requirements of the IFRSs, as notified under the Ordinance.

### 2.3 New standards, amendments to approved accounting standards and interpretations

#### 2.3.1 New standards, amendments to approved accounting standards and interpretations becoming effective during the year ended December 31, 2013:

There are certain new standards, amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations that became effective during the year and are mandatory for accounting periods beginning on or after January 1, 2013 but are considered not to be relevant or have

# Notes to and forming part of the financial statements

For the year ended December 31, 2013

any significant effect on the Company's operations and are, therefore, not disclosed in these financial statements, except for IAS 1 'Presentation of Financial Statements' regarding 'other comprehensive income' and 'Clarification of the requirements for comparative information', and IAS 19 (revised) 'Employee benefits' which amends the accounting for employment benefits as more fully explained in note 4 below.

## 2.3.2 New standards, amendments to approved accounting standards and interpretations that are not yet effective:

There are certain new standards, amendments to the approved accounting standards and new interpretations that are mandatory for accounting periods beginning on or after January 1, 2014, but are considered not to be relevant or have any significant effect on the Company's operations and are, therefore, not disclosed in these financial statements.

## 2.4 Property, plant and equipment

These are stated at cost less accumulated depreciation and impairment losses, if any, except for land which is stated at historical cost.

Assets having cost exceeding the minimum threshold as determined by the management are capitalised. All other costs are charged to profit and loss account in the year in which they are incurred.

Depreciation is charged to profit and loss account applying the straight-line method so as to write off the historical cost of the assets over their estimated useful lives at the rates stated in note 5 to the financial statements. Depreciation on additions is charged from the following month in which the asset is available for use and on disposals up to the month the asset is no longer in use. Assets' residual values and useful lives are annually reviewed, and adjusted, if material.

The carrying values of property, plant and equipment are reviewed at each reporting date for indications that an asset may be impaired and carrying values may not be recovered. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the asset or cash generating unit is written down to its recoverable amount. The recoverable amount of property, plant and equipment is the greater of fair value less cost to sell and value in use.

Impairment is reversed only if there has been a change in estimates used to determine the recoverable amount and only to the extent that the revised recoverable amount does not exceed the carrying value that would have existed, had no impairments been recognised.

Useful lives are determined by the management based on the expected usage of assets, physical wear and tear, technical and commercial obsolescence, legal and similar limits on the use of the assets and other similar factors.

Maintenance and normal repairs are charged to profit and loss account as and when incurred. Major renewals and improvements, if any, are capitalised in accordance with IAS 16 "Property, Plant and Equipment" and depreciated in a manner that best represents the consumption pattern and useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposals are determined by comparing proceeds with the carrying amount of the relevant assets. These are included in the profit and loss account, in the year of disposal.

# Notes to and forming part of the financial statements

For the year ended December 31, 2013

## 2.5 Intangible assets

Intangible assets are recognised when it is probable that the expected future economic benefits will flow to the Company and the cost of the assets can be measured reliably. Cost of the intangible asset (i.e. accounting software) includes purchase cost and directly attributable expenses incidental to make the asset available for use in the manner as intended by management.

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is charged over the estimated useful life of the asset on a systematic basis by applying the straight line method.

Costs associated with maintaining computer software are recognised as an expense as and when incurred.

Useful life of intangible assets is reviewed, at each balance sheet date and adjusted if the impact of amortisation is significant.

The carrying amount of the intangible assets is 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 in profit and loss account. Reversal of impairment losses are also recognised in profit and loss account, however, they are restricted to the original cost of the asset.

## 2.6 Investment in subsidiaries

Investments in subsidiary companies are recognised when the Company has established control over the investee company. Investments in subsidiary companies are stated at cost less impairment, if any.

## 2.7 Investment in associates

Associates are entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights and which is neither a subsidiary nor a joint venture of the Company.

Investment in associates are carried at cost. At subsequent reporting dates, the Company determines whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the investment in the associate and its cost. Impairment losses are recognised as an expense. Where impairment losses subsequently reverse, the carrying amounts of investments are increased to the revised recoverable amount but limited to the extent of initial cost of investments. A reversal of impairment loss is recognised in the profit and loss account, in the year in which it arises.

## 2.8 Financial instruments

### 2.8.1 Financial assets

Consistent with prior years, the classification of financial assets depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at the time of initial recognition. The Company classifies its financial assets in the following categories:

# Notes to and forming part of the financial statements

For the year ended December 31, 2013

a) Investments at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as 'at fair value through profit and loss'. A financial asset is classified as 'held for trading' if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except those having maturities for more than twelve months after the balance sheet date, which are classified as non-current assets. Loans and receivables with maturity period of less than twelve months after the balance sheet date are classified as short term advances, short term deposits and prepayments and other receivables in the balance sheet.

c) Available for sale financial assets

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investments within twelve months from the balance sheet date. Available for sale financial assets are classified as short term investments in the balance sheet.

Changes in fair value of securities classified as available for sale are recognised in equity. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised directly in equity are included in the profit and loss account in the period in which the disposal takes place. Dividends on available for sale equity investments are recognised in the profit and loss account when the Company's right to receive payments is established.

d) Held to maturity

Financial assets with fixed or determinable payments and fixed maturity, where management has the intention and ability to hold till maturity are carried at amortised cost.

## Recognition

All financial assets are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Consistent with prior year, regular purchase and sale of investments are recognised at trade date i.e. the date on which the Company commits to purchase or sell the asset.

## Measurement

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit and loss. Financial assets carried at fair value through profit and loss are initially recognised at fair value and transaction costs are expensed in the profit and loss account in the year of acquisition.



# Notes to and forming part of the financial statements

For the year ended December 31, 2013

Available for sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables and held to maturity investments are carried at amortised cost using the effective interest rate method.

## Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

## Impairment

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists for 'available for sale' financial assets, the cumulative loss is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account. In case of loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

### 2.8.2 Financial liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities, other than those at fair value through profit or loss, are measured at amortised cost using the effective yield method.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange and modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the profit and loss account.

### 2.8.3 Off-setting of financial assets and financial liabilities

A financial asset and a financial liability is set off and the net amount is reported in the financial statements if the Company has a legally enforceable right to set off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

### 2.9 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash and bank balances and deposits held with bank. Running finance and short term finance facilities availed by the Company, which are payable 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 statement of cash flows.

# Notes to and forming part of the financial statements

For the year ended December 31, 2013

## 2.10 Staff retirement and other benefits

### 2.10.1 Defined benefit plan

The Company operates a defined benefit plan i.e. an approved funded gratuity scheme for all its permanent employees who have completed minimum service of prescribed period. Actuarial valuation is carried out using the projected unit credit method. The latest actuarial valuation of the scheme was carried out as at December 31, 2013.

As more fully explained in Note 4.3, effective from January 01, 2013 all actuarial gains/losses arising during the year are to be recognized in other comprehensive income of the Company in the year in which they arise. Previously cumulative unrecognised actuarial gains and losses at the end of the previous year which exceed 10% of the greater of the present value of the Company's defined benefit obligations and the fair value of plan assets were amortised over the expected average remaining working lives of the employees.

### 2.10.2 Defined contribution plan

The Company operates a recognised provident fund for all its permanent employees who have completed prescribed qualifying period of service. Equal monthly contributions are made, both by the Company and its employees, to the fund at the rate of fifteen (15) percent of the basic salaries of employees.

### 2.10.3 Employee compensated absences

The Company provides for compensated absences for all eligible employees in accordance with the rules of the Company. The provision for the year ended December 31, 2011 was recognised on the basis of actuarial valuation using the 'projected unit credit method'. During the year ended December 31, 2012, the Company changed the employee service rules whereby compensated absences were restricted to 10 days. Accordingly, no actuarial valuation was carried out as at December 31, 2012 and 2013 and the provision for compensated absences has been made at actual amounts.

## 2.11 Trade and other payables

Liabilities for trade and other amounts payable are recognised at cost which is the fair value of the consideration to be paid in future for goods and services.

## 2.12 Provisions

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

## 2.13 Dividend

Dividend distribution to the Company's shareholders is recognised as a liability in the period in which dividend is approved by the shareholders in case of final dividend, and in case of interim dividend on the date of commencement of book closure period.

# Notes to and forming part of the financial statements

For the year ended December 31, 2013

## 2.14 Taxation

### Current

Provision for current tax is based on the taxable income for the year at the current rates of taxation after taking into account tax credits and rebates available, if any, or a fixed percentage of gross turnover (as prescribed by law), whichever is higher. It also includes any adjustment to tax payable in respect of prior years, if any.

### Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the amounts used for financial reporting purpose and amounts used for taxation purposes.

Deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the assets may be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the year when the asset is utilised or the liability is settled, based on the tax rates that have been enacted or substantially enacted at the balance sheet date.

## 2.15 Contingent liabilities

Contingent liabilities are disclosed when:

- there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company; or
- there is a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured reliably.

## 2.16 Revenue recognition

- Dividend income is recognised when the Company's right to receive dividend is established i.e. on the date of book closure of the investee company declaring the dividend.
- Returns on bank deposits are accrued on a time proportion basis by reference to the principal outstanding amounts and the applicable rates of return.
- Gains / (losses) arising on disposal of investments are included in income in the year in which they are disposed off.

# Notes to and forming part of the financial statements

For the year ended December 31, 2013

- Unrealised gains / (losses) arising on revaluation of securities classified as 'available for sale' and 'at fair value through profit or loss' are included in other comprehensive income and in profit or loss account in the period in which they arise respectively. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in the equity through other comprehensive income, are included in the profit and loss account in the period in which disposal takes place.

## 2.17 Foreign currency transactions

Foreign currency transactions are recognised or accounted for into Pakistan Rupees using the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into Pakistan Rupees at the rates of exchange prevailing on the balance sheet date. Exchange gain / loss on foreign currency translations are included in income / equity.

## 2.18 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Pakistan Rupees, which is the Company's functional and presentation currency.

## 3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. In the process of applying the Company's accounting policies, the management has made the following estimates and judgments which are significant to the financial statements:

### 3.1 Provision for staff retirement and other benefits

The present value of these obligations depends on a number of factors that are determined on actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of these obligations. The present values of these obligations and the underlying assumptions are disclosed in note 16 to the financial statements.

### 3.2 Current and deferred income taxes

In making the estimates for income taxes payable by the Company, management considers current income tax law and the decisions of appellate authorities on certain cases issued in the past. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax provision in the period in which such final outcome is determined. Deferred taxes are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

### 3.3 Provisions

Provisions are based on management's best estimate. Any change in the estimates in future years might affect the carrying amounts of the provisions with a corresponding affect on the profit and loss account of the Company.



# Notes to and forming part of the financial statements

For the year ended December 31, 2013

## 3.4 Property, plant and equipment

Estimates with respect to residual values and useful lives are based on the assessment of the management of the Company considering the estimated usage and the industry practices. Further, the Company reviews the internal and external indicators for possible impairment of assets on an annual basis. Any change in the estimates of residual values and useful lives that might affect the carrying amounts of the respective items of property, plant and equipment (note 5) will have a corresponding affect on the depreciation charge and impairment loss incurred during the year.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

## 4. CHANGES IN ACCOUNTING POLICIES

### 4.1 Amendment to IAS 1 'Presentation of Financial Statements' regarding 'other comprehensive income':

The primary change resulting from this amendment is that the Company has grouped items presented in 'other comprehensive income' on the basis of whether they are potentially reclassifiable or not to profit or loss subsequently (reclassification adjustments). Had there been no change in the aforementioned accounting, there would not have been any bifurcation of items appearing in the 'other comprehensive income'.

### 4.2 IAS 1 'Presentation of Financial Statements' regarding disclosure requirements for comparative information:

The amendment clarifies the disclosure requirements for comparative information when an entity provides a third balance sheet as at the beginning of the preceding period if it applies an accounting policy retrospectively, and the retrospective application has a material effect on the information in the balance sheet at the beginning of the preceding period. However, the entity need not present the related notes in the opening balance sheet as at the beginning of the preceding period.

### 4.3 Adoption of amendments to IAS 19 (Revised) 'Employee Benefits':

IAS 19 (Revised) 'Employee benefits' amends the accounting for the Company's defined benefit plan. The revised standard has been applied retrospectively in accordance with the transition provisions of the standard. The impact of the adoption of IAS 19 (revised) has been in the following areas:

- (a) The standard requires all actuarial gains and losses to be recognised immediately in 'other comprehensive income'. This has resulted in unrecognised net actuarial losses being recognised in 'other comprehensive income'. The expense recognised in the profit and loss account for the year ended December 31, 2013 has reduced by Rs 0.236 million as the charge to profit or loss for recognition of previously unrecognised net actuarial losses is no longer required.
- (b) The standard requires past service cost to be recognised immediately in profit or loss. There is no impact on profit or loss as there was no unrecognized past service cost in the previous year.
- (c) The standard replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year. There is no change in the method of determining the discount rate; this continues to reflect the yield on high-quality corporate bonds. This treatment, however, has no impact on these financial statements as the discount rate now applied to assets is equal to the expected return on assets.

# Notes to and forming part of the financial statements

For the year ended December 31, 2013

- (d) There is a new term 'remeasurements'. This is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost.
- (e) Defined benefit plan as previously reported has been restated at the balance sheet dates to reflect the effect of the above. The amount has been restated as Rs 9.026 million (previously Rs 5.118 million) and Rs 10.103 million (previously Rs 6.509 million) as at December 31, 2012 and 2011 respectively.

The effect of the change in accounting policy has been demonstrated below:

	Balance previously reported	Effect of change in accounting policy	Restated amount
	----- (Rupees in '000) -----		
<b>As at January 1, 2012</b>			
<b>Balance Sheet</b>			
Deferred liabilities	6,509	3,594	10,103
Revenue reserves	15,036,168	(3,594)	15,032,574
<b>As at December 31, 2012</b>			
<b>Balance Sheet</b>			
Deferred liabilities	5,118	3,908	9,026
Revenue reserves	14,721,624	(3,908)	14,717,716
<b>For the year ended December 31, 2012</b>			
<b>Profit and Loss</b>			
Administrative expenses	234,336	(284)	234,052
<b>Statement of Changes in Equity</b>			
Unappropriated profit	14,021,624	(3,908)	14,017,716
Total comprehensive income	168,012	(314)	167,698
<b>Other Comprehensive Income</b>			
Other comprehensive income	1,269	(598)	671

The effect of this change in accounting policy on the 'earnings per share' is not material in the overall context of these financial statements. There is no cash flow impact as a result of the retrospective application of change in accounting policy.

# Notes to and forming part of the financial statements

## For the year ended December 31, 2013

### 5. PROPERTY, PLANT AND EQUIPMENT

#### 5.1 Property, plant and equipment

	Land	Building	Furniture, fittings and equipment	Data processing equipment	Vehicles	Total
	------(Rupees in '000)-----					
<b>At January 1, 2012</b>						
Cost	22,716	7,500	9,697	9,821	33,137	82,871
Accumulated depreciation	-	(5,437)	(6,139)	(8,118)	(20,368)	(40,062)
Net book value	22,716	2,063	3,558	1,703	12,769	42,809
<b>Year ended December 31, 2012</b>						
Additions	-	-	160	1,430	32,694	34,284
Disposals						
Cost	-	-	(33)	(1,244)	(11,683)	(12,960)
Accumulated depreciation	-	-	17	1,231	9,377	10,625
Net book value	-	-	(16)	(13)	(2,306)	(2,335)
Depreciation charge for the year	-	(376)	(710)	(1,060)	(7,385)	(9,531)
<b>Net book value as at December 31, 2012</b>	22,716	1,687	2,992	2,060	35,772	65,227
<b>Year ended December 31, 2013</b>						
Additions	-	-	1,236	2,580	123	3,939
Disposals						
Cost	-	-	-	-	(2,178)	(2,178)
Accumulated depreciation	-	-	-	-	2,138	2,138
Net book value	-	-	-	-	(40)	(40)
Depreciation charge for the year	-	(375)	(771)	(1,348)	(9,025)	(11,519)
<b>Net book value as at December 31, 2013</b>	22,716	1,312	3,457	3,292	26,830	57,607
<b>At December 31, 2012</b>						
Cost	22,716	7,500	9,824	10,007	54,148	104,195
Accumulated depreciation	-	(5,813)	(6,832)	(7,947)	(18,376)	(38,968)
Net book value	22,716	1,687	2,992	2,060	35,772	65,227
<b>At December 31, 2013</b>						
Cost	22,716	7,500	11,060	12,587	52,093	105,956
Accumulated depreciation	-	(6,188)	(7,603)	(9,295)	(25,263)	(48,349)
Net book value	22,716	1,312	3,457	3,292	26,830	57,607
Depreciation rate (%)	-	5	10 to 12.5	33.33 to 50	20	

Cost of property, plant and equipment that are fully depreciated amounts to Rs 18.12 million (2012: Rs 19.186 million).

# Notes to and forming part of the financial statements

## For the year ended December 31, 2013

### 5.2 Details of property, plant and equipment disposed off:

Particulars	Mode of disposal	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain	Particulars of purchasers
------(Rupees in '000)-----							
Items having net book value of greater than Rs 50,000 each		-	-	-	-	-	
Others							
Items having net book value of less than Rs 50,000 each	Tender	2,178	(2,138)	40	1,630	1,590	Various
2013		2,178	(2,138)	40	1,630	1,590	
2012		12,960	(10,625)	2,335	7,374	5,039	

Note  
Computer software  
(Rupees in '000)

## 6. INTANGIBLE ASSETS

### Year ended December 31, 2013

Net book value as at January 1, 2013	-
Additions	6.1 400
Amortisation for the year	(133)
Net book value as at December 31, 2013	267

### At December 31, 2013

Cost	400
Accumulated amortisation	(133)
Net book value	267

- 6.1 During the year, the Company purchased an accounting software which is being amortised over its estimated useful life of 3 years.



# Notes to and forming part of the financial statements

For the year ended December 31, 2013

	Note	2013 ------(Rupees in '000)-----	2012
<b>7. LONG TERM INVESTMENTS</b>			
Investment in a subsidiary company	7.1	1,615,119	1,615,119
Investment in associates - quoted	7.2	18,716,926	18,112,176
Investment in an associate - unquoted	7.3	175,146	-
		<u>20,507,191</u>	<u>19,727,295</u>
 7.1 Investment in a subsidiary company			
DH Fertilizers Limited - unquoted			
100,000,000 (2012: 100,000,000) ordinary shares of Rs 10 each			
Percentage of holding 100% (2012:100%)		<u>1,615,119</u>	<u>1,615,119</u>
7.1.1 DH Fertilizers Limited (DHFL), a wholly owned subsidiary of the Company, is a public unlisted company incorporated under the Ordinance and its principal activity is the production, purchase and sale of fertilizers.			
	Note	2013 ------(Rupees in '000)-----	2012
7.2 Investment in associates - quoted			
Engro Corporation Limited	7.2.1	17,425,249	16,820,499
The Hub Power Company Limited	7.2.2	1,291,677	1,291,677
		<u>18,716,926</u>	<u>18,112,176</u>
7.2.1 Engro Corporation Limited - quoted			
7.2.1.1 170,012,555 (2012: 170,012,555) ordinary shares of Rs 10 each		<u>16,820,499</u>	<u>16,820,499</u>
Add: 5,000,000 (2012: Nil) ordinary shares received as 'specie dividend'	20.1	604,750	-
175,012,555 (2012: 170,012,555) ordinary shares of Rs 10 each		<u>17,425,249</u>	<u>16,820,499</u>
Percentage of holding 34.23% (2012: 33.25%)			
7.2.1.2 The Company received Nil (2012: 39.233 million) bonus shares from Engro Corporation Limited (ECL) during the year.			
7.2.1.3 The market value of investment in ECL as at December 31, 2013 was Rs 27,718 million (2012: Rs 15,648 million).			
7.2.1.4 The Company has pledged 5.540 million (2012: 5.540 million) ordinary shares of ECL having face value of Rs 55.400 million (2012: Rs 55.400 million) and market value of Rs 878.059 million (2012: Rs 509.902 million) as security against short-term finance facility obtained from Bank Al-Habib Limited.			

# Notes to and forming part of the financial statements

For the year ended December 31, 2013

		2013	2012
		------(Rupees in '000)-----	
7.2.2	The Hub Power Company Limited - quoted		
	39,707,000 (2012: 39,707,000) ordinary shares of Rs 10 each		
	Percentage of holding 3.43% (2012: 3.43%)	1,291,677	1,291,677
7.2.2.1	The Company effectively has 14.25% (2012: 14.25%) of the voting power in the Hub Power Company Limited (HUBCO) by virtue of investment by its wholly owned subsidiary, DHFL of 10.82%. Due to the representation of the Company's nominees on the Board of Directors of HUBCO and participation in policy making process and being the single largest private shareholder, the Company has significant influence over HUBCO.		
7.2.2.2	The market value of investment in HUBCO as at December 31, 2013 was Rs 2,411 million (2012: Rs 1,796 million)		
7.2.2.3	The Company has pledged 12.580 million (2012: 8.670 million) ordinary shares of HUBCO, having face value of Rs 125.800 million (2012: Rs 86.700 million) and market value of Rs 763.858 million (2012: Rs 392.156 million) as security against the long term finance facility obtained from Allied Bank Limited and another 13.500 million shares of HUBCO (2012: Nil), having face value of Rs 135 million (2012: Nil) and market value of Rs 819.720 million (2012: Nil) as security against short term running finance facility obtained from Bank Al-Habib Limited.		
	Note	2013	2012
		------(Rupees in '000)-----	
7.3	Investment in an associate - unquoted		
	e2e Business Enterprise (Private) Limited		
	17,514,633 (2012: Nil) ordinary shares of Rs 10 each		
	Percentage of holding 39% (2012: Nil)	175,146	-
7.3.1	During the year, the Company has signed a Shareholders Agreement (SA) with e2e Supply Chain Management (Private) Limited and three individuals for the setting up of a Rice Bran Oil (RBO) project in Muridke, Sheikhpura - Punjab which is a greenfield project having annual production capacity of 9,700 tons of RBO. As per the SA, the Company will make investment in e2e Business Enterprises (Private) Limited (eZeBE) in four tranches at various stages of the RBO project. The Company has paid Rs 116.646 million and Rs 58.500 million on June 13 and December 20, 2013 representing first and second tranches of the total investment in e2eBE.		
	Note	2013	2012
		------(Rupees in '000)-----	
8.	SHORT TERM ADVANCES		
	Considered good - unsecured		
	Advances to:		
	- Employees and executives	979	163
	- Suppliers	4	145
		983	308

# Notes to and forming part of the financial statements

For the year ended December 31, 2013

- 8.1 Short term advances includes Rs 0.979 million (2012: Rs 0.110 million) due from key management personnel of the Company. The maximum amounts due at the end of any month during the year from the director and executives were 0.600 million (2012: Nil) and Rs 1.391 million (2012: Rs 0.145 million) respectively.

	2013	2012
	------(Rupees in '000)-----	
<b>9. SHORT TERM DEPOSITS AND PREPAYMENTS</b>		
Considered good		
- to associates	663	-
- to others	15,963	9,486
	16,626	9,486
Considered doubtful - others	892	-
Less: Provision for doubtful deposits	892	-
	-	-
	16,626	9,486

## 10. OTHER RECEIVABLES

These are receivable from the associates of the Company aggregating to Rs 6.504 million (2012: 0.0925 million).

	Note	2013	2012
		------(Rupees in '000)-----	
<b>11. SHORT TERM INVESTMENTS</b>			
Available for sale	11.1	-	2,615
11.1 Southern Electric Power Company Limited - quoted			
1,922,900 (2012: 3,622,900) ordinary shares at cost		36,321	68,431
Cumulative impairment loss		(34,975)	(65,895)
Balance at the beginning of the year		1,346	2,536
Investment disposed off			
1,922,900 (2012: 1,700,000) ordinary shares		(1,346)	(1,190)
		-	1,346
Cumulative unrealised gain		1,269	-
Increase in fair value during the year		-	1,269
Less: realised gain on investments disposed off		(1,269)	-
Balance as at end of the year		-	2,615

# Notes to and forming part of the financial statements

For the year ended December 31, 2013

	Note	2013	2012
		----- (Rupees in '000) -----	
<b>12. CASH AND BANK BALANCES</b>			
Cash in hand		245	250
Cheques in hand		9,187	991
With banks in:			
- Current accounts		172	1,578
- Savings accounts	12.1	4,123	3,568
		4,295	5,146
		<u>13,727</u>	<u>6,387</u>

12.1 The range of rates of profit on these savings accounts is between 5% to 7% (2012: 5% to 8.5%) per annum.

## 13. SHARE CAPITAL

### 13.1 Authorised capital

2013	2012		2013	2012
(Number of shares)			----- (Rupees in '000) -----	
<u>1,000,000,000</u>	<u>1,000,000,000</u>	Ordinary shares of Rs 10 each	<u>10,000,000</u>	<u>10,000,000</u>

### 13.2 Issued, subscribed and paid up capital

2013	2012		2013	2012
(Number of shares)				
13,900,000	13,900,000	Ordinary shares of Rs 10 each fully paid in cash	139,000	139,000
467,387,116	467,387,116	Ordinary shares of Rs 10 each issued as fully paid bonus shares	4,673,871	4,673,871
<u>481,287,116</u>	<u>481,287,116</u>		<u>4,812,871</u>	<u>4,812,871</u>

# Notes to and forming part of the financial statements

For the year ended December 31, 2013

	2013 (Number of shares)	2012
13.3 Shares held by related parties		
Dawood Lawrencepur Limited Percentage of holding 16.19% (2012: 16.19%)	77,931,896	77,931,896
The Dawood Foundation Percentage of holding 3.95% (2012: 3.95%)	18,991,988	18,911,988
Cyan Limited Percentage of holding 0.165% (2012: 0.165%)	794,380	794,380
Sach International (Private) Limited Percentage of holding 0.001% (2012: 0.001%)	6,996	6,996

	2013 ------(Rupees in '000)----- (Restated)	2012
14. REVENUE RESERVES		
General reserve	700,000	700,000
Unappropriated profit	13,965,990	14,017,716
	<u>14,665,990</u>	<u>14,717,716</u>

	Note	2013 ------(Rupees in '000)-----	2012
15. LONG TERM FINANCING			
Long term financing	15.1	338,798	178,050
Current portion		(33,880)	(8,903)
		<u>304,918</u>	<u>169,147</u>
15.1 Balance as at January 1		178,050	-
Acquired during the year		175,500	178,050
Repayments during the year		(14,752)	-
Balance as at December 31		<u>338,798</u>	<u>178,050</u>

15.2 This represents utilised portion of long term finance facility obtained under mark-up arrangement from Allied Bank Limited aggregating Rs 380 million (2012: Rs 380 million). The finance facility is secured by way of hypothecation charge over all assets of the Company with 25% margin and pledge of HUBCO shares with 50% margin. The facility carries markup at the rate of six months ask side KIBOR plus 200 basis points per annum and is payable semi annually in arrears with the first payment made on January 4, 2013, whereas repayment of the first installment of principal was made in July 2013. The facility will be repaid in full by July 2017.



# Notes to and forming part of the financial statements

For the year ended December 31, 2013

	Note	2013 ------(Rupees in '000)----- (Restated)	2012 (Restated)
<b>16. DEFERRED LIABILITIES</b>			
Defined benefit plan funded - gratuity scheme	16.4	402	9,026
16.1 As stated in note 2.10.1, the Company operates a defined benefit plan i.e. an approved funded gratuity scheme for all its permanent employees subject to attainment of minimum service of prescribed period. Actuarial valuation of the scheme is carried out every year and the latest actuarial valuation was carried out as at December 31, 2013. The disclosures made in notes 16.2 to 16.14 are based on the information included in that actuarial report.			
16.2 The actuarial valuation of gratuity plan was carried out as at December 31, 2013. The projected unit credit method using the following significant assumptions was used for this valuation:			
		2013 Percentage	2012
- Discount rate used for profit and loss account charge		11.0%	12.5%
- Discount rate used for year end obligation		12.5%	11.0%
- Expected rate of increase in salary levels - per annum		11.5%	10.0%
16.3 Mortality rate			
The rates assumed were based on the EFU 61-66 mortality table.			
	Note	2013 ------(Rupees in '000)----- (Restated)	2012 (Restated)
16.4 Balance sheet reconciliation			
Present value of defined benefit obligation	16.5	19,883	15,096
Fair value of plan assets	16.6	(19,481)	(6,070)
Liability as at December 31		402	9,026
16.5 Movement in present value of defined benefit obligation			
As at January 1		15,096	7,593
Current service cost		3,386	1,452
Interest cost		1,661	949
Benefits paid		(170)	(15)
Past service cost		-	4,537
Remeasurment on obligation		(90)	580
As at December 31		19,883	15,096

# Notes to and forming part of the financial statements

For the year ended December 31, 2013

	Note	2013 ------(Rupees in '000)----- (Restated)	2012 (Restated)
16.6			
Movement in fair value of plan assets			
As at January 1		6,070	2,711
Interest income		668	339
Contribution made		12,727	3,053
Benefits paid		(170)	(15)
Remeasurment on plan assets		186	(18)
As at December 31		19,481	6,070
16.7			
Movement in net liability in the balance sheet			
Net liability as at January 1		9,026	4,882
Charge for the year	16.8	4,379	6,599
Contribution made by the Company		(12,727)	(3,053)
Net remeasurment for the year	16.9	(276)	598
As at December 31		402	9,026
16.8			
Amounts recognised in the profit and loss account			
Current service cost		3,386	1,452
Past service cost		-	4,537
Net interest cost		993	610
		4,379	6,599
16.9			
Remeasurment recognised in other comprehensive income			
Remeasurment (gain) / loss on defined benefit liability			
- Experience adjustments		(90)	580
Remeasurment (gain) / loss on plan assets		(186)	18
Net remeasurment (gain) / loss		(276)	598
16.10			
Actual return on plan assets			
Expected return on plan assets		668	339
Remeasurment gain / (loss) on plan assets		186	(18)
Actual return on plan assets		854	321

	2013 (Rs in '000)    Percentage		2012 (Rs in '000)    Percentage	
16.11				
Major categories / composition of plan assets				
Cash and cash equivalents (net)	2,932	15%	4,751	78%
Mutual Funds	16,549	85%	-	0%
Funds receivable from Workers Gratuity Fund	-	0%	1,319	22%
	19,481	100%	6,070	100%

# Notes to and forming part of the financial statements

For the year ended December 31, 2013

16.12 Amounts for the current year and previous four annual years of the fair value of plan assets, present value of defined benefit obligation and deficit arising thereon are as follows:

	2013	2012	2011	2010	2009
	------(Rupees in '000)-----				
As at December 31					
Fair value of plan assets	19,481	6,070	2,711	107,904	106,171
Present value of defined benefit obligation	(19,883)	(15,096)	(7,593)	(143,455)	(148,767)
Deficit	(402)	(9,026)	(4,882)	(35,551)	(42,596)
Experience adjustments:					
Gain / (loss) on plan assets	186	(18)	(307)	4,583	(7,821)
Gain / (loss) on obligations	90	(580)	3,967	(793)	(16,877)

16.13 Expected contribution to post employment benefit plan for the year ending December 31, 2014 is Rs 3.580 million (2013: Rs 12.727 million).

16.14 The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is set forth below:

Impact on defined benefit obligation			
Change in assumptions	Increase	Decrease	
	------(Rupees in '000)-----		
Discount rate	1%	(505)	563
Salary growth rate	1%	563	(505)

16.15 The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity liability recognised within the balance sheet.

Note	2013	2012
	------(Rupees in '000)-----	

## 17. SHORT TERM RUNNING FINANCE

Running finance under mark-up arrangement	17.1	519,542	32,299
---	------	---------	--------

# Notes to and forming part of the financial statements

For the year ended December 31, 2013

- 17.1 This represents utilised portion of short term running finance facility aggregating Rs 1,000 million (2012: Rs 300 million) obtained under mark-up arrangement from Bank Al-Habib Limited. The facility is secured by way of pledge of shares of ECL and HUBCO as more fully explained in note 7.2.1.3 and 7.2.2.3 respectively. Rate of mark-up applicable to the facility is three months KIBOR plus 100 basis points (2012: three months KIBOR plus 100 basis points) per annum. The facility will expire on April 30, 2014.
- 17.2 The Company has obtained another running finance facility of Rs 1,000 million (December 2012: Nil) under mark-up arrangement from United Bank Limited. This facility remained unutilised as at December 31, 2013 and it carries mark-up at the rate of 1 month KIBOR plus 150 basis points per annum. The facility is required to be secured by way of pledge of HUBCO shares, to be created at the time of utilisation of this facility.

2013	2012
-----	-----
(Rupees in '000)	

## 18. TRADE AND OTHER PAYABLES

Creditors	192,092	3,962
Accrued expenses	21,421	23,014
Unclaimed dividend	22,066	20,804
Others	35	22
	<u>235,614</u>	<u>47,802</u>

## 19. CONTINGENCIES AND COMMITMENTS

### 19.1 Contingent liabilities

The Company issued a corporate guarantee to a syndicate of financial institutions through Meezan Bank Limited acting as investment agent to guarantee up to a maximum of Rs 6,400 million (2012: Rs 6,400 million) relating to a diminishing Musharaka finance facility of Rs 4,800 million (2012: Rs 4,800 million) availed by the subsidiary company. The corporate guarantee will remain in full force and effect for a period of five years commencing from December 27, 2011.

### 19.2 Commitments

#### 19.2.1 Commitments in respect of investment

As stated in note 7.3.1, the Company has entered into a Shareholders Agreement (SA) for setting up of a Rice Bran Oil (RBO) project. As per the terms of the SA, the Company will make investment in e2e Business Enterprises (Private) Limited (e2eBE) aggregating to Rs 277.633 million in four tranches at various stages of the RBO project, the first and second of which amounting to Rs 116.646 million and Rs 58.500 million were made on June 13 and December 20, 2013 respectively. The remaining amount of investment of Rs 102.487 million will be made on the exercise of call options by e2eBE.

# Notes to and forming part of the financial statements

For the year ended December 31, 2013

## 19.2.2 Commitment in respect of operating lease

The amount of future payments in operating lease arrangements relating to office premises, and the period in which these payments will become due are as follows:

	2013	2012
	----- (Rupees in '000) -----	
Not later than one year	3,651	3,319

The Company has signed lease agreement for premises on rent from Dawood Foundation, a related party, which is due to expire in June 2014. The same is revocable by either party through prior notice of at least 3 months.

	Note	2013	2012
		----- (Rupees in '000) -----	
<b>20. DIVIDEND INCOME</b>			
Subsidiary - DH Fertilizers Limited	20.1	604,750	-
Associates			
- Engro Corporation Limited		-	261,558
- The Hub Power Company Limited		317,656	119,121
		317,656	380,679
		922,406	380,679

20.1 The shareholders of DH Fertilizers Limited, at their Annual General Meeting held on March 25, 2013 approved the issuance of 5 million ordinary shares of Engro Corporation Limited to the Company as 'specie dividend'.

	Note	2013	2012
		----- (Rupees in '000) -----	
			(Restated)
<b>21. ADMINISTRATIVE EXPENSES</b>			
Salaries, wages and other benefits		143,682	151,202
Rent, rates and taxes		12,264	12,246
Insurance		3,134	2,470
Repairs and maintenance		3,473	5,751
Communication, stationery and office supplies		11,164	12,836
Subscription and periodicals		13,051	7,386
Travel and conveyance		12,659	8,630
Depreciation	5.1	11,519	9,531
Amortisation	6	133	-
Legal and professional charges		199,102	17,000
Donations	21.2	50	-
Other expenses	21.3	8,506	7,000
		418,737	234,052



# Notes to and forming part of the financial statements

For the year ended December 31, 2013

21.1 Salaries, wages and other benefits include Rs 4.379 million (2012: Rs 6.599 million) charge for the year in respect of staff gratuity fund and Rs 5.568 million (2012: Rs 5.513 million) in respect of staff provident fund.

21.2 This amount has been paid to Dawood Foundation, a related party of the Company.

21.3 This includes an aggregate amount of Rs 0.075 million (2012: Nil) in respect of penalty imposed by Authorities.

	Note	2013	2012
		------(Rupees in '000)-----	
<b>22. OTHER OPERATING EXPENSES</b>			
Audit fee		215	150
Half year review and other certifications		130	100
Out of pocket expenses		83	70
		<u>428</u>	<u>320</u>
<b>23. OTHER INCOME</b>			
Income from financial instruments	23.1	7,770	73,772
Income from non-financial instruments	23.2	9,048	6,346
		<u>16,818</u>	<u>80,118</u>
<b>23.1 Income from financial instruments:</b>			
Profit on savings accounts and term deposit receipts		272	16,148
Realised gain on sale of short term investments available for sale		4,862	1,752
Realised gain on sale of investments at fair value through profit or loss		-	55,872
Unrealised exchange gain		2,636	-
		<u>7,770</u>	<u>73,772</u>
<b>23.2 Income from non-financial instruments:</b>			
Profit on disposal of property, plant and equipment		1,590	5,039
Other income		7,458	1,307
		<u>9,048</u>	<u>6,346</u>

# Notes to and forming part of the financial statements

For the year ended December 31, 2013

	Note	2013 ------(Rupees in '000)-----	2012 ------(Rupees in '000)-----
<b>24. FINANCE COST</b>			
Mark up on:			
- Long term financing		26,664	18,983
- Short term running finance		38,394	1,792
Bank charges		389	123
		<u>65,447</u>	<u>20,898</u>
<b>25. TAXATION</b>			
Current - for the year	25.1	<u>25,327</u>	<u>38,500</u>
25.1 Relationship between tax expense and accounting profit			
		%	%
Applicable tax rate		34.0	35.0
Tax effect of amounts that are not taxable / deductible for tax purposes		11.9	-
Tax effect of amounts exempt from tax		(21.8)	-
Tax effect of amounts taxed at lower rate		(18.5)	(10.4)
Minimum tax		-	(5.9)
		<u>5.6</u>	<u>18.7</u>
<b>26. EARNINGS PER SHARE</b>			
Profit after taxation		<u>429,285</u>	<u>167,027</u>
		(Number of shares)	
Weighted average number of ordinary shares		<u>481,287,116</u>	<u>481,287,116</u>
		------(Rupees)-----	(Restated)
Earnings per share (Rupees) – basic and diluted		<u>0.89</u>	<u>0.35</u>

26.1 There were no dilutive potential ordinary shares outstanding as at December 31, 2013 and 2012.

# Notes to and forming part of the financial statements

For the year ended December 31, 2013

## 27. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for the year is as follows:

	2013			2012		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	(Rupees in '000)					
Managerial remuneration	11,782	33,300	36,948	11,475	33,300	36,031
Retirement benefits including ex-gratia	2,199	-	6,403	2,142	-	6,398
Rent and utilities	5,276	14,985	21,267	5,196	14,985	17,877
Compensated absences	1,581	-	-	2,608	-	4,453
Medical	785	3	3,069	-	-	318
	<u>21,623</u>	<u>48,288</u>	<u>67,687</u>	<u>21,421</u>	<u>48,285</u>	<u>65,077</u>
Number of persons	<u>1</u>	<u>1</u>	<u>20</u>	<u>1</u>	<u>1</u>	<u>20</u>

27.1 In addition, the Chief Executive Officer, certain directors and executives are provided with Company owned and maintained cars.

27.2 Meeting fees aggregating Rs 4.30 million (2012: Rs 5.90 million) were paid to 7 directors (2012: 8 directors).

## 28. RELATED PARTY TRANSACTIONS

The related parties comprise subsidiary company, local associated companies, related group companies, directors of the Company, companies in which directors are interested, staff retirement benefits, directors, key management personnel and close members of the families of directors. The Company in the normal course of business carries out transactions with various related parties. Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

	Note	2013	2012
		(Rupees in '000)	
<b>Subsidiary company</b>			
Purchase of property, plant and equipment		-	8,045
Reimbursement of expenses made to the Company		140	2,449
Reimbursement of expenses made by the Company		16,159	372
Dividend income		604,750	-
Sale of goods and services		4,475	-
Bank guarantee provided on behalf of subsidiary	19.1	6,400,000	6,400,000

# Notes to and forming part of the financial statements

For the year ended December 31, 2013

	Note	2013	2012
		------(Rupees in '000)-----	
<b>Associates</b>			
Sale of property, plant and equipment		-	855
Sale of goods and services		11,868	-
Purchase of services		13,174	13,821
Reimbursement of expenses from associates		3,618	1,188
Reimbursement of expenses to associates		2,890	2,274
Advertisements and entertainment		654	-
Investment in e2eBE		175,146	-
Commitment of investment in e2eBE	19.2.1	102,487	-
Dividend income		317,656	380,679
Commitment in respect of operating lease	19.2.2	3,651	3,319
Membership fee and other subscriptions		1,459	-
Donations		50	-
<b>Other related parties</b>			
Contribution to staff gratuity fund		12,727	3,053
Contribution to staff provident fund		5,618	5,513
Reimbursement of expenses from other related parties		-	1,515
<b>Key management personnel</b>			
Sale of property, plant and equipment		-	3,491
Salaries and other short term employee benefits		128,996	126,243
Post retirement benefit plans		8,602	8,540

The Company enters into transactions with related parties on the basis of mutually agreed terms.

The amounts payable to and receivable from the related parties have been disclosed in the relevant notes to these financial statements.

# Notes to and forming part of the financial statements

For the year ended December 31, 2013

	Note	2013 ------(Rupees in '000)----- (Restated)	2012
<b>29. CASH UTILISED IN OPERATIONS</b>			
Profit before taxation		454,612	205,527
Adjustment for non cash expenses and other items:			
Depreciation		11,519	9,531
Amortisation		133	-
Finance cost		65,447	20,898
Profit on disposal of property, plant and equipment		(1,590)	(5,039)
Profit on sale of short term investments		(4,862)	(58,931)
Dividend income		(922,406)	(380,679)
Provision for staff retirement and other service benefits		4,379	6,599
Provision for doubtful deposits		892	-
Profit on bank deposits		(272)	(16,148)
Unrealised exchange gain		(2,636)	-
Working capital changes	29.1	174,467	4,375
		(674,929)	(419,394)
Cash utilised in operations		(220,317)	(213,867)
<b>29.1 Working capital changes</b>			
(Increase) / decrease in current assets:			
Short term advances		(675)	60
Short term deposits and prepayments		(8,032)	(7,913)
Other receivables		(6,012)	(492)
		(14,719)	(8,345)
Increase in trade and other payables		189,186	12,720
		174,467	4,375
<b>30. CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	12	13,727	6,387
Short term running finance	17	(519,542)	(32,299)
		(505,815)	(25,912)



# Notes to and forming part of the financial statements

For the year ended December 31, 2013

## 31. FINANCIAL INSTRUMENTS

31.1 The Company's activities expose it to a variety of financial risks: market risk (including interest rate risk, currency risk and price risk), credit risk and liquidity risk. The Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

### 31.2 Market risk

Market risk is the risk that the value of financial instruments may fluctuate as a result of changes in market interest rates or the market prices of instruments due to change in credit rating of the issuers or the instruments, changes in market sentiments, speculative activities, supply and demand of instruments and liquidity in the market. The Company manages the market risk by monitoring exposure on financial instruments and by following internal risk management policies.

Market risk comprise of three types of risks: interest rate risk, currency risk and other price risk.

#### 31.2.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate due to changes in market interest rates.

- Fair value risk - Presently, fair value risk to the Company arises from 'balances with banks' which are based on fixed interest rates. As at December 31, 2013, the impact of increase / decrease in fixed interest rates by 100 basis points will not have a material impact on the profit after tax of the Company.
- Future cash flow risk - Presently, future cash flow risk to the Company arises from short term running finance and long term financing which are based on floating interest rates (i.e. KIBOR based). During the year ended December 31, 2013, had there been increase / decrease of 100 basis points in KIBOR, with all other variables held constant, profit before taxation for the year then ended would have been lower / higher by Rs 6.417 million (2012: 1.052 million) mainly as a result of finance cost.

#### 31.2.2 Currency risk

Currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies. The Company primarily has foreign currency exposures in US Dollars (USD).

At December 31, 2013, if the Pakistani rupees had weakened / strengthened by 5% against the USD with all other variables held constant, profit before taxation for the year would have been higher / lower by Rs 9.563 million (2012: Nil). This will mainly result due to foreign exchange gains / losses on translation of USD denominated creditors.

# Notes to and forming part of the financial statements

For the year ended December 31, 2013

## 31.2.3 Price risk

Price risk is the risk that the fair value of or future cash flows from a financial instrument will fluctuate due to changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. During the year, the Company has disposed off all its financial instruments that were valued at market prices, as a result there was no exposure to price risk as at end of the year.

A 10% increase / decrease in share prices at year end would have increased / decreased the surplus on re-measurement of investments on available for sale investments as follows:

	2013	2012
	------(Rupees in '000)-----	
Effect on equity	-	262

## 31.3 Credit risk and its concentration

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail completely to perform as contracted.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each of the parties. To manage exposure to credit risk, management reviews credit ratings, total deposits worthiness, and maturities of the investments made, past experience and other factors.

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions.

The credit quality of the Company's liquidity can be assessed with reference to external credit ratings as follows:

Bank	Rating agency	Rating	
		Short term	Long term
Bank Al-Habib Limited	PACRA	A1+	AA+
Barclays Bank Plc	Standard & Poors	A-1	A
United Bank Limited	JCR-VIS	A-1+	AA+
Allied Bank Limited	PACRA	A1+	AA+

# Notes to and forming part of the financial statements

For the year ended December 31, 2013

The maximum exposure to credit risk at the reporting date is set forth below:

## Financial assets

	2013	2012
	----- (Rupees in '000) -----	
Short term advances	983	308
Short term deposits	892	892
Other receivables	6,504	492
Bank balances	4,295	5,146
	<u>12,674</u>	<u>6,838</u>

The Company believes that it is not exposed to major concentration of credit risk.

## 31.4 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulties in meeting obligations associated with financial liabilities. The Company's approach to manage liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its financial liabilities when due. Accordingly, the Company maintains sufficient cash and also makes availability of funding through credit facilities.

The analysis below summarizes the Company's financial liabilities (based on contractual undiscounted cash flows) into relevant maturity groups on the remaining period as at the balance sheet date:

	Carrying Amount	Six months or less	Six to twelve months	One to two years	Two to five years
2013	----- Rupees in '000 -----				
Financial liabilities					
Short term financing	519,542	519,542	-	-	-
Long term financing	338,798	16,940	16,940	85,591	219,327
Trade and other payables	235,614	235,614	-	-	-
Accrued mark-up	28,081	28,081	-	-	-
	<u>1,122,035</u>	<u>800,177</u>	<u>16,940</u>	<u>85,591</u>	<u>219,327</u>
2012					
Financial liabilities					
Short term financing	32,299	32,299	-	-	-
Long term financing	178,050	8,903	8,903	39,392	120,852
Trade and other payables	47,802	47,802	-	-	-
Accrued mark-up	12,405	12,405	-	-	-
	<u>270,556</u>	<u>101,409</u>	<u>8,903</u>	<u>39,392</u>	<u>120,852</u>

# Notes to and forming part of the financial statements

For the year ended December 31, 2013

## 31.5 Financial instruments by category

### Financial assets

	2013	2012
	------(Rupees in '000)-----	
Short term investments - available for sale	-	2,615
Short term advances	983	308
Short term deposits	892	892
Other receivables	6,504	492
Cash and bank balances	13,727	6,387
	<u>22,106</u>	<u>10,694</u>

### Financial liabilities

Long term financing	338,798	178,050
Trade and other payables	235,614	47,802
Accrued mark-up	28,081	12,405
Short term running finance	519,542	32,299
	<u>1,122,035</u>	<u>270,556</u>

## 31.6 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or obtain / repay long-term financing from / to financial institutions.

Consistent with others in the industry, 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 long term borrowings less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

The debt-to-equity ratios as at December 31, 2013 and 2012 were as follows:

	2013	2012
	------(Rupees in '000)-----	
Total debt	338,798	178,505
Less: Cash and cash equivalents	(505,815)	(25,912)
Net debt	<u>844,613</u>	<u>203,962</u>
Total equity	19,478,861	19,531,856
Debt-to-equity ratio	0.04:1	0.01:1

Total equity as at December 31, 2012 has been restated as more fully explained in note 4.3 to the financial statements.

# Notes to and forming part of the financial statements

For the year ended December 31, 2013

## 31.7 Fair value of financial instruments

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying value and the fair value estimates.

The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy is as follows:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observation inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: Valuation techniques using significant un-observable inputs.

The Company's financial assets measured at fair value comprise only of level 1 financial assets amounting to Nil (2012: Rs 2.615 million).

## 32. PROVIDENT FUND RELATED DISCLOSURES

The following information is based on un-audited financial statements of the Provident Fund (the Fund) as at December 31, 2013 and audited financial statements as at December 31, 2012:

	Note	2013	2012
		------(Rupees in '000)-----	
Size of the Fund - total assets		55,931	43,595
Cost of investments made		53,174	39,774
Percentage of investments made		97%	98%
Fair value of investments	32.1	54,216	42,745



# Notes to and forming part of the financial statements

For the year ended December 31, 2013

	-----2013-----		-----2012-----	
	(Rupees in '000)	%age	(Rupees in '000)	%age
32.1 The break up of fair value investments is:				
Bank balances	91	0.2%	-	0.0%
Government securities	41,170	75.9%	-	0.0%
Term deposit receipts	-	0.0%	42,745	100.0%
Mutual funds	12,955	23.9%	-	0.0%
	<u>54,216</u>	<u>100%</u>	<u>42,745</u>	<u>100%</u>

32.2 The investments out of the Fund are made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules there under.

32.3 During the year ended December 31, 2012 the Company operated a Fund for the management employees of the Company and its subsidiary. The break up of investments and total assets has been made on the basis of audited financial statements of the Fund for the year ended December 31, 2012.

## 33. NUMBER OF EMPLOYEES

The total and average number of employees during the year ended December 31, 2013 and 2012 respectively are as follows:

	2013	2012
Average number of employees during the year	<u>22</u>	<u>22</u>
Number of employees as at the end of the financial year	<u>23</u>	<u>22</u>

## 34. GENERAL

34.1 Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.

34.2 The Board of Directors in their meeting held on 27<sup>th</sup> February 2014 has proposed a cash dividend of Re 1 per share (2012: Re 1 per share) for the year ended December 31, 2013 subject to approval of members at the annual general meeting to be held on 28<sup>th</sup> April 2014. These financial statements do not recognise the proposed dividend as deduction from unappropriated profit as it has been proposed subsequent to balance sheet date.

34.3 These financial statements were authorised for issue on 27<sup>th</sup> February 2014 by the Board of Directors of the Company.

Karachi  
February 27, 2014

  
M. A. Aleem  
Director

  
Shahid Hamid Pracha  
Chief Executive

# CONSOLIDATED FINANCIAL STATEMENTS




**AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Dawood Hercules Corporation Limited (the Holding Company) and its subsidiary company (DH Fertilizers Limited), (collectively referred to as 'the Group') as at December 31, 2013 and the related consolidated profit and loss account, consolidated statement of total comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of the Holding Company and its subsidiary. These consolidated financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of the Holding Company and its subsidiary company as at December 31, 2013 and the results of their operations for the year then ended.

  
Chartered Accountants  
Karachi, February 27, 2014

**Audit Engagement Partner: Khurshid Hasan**

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# Consolidated balance sheet

As at December 31, 2013

	Note	As at December 31, 2013	As at December 31, 2012 (Rupees in '000) (Restated)	As at January 1, 2012 (Restated)
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	5	2,008,375	2,228,910	2,246,749
Intangible assets	6	267	-	-
Investment in associates	7	34,392,814	30,813,827	24,701,636
Long term loans and advances	8	-	1,383	2,200
		36,401,456	33,044,120	26,950,585
<b>CURRENT ASSETS</b>				
Stores, spares and loose tools	9	767,782	676,237	677,764
Stock in trade	10	72,357	52,100	151,267
Trade debts	11	39,819	329	2,686
Short term loans and advances	12	13,714	118,768	52,105
Short term deposits and prepayments	13	21,125	13,638	5,215
Other receivables	14	36,898	38,487	8,321
Taxation - net		235,798	126,950	-
Short term investments	15	1,334,515	2,615	2,951,088
Cash and bank balances	16	142,771	35,532	730,748
		2,664,779	1,064,656	4,579,194
		39,066,235	34,108,776	31,529,779
<b>EQUITY AND LIABILITIES</b>				
<b>SHARE CAPITAL AND RESERVES</b>				
Authorised capital	17	10,000,000	10,000,000	10,000,000
Issued, subscribed and paid up capital	17	4,812,871	4,812,871	4,812,871
Revenue reserves	18	24,110,912	20,890,298	20,293,310
Surplus on revaluation of investments		-	1,269	-
		28,923,783	25,704,438	25,106,181
<b>NON-CURRENT LIABILITIES</b>				
Long term finances	19	5,005,668	6,832,147	4,800,000
Deferred taxation	20	1,199,211	897,963	859,274
Deferred liabilities	21	91,071	91,781	84,777
		6,295,950	7,821,891	5,744,051
<b>CURRENT LIABILITIES</b>				
Current portion of long term finances	19	1,996,130	215,903	-
Short term running finances	22	905,055	32,299	-
Trade and other payables	23	891,782	301,962	642,255
Accrued mark-up		53,535	32,283	8,614
Taxation - net		-	-	28,678
		3,846,502	582,447	679,547
		39,066,235	34,108,776	31,529,779
<b>CONTINGENCIES AND COMMITMENTS</b>				
	24			

The annexed notes from 1 to 43 form an integral part of these consolidated financial statements.

Karachi  
February 27, 2014

  
M. A. Aleem  
Director

  
Shahid Hamid Pracha  
Chief Executive

# Consolidated profit and loss account

For the year ended December 31, 2013

	Note	2013 ------(Rupees in '000)----- (Restated)	2012 (Restated)
Net sales	25	4,840,142	4,602,419
Cost of sales	26	(4,050,853)	(3,816,424)
Gross profit		789,289	785,995
Selling and distribution expenses	27	(95,555)	(75,997)
Administrative expenses	28	(640,643)	(442,611)
Other operating expenses	29	(38,955)	(9,306)
Other income	30	280,046	487,597
Operating profit		294,182	745,678
Finance cost	31	(849,839)	(914,556)
Share of profit of associates		4,618,475	1,275,488
Profit before taxation		4,062,818	1,106,610
Taxation	32	(458,583)	(122,751)
Profit after taxation		3,604,235	983,859
Earnings per share (Rupees) – basic and diluted	33	7.49	2.04

The annexed notes from 1 to 43 form an integral part of these consolidated financial statements.

Karachi  
February 27, 2014

  
M. A. Aleem  
Director

  
Shahid Hamid Pracha  
Chief Executive



# Consolidated statement of total comprehensive income

For the year ended December 31, 2013

	2013 ------(Rupees in '000)-----	2012 ------(Rupees in '000)----- (Restated)
Profit after taxation	3,604,235	983,859
Other comprehensive income		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Remeasurements of staff retirement benefits	5,825	(4,626)
Impact on taxation	(1,887)	1,410
	3,938	(3,216)
<i>Items that may be reclassified subsequently to profit or loss</i>		
Share of other comprehensive income of associate	104,142	108,480
Impact on taxation	(10,414)	(10,848)
	93,728	97,632
Unrealised gain on investment classified as 'available for sale'	-	1,269
Fair value reserve transferred to profit and loss account on disposal of investment classified as 'available for sale'	(1,269)	-
	92,459	98,901
Other comprehensive income for the year	96,397	95,685
Total comprehensive income for the year	3,700,632	1,079,544

The annexed notes from 1 to 43 form an integral part of these consolidated financial statements.

Karachi  
February 27, 2014

  
M. A. Aleem  
Director

  
Shahid Hamid Pracha  
Chief Executive

# Consolidated statement of changes in equity

For the year ended December 31, 2013

	Issued, subscribed and paid-up capital	General reserve	Revenue reserves Unappropriated profit	Share of other comprehensive income of associates	Total	Surplus on revaluation of investments	Total
	(Rupees in '000)						
Balance as at January 1, 2012 (as previously reported)	4,812,871	700,000	19,795,916	(180,731)	20,315,185	-	25,128,056
Effect of retrospective application of change in accounting policy as referred in note 4.3	-	-	(21,875)	-	(21,875)	-	(21,875)
Balance as at January 1, 2012 - restated	4,812,871	700,000	19,774,041	(180,731)	20,293,310	-	25,106,181
Comprehensive income							
Net profit for the year - restated	-	-	983,859	-	983,859	-	983,859
Other comprehensive (loss) / income - restated	-	-	(3,216)	97,632	94,416	1,269	95,685
Total comprehensive income for the year	-	-	980,643	97,632	1,078,275	1,269	1,079,544
Transactions with owners							
Final cash dividend @ 10% for the year ended December 31, 2011	-	-	(481,287)	-	(481,287)	-	(481,287)
Balance as at December 31, 2012 - restated	4,812,871	700,000	20,273,397	(83,099)	20,890,298	1,269	25,704,438
Balance as at January 1, 2013 - restated	4,812,871	700,000	20,273,397	(83,099)	20,890,298	1,269	25,704,438
Comprehensive income							
Net profit for the year	-	-	3,604,235	-	3,604,235	-	3,604,235
Other comprehensive income / (loss)	-	-	3,938	93,728	97,666	(1,269)	96,397
Total comprehensive income for the year	-	-	3,608,173	93,728	3,701,901	(1,269)	3,700,632
Transactions with owners							
Final cash dividend @ 10% for the year ended December 31, 2012	-	-	(481,287)	-	(481,287)	-	(481,287)
Balance as at December 31, 2013	4,812,871	700,000	23,400,283	10,629	24,110,912	-	28,923,783

The annexed notes from 1 to 43 form an integral part of these consolidated financial statements.

Karachi  
February 27, 2014

  
M. A. Aleem  
Director

  
Shahid Hamid Pracha  
Chief Executive

# Consolidated cash flow statement

For the year ended December 31, 2013

	Note	2013 ------(Rupees in '000)----- (Restated)	2012 (Restated)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	34	1,044,797	286,975
Finance cost paid		(828,587)	(890,887)
Taxes paid		(278,484)	(249,128)
Staff retirement and other service benefits paid		(85,676)	(37,748)
Long term loans and advances		1,383	817
Net cash utilised in operating activities		(146,567)	(889,971)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment - net		(6,418)	(217,210)
Additions to intangibles		(400)	-
Proceeds from disposal of property, plant and equipment		16,462	40,400
Profit on saving accounts and term deposits receipts		19,040	39,343
Short term investments made		(2,300,000)	-
Short term investments redeemed		1,035,013	3,260,002
Long term investments made		(175,146)	(5,522,722)
Dividends received		1,318,776	794,499
Net cash utilised in investing activities		(92,673)	(1,605,688)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Long term finances received		175,500	2,248,050
Long term finances repaid		(221,752)	-
Dividends paid		(480,025)	(479,906)
Net cash (utilised in) / generated from financing activities		(526,277)	1,768,144
Net decrease in cash and cash equivalents		(765,517)	(727,515)
Cash and cash equivalents at the beginning of the year		3,233	730,748
Cash and cash equivalents at the end of the year	35	(762,284)	3,233

The annexed notes from 1 to 43 form an integral part of these consolidated financial statements.

Karachi  
February 27, 2014

  
M. A. Aleem  
Director

  
Shahid Hamid Pracha  
Chief Executive

# Notes to and forming part of the consolidated financial statements

For the year ended December 31, 2013

## 1. THE GROUP AND ITS OPERATIONS

The Group consists of Dawood Hercules Corporation Limited, the Holding Company, its Subsidiary Company, DH Fertilizers Limited and associates.

### Dawood Hercules Corporation Limited

Dawood Hercules Corporation Limited (the Holding Company) was incorporated in Pakistan on April 17, 1968 as a public limited company under the Companies Act, 1913 (now Companies Ordinance, 1984) (the Ordinance) and its shares are quoted on Karachi, Lahore and Islamabad Stock Exchanges. The principal activity of the Holding Company is to manage investments in its subsidiary and associated companies. The registered office of the Holding Company is situated at Dawood Center, M.T. Khan Road, Karachi.

The Board of Directors of the Holding Company in its meeting held on June 16, 2010 decided to separate its fertilizer business by divesting it into a newly formed wholly owned subsidiary, DH Fertilizers Limited. In this regard, a wholly owned subsidiary named DH Fertilizers Limited was incorporated on August 2, 2010. The division was effected on January 1, 2011 (the effective date) through a Scheme of Arrangement (the Scheme) under Section 284 to 288 of the Ordinance which was duly approved by the Honourable Lahore High Court, whereby:

- (a) the fertilizer business was transferred and vested in the Subsidiary Company against the issuance of ordinary shares of the Subsidiary Company; and
- (b) the remaining business (other than fertilizer) was retained in the Holding Company along with the change of name of the Company to Dawood Hercules Corporation Limited. Thereafter, Dawood Hercules Corporation Limited started functioning as a Holding Company to oversee the business of the new fertilizer subsidiary and to manage its other investments.

### Subsidiary

**DH Fertilizers Limited - DHFL** (the Subsidiary Company) is a public unlisted company incorporated on August 2, 2010 in Pakistan under the Ordinance, as a wholly owned subsidiary of the Holding Company. The Subsidiary Company is engaged in the business of production, purchase and sale of fertilizers. The registered office of the Subsidiary Company is situated at 35-A, Shahrah-e-Abdul Hameed Bin Badees, Lahore.

The Subsidiary Company has been consolidated in these consolidated financial statements on the basis of its audited financial statements for the year ended December 31, 2013.

### Associates

**Engro Corporation Limited (ECL)** is a public listed company incorporated in Pakistan under the Ordinance and its shares are quoted on Karachi, Lahore and Islamabad Stock Exchanges. The principal activity of ECL is to manage investments in its subsidiary companies and joint ventures. The registered office of ECL is situated at the Harbour Front Building, HC # 3, Block 4, Marine Drive, Clifton, Karachi.

**The Hub Power Company Limited (HUBCO)** was incorporated in Pakistan on August 1, 1991 as a public limited company under the Ordinance. The shares of HUBCO are quoted on Karachi, Lahore and Islamabad Stock Exchanges and its Global Depository Receipts are quoted on Luxembourg Stock Exchange. The principal activities of HUBCO are to develop, own, operate and maintain power

# Notes to and forming part of the consolidated financial statements

For the year ended December 31, 2013

stations. HUBCO has a 75% controlling interest in Laraib Energy Limited, a subsidiary company which owns a hydel power project of 84 MW. The registered office of HUBCO is situated at 3rd Floor, Islamic Chamber of Commerce Building, ST - 2/A, Block 9, Clifton, P.O. Box 13841, Karachi.

**e2e Business Enterprises (Private) Limited (e2eBE)** was incorporated in Pakistan on January 10, 2012 as a private company limited by shares under the Ordinance. The main business activity of e2eBE is to own, manage and operate Rice Bran Oil (RBO) extraction facility and operate the sales and distribution facilities in connection with the produced RBO. The registered office of e2eBE is situated at Suite No. 311-313, The Plaza, K.D.A Scheme 5, Block 9, Clifton, Karachi.

## 2. SIGNIFICANT ACCOUNTING INFORMATION AND POLICIES

### 2.1 Accounting convention

These consolidated financial statements have been prepared under the historical cost convention, except as stated otherwise in the notes below.

### 2.2 Basis of preparation

These consolidated financial statements have been prepared in accordance with the requirements of the Ordinance and the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Ordinance and the requirements of and directives issued under that Ordinance. However, the requirements of and the directives issued under the Ordinance have been followed where those requirements are not consistent with the requirements of the IFRSs, as notified under the Ordinance.

### 2.3 Basis of consolidation

The consolidated financial statements comprise of the financial statements of the Holding Company and the Subsidiary Company as at December 31 each year.

#### 2.3.1 Subsidiary

A subsidiary is an entity over which the Holding Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights of the Subsidiary Company. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Holding Company controls another entity. Subsidiary is fully consolidated from the date on which the control is transferred to the Holding Company and is derecognised from the date control ceases.

The assets and liabilities of the Subsidiary Company are consolidated on a line by line basis and the carrying value of investments held by the Holding Company is eliminated against the Subsidiary Company shareholders' equity in the consolidated financial statements.

All material intra-group transactions and balances are eliminated in full.

The financial statements of the Subsidiary Company are prepared for the same reporting year as the Holding Company. Where necessary, accounting policies of Subsidiary Company have been changed to ensure consistency with the policies adopted by the Holding Company.



# Notes to and forming part of the consolidated financial statements

For the year ended December 31, 2013

## 2.3.2 Associates

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights and which is neither a subsidiary nor a joint venture of the Group.

The associates of the Group are accounted for using the equity method and are recognised initially at cost. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees from the date that significant influence commences until the date that significant influence ceases. When the Group's share of loss exceeds its interest in an equity accounted investee, the carrying amount of that interest is reduced to nil and the recognition of further loss is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associates is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value. Impairment losses are recognised as an expense in the profit and loss account in the period in which it is incurred. Where impairment losses subsequently reverse, the carrying amounts of investments are increased to the revised recoverable amount but limited to the extent of initial cost of investments. A reversal of impairment loss is recognised in the profit and loss account.

## 2.4 New standards, amendments to the approved accounting standards and new interpretations

### 2.4.1 New standards, amendments to approved accounting standards and interpretations becoming effective during the year ended December 31, 2013:

There are certain new standards, amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations that became effective during the year and are mandatory for accounting periods beginning on or after January 1, 2013 but are considered not to be relevant or have any significant effect on the Group's operations and are, therefore, not disclosed in these financial statements, except for IAS 1, 'Presentation of Financial Statements' regarding 'other comprehensive income' and 'clarification of the requirements for comparative information', and IAS 19, (revised) 'Employee Benefits' which amends the accounting for employment benefits as more fully explained in note 4 below.

### 2.4.2 New standards, amendments to approved accounting standards and interpretations that are not yet effective:

There are certain new standards, amendments to the approved accounting standards and new interpretations that are mandatory for accounting periods beginning on or after January 1, 2014, but are considered not to be relevant or have any significant effect on the Group's operations and are, therefore, not disclosed in these financial statements.

## 2.5 Property, plant and equipment

### 2.5.1 Operating fixed assets

These are stated at cost less accumulated depreciation and impairment losses, if any, except for land which is stated at historical cost.

# Notes to and forming part of the consolidated financial statements

## For the year ended December 31, 2013

Assets having cost exceeding the minimum threshold as determined by the management are capitalised. All other costs are charged to profit and loss account in the year when incurred.

Depreciation is charged to profit and loss account applying the straight-line method so as to write off the historical cost of the assets over their estimated useful lives at the rates stated in note 5. Depreciation on additions is charged from the following month in which the asset is available for use and on disposals up to the month the asset is no longer in use. Assets' residual values and useful lives are annually reviewed, and adjusted, if material.

The carrying values of property, plant and equipment are reviewed at each reporting date for indications that an asset may be impaired and carrying values may not be recovered. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the asset or cash generating unit is written down to its recoverable amount. The recoverable amount of property, plant and equipment is the greater of fair value less cost to sell and value in use.

Impairment is reversed only if there has been a change in estimates used to determine the recoverable amount and only to the extent that the revised recoverable amount does not exceed the carrying value that would have existed, had no impairments been recognised.

Useful lives are determined by the management based on the expected usage of assets, physical wear and tear, technical and commercial obsolescence, legal and similar limits on the use of the assets and other similar factors.

Maintenance and normal repairs are charged to profit and loss account as and when incurred. Major renewals and improvements, if any, are capitalised in accordance with IAS 16, 'Property, Plant and Equipment' and depreciated in a manner that best represents the consumption pattern and useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposals are determined by comparing proceeds with the carrying amount of the relevant assets. These are included in the profit and loss account, in the year of disposal.

The initial catalysts cost in ammonia plant was capitalised with plant and machinery whereas costs of subsequent replacement of such catalysts are separately included in property, plant and equipment and depreciated over their estimated useful lives.

### 2.5.2 Capital work-in-progress

Capital work-in-progress is stated at cost less any identified impairment loss and represents expenditure incurred during the construction and installation. Transfers are made to relevant property, plant and equipment category as and when assets are available for use.

### 2.6 Intangible assets

Intangible assets are recognised when it is probable that the expected future economic benefits will flow to the Group and the cost of the assets can be measured reliably. Cost of the intangible asset (i.e. accounting software) includes purchase cost and directly attributable expenses incidental to make the asset available for use in the manner as intended by management.

# Notes to and forming part of the consolidated financial statements

For the year ended December 31, 2013

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is charged over the estimated useful life of the asset on a systematic basis by applying the straight line method.

Costs associated with maintaining computer software are recognised as an expense as and when incurred.

Useful life of intangible assets is reviewed at each balance sheet date and adjusted if the impact of amortisation is significant.

The carrying amount of the intangible assets is 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 in profit and loss account. Reversal of impairment losses are also recognised in profit and loss account, however, they are restricted to the original cost of the asset.

## 2.7 Financial instruments

### 2.7.1 Financial assets

Consistent with prior years, the classification of financial assets depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at the time of initial recognition. The Group classifies its financial assets in the following categories.

#### a) Investments at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as 'at fair value through profit and loss'. A financial asset is classified as 'held for trading' if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

#### b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except those having maturities of more than twelve months after the balance sheet date which are classified as non-current assets. Loans and receivables with maturity period of less than twelve months after the balance sheet date are classified as short term advances, short term deposits and prepayments and other receivables in the balance sheet.

#### c) Available for sale financial assets

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investments within twelve months from the balance sheet date. Available for sale financial assets are classified as short term investments in the balance sheet.

Changes in fair value of securities classified as available for sale are recognised in equity. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised directly in equity are included in the profit and loss account in the period in which the disposal takes place. Dividends on available for sale equity investments are recognised in the profit and loss account when the Group's right to receive payments is established.

# Notes to and forming part of the consolidated financial statements

For the year ended December 31, 2013

## d) Held to maturity

Financial assets with fixed or determinable payments and fixed maturity, where management has the intention and ability to hold till maturity are carried at amortised cost.

## Recognition

All financial assets are recognised at the time when the Group becomes a party to the contractual provisions of the instrument. Consistent with prior year, regular purchase and sale of investments are recognised at trade date i.e. the date on which the Group commits to purchase or sell the asset.

## Measurement

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit and loss. Financial assets carried at fair value through profit and loss are initially recognised at fair value and transaction costs are expensed in the profit and loss account in the year of acquisition.

Available for sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables and held to maturity investments are carried at amortised cost using the effective interest rate method.

## Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

## Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists for 'available for sale' financial assets, the cumulative loss is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account. In case of loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

## 2.7.2 Financial liabilities

All financial liabilities are recognised at the time when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities, other than those at fair value through profit or loss, are measured at amortised cost using the effective yield method.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange and modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the profit and loss account.

# Notes to and forming part of the consolidated financial statements

For the year ended December 31, 2013

## 2.7.3 Off-setting of financial assets and financial liabilities

A financial asset and a financial liability is set off and the net amount is reported in the balance sheet if the Group has a legally enforceable right to set off the transactions and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

## 2.8 Stock in trade

Stock in trade is valued at lower of cost and net realisable value. Cost is determined as follows:

Stages of stock in trade	Basis of valuation
Raw and packing materials	at moving average cost
Material in process	at average cost
Finished goods	at average cost

Net realisable value is determined on the basis of the estimated selling price of the product in the ordinary course of business less estimated cost of completion and costs necessary to be incurred for its sale.

## 2.9 Stores, spares and loose tools

These are valued at lower of moving average cost and net realisable value less provision for impairment if required. The Group reviews the carrying amount of stores and spares on a regular basis and provision is made for impairment due to technical and commercial obsolescence in usage pattern and physical wear and tear. Provision for impairment is also made for slow moving items. Stores and spares in transit are valued at cost, comprising invoice value plus other charges incurred thereon.

## 2.10 Trade debts

Trade debts are recognised initially at original invoice amount which is the fair value of consideration to be received in future and subsequently measured at amortised cost less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. A provision for impairment of trade debts is established when there is an objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Trade debts are written off when identified.

## 2.11 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash and bank balances and deposits held with banks. Running finance and short term finance facilities availed by the Group, which are payable 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 statement of cash flows.

## 2.12 Staff retirement and other benefits

### 2.12.1 Defined benefit plan

The Group operates a defined benefit plan i.e. an approved funded gratuity scheme for all its permanent employees who have completed minimum service of prescribed period. Actuarial valuation is carried out using the 'Projected Unit Credit Method'. The latest actuarial valuation of the scheme was carried out as at December 31, 2013.



# Notes to and forming part of the consolidated financial statements

## For the year ended December 31, 2013

The Subsidiary Company operates an approved funded defined benefit gratuity plan for management staff who have completed prescribed period of service.

Provisions are made in the Group financial statements to cover obligations on the basis of actuarial valuations carried out annually. The latest actuarial valuation was carried out on December 31, 2013 using the 'Projected Unit Credit Method'.

The amount recognised in the balance sheet represents the present value of the defined benefit obligation less fair value of plan assets as on December 31, 2013. As more fully explained in note 4.3, effective from January 1, 2013 all actuarial gains / (losses) arising during the year are to be recognized in other comprehensive income of the Group in the year in which they arise. Previously cumulative unrecognised actuarial gains and losses at the end of the previous year which exceed 10% of the greater of the present value of the Group's defined benefit obligations and the fair value of plan assets were amortised over the expected average remaining working lives of the employees.

### 2.12.2 Employee compensated absences

The Holding Company provides for compensated absences for all eligible employees in accordance with the rules of the Holding Company. The provision for the year ended December 31, 2011 was recognised on the basis of actuarial valuation using the 'Projected Unit Credit Method'. During the year ended December 31, 2012, the Holding Company changed the employee service rules whereby compensated absences were restricted to 10 days. Accordingly, no actuarial valuation was carried out as at December 31, 2012 and 2013 and the provision for compensated absences has been made at actual amounts.

The Subsidiary Company provides annually for the expected cost of accumulated absences. All the employees are entitled to earned leaves and unavailed leaves in a year are accumulated and encashed, subject to a maximum cap on the number of days that can be encashed, at the time of cessation of employment either due to retirement, death in service, withdrawal or early retirement. Provisions are made annually to cover the obligation for accumulating compensated absences based on actuarial valuation and are charged to profit and loss account. The most recent valuation was carried out on December 31, 2013 using the 'Projected Unit Credit Method'.

The amount recognised in the balance sheet represents the present value of the defined benefit obligation. Actuarial gains / (losses) are charged to profit and loss account immediately in the period when these occur.

### 2.12.3 Defined contribution plan

The Group operates a recognised provident fund for all its permanent employees who have completed prescribed qualifying period of service. Equal monthly contributions are made, both by the Group and its employees, to the fund at the rate of fifteen (15) percent of the basic salaries of employees.

The Subsidiary Company also maintains a defined contributory gratuity scheme for its non-management staff. Monthly contributions are made to the fund by the Subsidiary Company as per agreement with the Union.

### 2.13 Trade and other payables

Liabilities for trade and other amounts payable are recognised at cost which is the fair value of the consideration to be paid in future for goods and services.

# Notes to and forming part of the consolidated financial statements

For the year ended December 31, 2013

## 2.14 Provisions

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

## 2.15 Taxation

### Current

Provision for current tax is based on the taxable income for the year at the current rates of taxation after taking into account tax credits and rebates available, if any, or a fixed percentage of gross turnover (as prescribed by law), whichever is higher. It also includes any adjustment to tax payable in respect of prior years, if any.

### Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes.

Deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the assets may be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the year when the asset is utilised or the liability is settled, based on the tax rates that have been enacted or substantially enacted at the balance sheet date.

## 2.16 Contingent liabilities

Contingent liability is disclosed when:

- there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Group; or
- there is a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured reliably.

## 2.17 Revenue recognition

- Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods are transferred to the buyer.

# Notes to and forming part of the consolidated financial statements

For the year ended December 31, 2013

- Dividend income is recognised when the Group's right to receive dividend is established i.e. on the date of book closure of the investee company declaring the dividend.
- Returns on bank deposits are accrued on a time proportion basis by reference to the principal outstanding amounts and the applicable rates of return.
- Gains / (losses) arising on disposal of investments are included in income in the year in which they are disposed off.
- Unrealised gains / (losses) arising on revaluation of securities classified as 'available for sale' and 'fair value through profit or loss' are included in other comprehensive income and in profit or loss account in the period in which they arise respectively. When securities classified as 'available for sale' are sold or impaired, the accumulated fair value adjustments recognised in the equity through other comprehensive income, are included in the profit and loss account in the period in which disposal takes place.

## 2.18 Foreign currency transactions and translations

Foreign currency transactions are recognised or accounted for into Pakistan Rupees using the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into Pakistan Rupees at the rates of exchange prevailing on the balance sheet date. Exchange gains / (losses) on foreign currency translations are included in income / equity.

## 2.19 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Group operates. The financial statements are presented in Pakistan Rupees, which is the Group's functional and presentation currency.

## 3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of consolidated financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Estimates and judgements are continually evaluated and are based on historic experience and other factors, including expectation of:

future events that are believed to be reasonable under the circumstances. In the process of applying the Group's accounting policies, the management has made the following estimates and judgements which are significant to the financial statements

### 3.1 Current and deferred income taxes

In making the estimates for income taxes payable by the Group, management considers current income tax laws and the decisions of appellate authorities on certain cases issued in the past. Where the final outcome is different from the amounts that were initially recorded, such differences will impact the income tax provision in the period in which such final outcome is determined. Deferred taxes are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

# Notes to and forming part of the consolidated financial statements

For the year ended December 31, 2013

## 3.2 Provision for staff retirement and other benefits

The present value of these obligations depends on a number of factors that are determined on actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of these obligations. The present values of these obligations and the underlying assumptions are disclosed in note 21.

## 3.3 Property, plant and equipment

Estimates with respect to residual values and useful lives are based on the assessment of the management of the Group considering the estimated usage and the industry practices. Further, the Group reviews the internal and external indicators for possible impairment of assets on an annual basis. Any change in the estimates of residual values and useful lives that might affect the carrying amounts of the respective items of property, plant and equipment (note 5) will have a corresponding affect on the depreciation charge and impairment loss incurred during the year.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

## 3.4 Stock in trade

Assumptions and estimates used in writing down items of stock in trade to their net realisable value (note 10). Net realisable value is determined on the basis of estimated selling price of the product in the ordinary course of business less estimated cost of completion and the estimated costs necessary to be incurred for its sale.

## 3.5 Provisions

Provisions are based on management's best estimates. Any change in the estimates in future years might affect the carrying amounts of the provisions with a corresponding affect on the profit and loss account of the Group.

## 4. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

### 4.1 Amendment to IAS 1, 'Presentation of Financial Statements' regarding 'other comprehensive income':

The primary change resulting from this amendment is that the Group has grouped items presented in 'other comprehensive income' on the basis of whether they are potentially reclassifiable or not to profit or loss subsequently (reclassification adjustments). Had there been no change in the aforementioned accounting policy, there would not have been any bifurcation of items appearing in 'other comprehensive income'.

### 4.2 Amendment to IAS 1, 'Presentation of Financial Statements' regarding disclosure requirements for comparative information:

The amendment clarifies the disclosure requirements for comparative information when an entity provides a third balance sheet as at the beginning of the preceding period if it applies an accounting policy retrospectively, and the retrospective application has a material effect on the information in the balance sheet at the beginning of the preceding period. However, the entity need not present the related notes in the opening balance sheet as at the beginning of the preceding period.

# Notes to and forming part of the consolidated financial statements For the year ended December 31, 2013

## 4.3 Adoption of amendments to IAS 19, (revised) 'Employee Benefits':

IAS 19, (revised) 'Employee Benefits' amends the accounting for the Group's defined benefit plan. The revised standard has been applied retrospectively in accordance with the transition provisions of the standard. The impact of the adoption of IAS 19, (revised) 'Employee Benefits' has been in the following areas:

- The standard requires all actuarial gains / (losses) to be recognised immediately in 'other comprehensive income'. This has resulted in unrecognised net actuarial losses being recognised in 'other comprehensive income'. The expense recognised in the profit and loss account for the year ended December 31, 2013 has reduced by Rs 1.924 million as the charge to profit or loss for recognition of previously unrecognised net actuarial losses is no longer required.
- The standard requires past service cost to be recognised immediately in profit or loss. There is no impact on profit or loss as there was no past service cost in the previous year.
- The standard replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year. There is no change in the method of determining the discount rate; this continues to reflect the yield on high-quality corporate bonds. This treatment, however, has no impact on these financial statements as the discount rate now applied to assets is equal to the expected return on assets.
- There is a new term 'remeasurements'. This is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost.
- 'Defined benefit plan for management staff (funded)' as previously reported has been restated at the balance sheet dates to reflect the effect of the above.

The effect of the change in accounting policy has been demonstrated below:

	Balance previously reported	Effect of change in accounting policy	Restated amount
	----- (Rupees in '000) -----		
<b>As at January 1, 2012</b>			
<b>Balance Sheet</b>			
Deferred liabilities	53,059	31,718	84,777
Deferred taxation	869,117	(9,843)	859,274
Revenue reserves	20,315,185	(21,875)	20,293,310
<b>As at December 31, 2012</b>			
<b>Balance Sheet</b>			
Deferred liabilities	57,440	34,341	91,781
Deferred taxation	908,614	(10,651)	897,963
Revenue reserves	20,913,988	(23,690)	20,890,298



# Notes to and forming part of the consolidated financial statements

For the year ended December 31, 2013

For the year ended December 31, 2012

## Profit and Loss

Cost of sales	3,817,539	(1,115)	3,816,424
Selling and distribution expenses	76,209	(212)	75,997
Administrative expenses	443,287	(676)	442,611
Taxation	122,149	602	122,751

## Statement of Changes in Equity

Unappropriated profit	20,297,087	(23,690)	20,273,397
Total comprehensive income	1,081,359	(1,815)	1,079,544

## Other Comprehensive Income

Other comprehensive income	98,901	(3,216)	95,685
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The effect of this change in accounting policy, due to adoption of IAS 19, (revised) 'Employee Benefits', on the 'earnings per share' and 'investment in associates' for the year ended December 31, 2012 is not material in the overall context of these financial statements. There is no cash flow impact as a result of the retrospective application of change in accounting policy.

## 4.4 Amendments in Fourth Schedule to the Companies Ordinance, 1984:

During the year the Securities and Exchange Commission of Pakistan has notified certain amendments in the Fourth Schedule to the Companies Ordinance, 1984, which specifically classifies major spare parts and stand-by equipment into 'Property, plant and equipment'.

Reclassified from	Reclassified to	December 31, 2012	January 1, 2012
		----- (Rupees in '000) -----	
Stores, spares and loose tools	Property, plant and equipment	135,347	122,844

The effect of change in the requirement is considered to be a change in accounting policy and has been applied retrospectively. The effect of such change in the profit and loss account of the earliest periods presented is not material in the overall context of these financial statements.

# Notes to and forming part of the consolidated financial statements

For the year ended December 31, 2013

## 5. PROPERTY, PLANT AND EQUIPMENT

	Note	2013	2012
		----- (Rupees in '000) ----- (Restated)	
Operating fixed assets	5.1	1,725,664	1,943,368
Capital work-in-progress	5.2	150,560	150,195
Major spare parts and stand-by equipment	5.3	132,151	135,347
		<u>2,008,375</u>	<u>2,228,910</u>

### 5.1 Operating fixed assets

#### 5.1.1 The following is a statement of operating fixed assets:

	Land	Building	Plant and machinery	Furniture, fittings and equipment	Data processing equipment	Motor Vehicles	Railway siding	Catalysts	Total
	----- (Rupees in '000) -----								
<b>At January 1, 2012</b>									
Cost	250,657	114,636	3,779,902	76,768	120,361	176,011	2,314	303,275	4,823,924
Accumulated depreciation	-	(88,961)	(2,179,978)	(51,330)	(111,148)	(101,095)	(2,291)	(196,106)	(2,730,909)
Net book value	<u>250,657</u>	<u>25,675</u>	<u>1,599,924</u>	<u>25,438</u>	<u>9,213</u>	<u>74,916</u>	<u>23</u>	<u>107,169</u>	<u>2,093,015</u>
<b>Year ended December 31, 2012</b>									
Additions	-	-	916	445	2,394	59,228	-	-	62,983
Transfers from CWIP	-	-	19,410	-	-	-	-	-	19,410
Disposals									
Cost	-	-	(46)	(440)	(2,536)	(58,517)	-	-	(61,539)
Accumulated depreciation	-	-	45	242	2,398	36,962	-	-	39,647
Net book value	-	-	(1)	(198)	(138)	(21,555)	-	-	(21,892)
Depreciation charge for the year	-	(3,843)	(162,133)	(4,489)	(5,747)	(29,356)	-	(4,580)	(210,148)
Net book value as at December 31, 2012	<u>250,657</u>	<u>21,832</u>	<u>1,458,116</u>	<u>21,196</u>	<u>5,722</u>	<u>83,233</u>	<u>23</u>	<u>102,589</u>	<u>1,943,368</u>
<b>Year ended December 31, 2013</b>									
Additions	-	-	-	1,909	4,021	123	-	-	6,053
Disposals									
Cost	-	-	-	-	(674)	(6,638)	(2,314)	-	(9,626)
Accumulated depreciation	-	-	-	-	609	3,932	2,291	-	6,832
Net book value	-	-	-	-	(65)	(2,706)	(23)	-	(2,794)
Write off									
Cost	-	-	(76,943)	-	(63,378)	(1,149)	-	-	(141,470)
Accumulated depreciation	-	-	63,020	-	62,744	1,138	-	-	126,902
Net book value	-	-	(13,923)	-	(634)	(11)	-	-	(14,568)
Depreciation charge for the year	-	(3,834)	(163,235)	(4,490)	(3,373)	(26,437)	-	(5,026)	(206,395)
Net book value as at December 31, 2013	<u>250,657</u>	<u>17,998</u>	<u>1,280,958</u>	<u>18,615</u>	<u>5,671</u>	<u>54,202</u>	<u>-</u>	<u>97,563</u>	<u>1,725,664</u>
<b>At December 31, 2012</b>									
Cost	250,657	114,636	3,800,182	76,773	120,219	176,722	2,314	303,275	4,844,778
Accumulated depreciation	-	(92,804)	(2,342,066)	(55,577)	(114,497)	(93,489)	(2,291)	(200,686)	(2,901,410)
Net book value	<u>250,657</u>	<u>21,832</u>	<u>1,458,116</u>	<u>21,196</u>	<u>5,722</u>	<u>83,233</u>	<u>23</u>	<u>102,589</u>	<u>1,943,368</u>
<b>At December 31, 2013</b>									
Cost	250,657	114,636	3,723,239	78,682	60,188	169,058	-	303,275	4,699,735
Accumulated depreciation	-	(96,638)	(2,442,281)	(60,067)	(54,517)	(114,856)	-	(205,712)	(2,974,071)
Net book value	<u>250,657</u>	<u>17,998</u>	<u>1,280,958</u>	<u>18,615</u>	<u>5,671</u>	<u>54,202</u>	<u>-</u>	<u>97,563</u>	<u>1,725,664</u>
Depreciation rates (%)		5	7.5	10 to 12.5	33.33 to 50	20	5	10 to 50	

# Notes to and forming part of the consolidated financial statements For the year ended December 31, 2013

5.1.2 Cost of property, plant and equipment that are fully depreciated amounts to Rs 1,750.120 million (2012: Rs 1,843.186 million).

5.1.3 Details of the property, plant and equipment disposed off:

The following property, plant and equipments having net book values exceeding Rs 50,000 were disposed off during the year:

Particulars	Mode of disposal	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / (loss)	Particulars of purchasers / Related parties
------(Rupees in '000)-----							
Motor vehicles	As per Group Policy	1,357	1,040	317	860	543	Syed Hamid M. Qadri
	-do-	1,442	505	937	1,172	235	Hassan Waqar Khan
	-do-	1,661	249	1,412	1,488	76	Zia Ullah Khan
Computer and accessories	-do-	97	38	59	27	(32)	Hassan Waqar Khan
Others							
Items having net book value of less than Rs 50,000 each	Tender	5,069	5,000	69	12,915	12,846	Various
2013		9,626	6,832	2,794	16,462	13,668	
2012		61,539	39,647	21,892	40,400	18,508	

Note **2013** **2012**  
------(Rupees in '000)-----

5.1.4 The depreciation charge for the year has been allocated as follows:

Cost of sales	26	186,969	188,887
Selling and distribution expenses	27	2,540	3,059
Administrative expenses	28	16,886	18,202
		<b>206,395</b>	<b>210,148</b>

5.2 Capital work-in-progress

Fabrication and installation	12,644	11,114
Steam turbine for plant and machinery	131,810	131,810
Others	6,106	7,271
	<b>150,560</b>	<b>150,195</b>

5.2.1 The following is a statement of capital work-in-progress:

Balance as at January 1	150,195	30,890
Capital expenditure incurred during the year	1,530	142,356
Capital expenditure adjusted / charged off during the year	(1,165)	(3,641)
Transfers to operating fixed assets	-	(19,410)
Balance as at December 31	<b>150,560</b>	<b>150,195</b>

5.1.1

# Notes to and forming part of the consolidated financial statements

For the year ended December 31, 2013

5.2.2 For better presentation, certain capital work-in-progress balances which were previously included in 'Others' have now been reclassified to 'Fabrication and installation' and 'Steam turbines for plant and machinery'. Accordingly, corresponding figures amounting to Rs 0.100 million and Rs 1.171 million respectively have now been reclassified to 'Fabrications and installation' and 'Steam turbine for plant and machinery'.

	2013	2012
	------(Rupees in '000)-----	------(Rupees in '000)-----
5.3 Major spare parts and stand-by equipment		(Restated)
Gross carrying value		
Balance at beginning of the year	152,928	137,416
Additions during the year	-	15,512
Balance at the end of the year	152,928	152,928
Provision for impairment	(20,777)	(17,581)
Net carrying value	132,151	135,347

## 6. INTANGIBLE ASSETS

	Computer software (Rupees in '000)
Year ended December 31, 2013	
Net book value as at January 1, 2013	-
Additions during the year	400
Amortisation charge for the year	(133)
Net book value as at December 31, 2013	267
At December 31, 2013	
Cost	400
Accumulated amortisation	(133)
Net book value	267

	Note	2013	2012
		------(Rupees in '000)-----	------(Rupees in '000)-----
7. INVESTMENT IN ASSOCIATES			
Engro Corporation Limited - quoted	7.1	28,651,248	25,377,122
The Hub Power Company Limited - quoted	7.2	5,566,420	5,436,705
e2e Business Enterprises (Private) Limited - unquoted	7.3	175,146	-
		34,392,814	30,813,827

# Notes to and forming part of the consolidated financial statements

For the year ended December 31, 2013

	2013	2012
	------(Rupees in '000)-----	
7.1 Engro Corporation Limited - quoted		
194,972,555 (2012: 194,972,555) ordinary shares of Rs 10 each		
Opening balance as at January 1	25,377,122	24,701,636
Share of post acquisition profits	3,169,984	866,964
Share of other comprehensive income	104,142	108,480
Dividend received during the year	-	(299,958)
	3,274,126	675,486
Closing balance as at December 31	28,651,248	25,377,122
Percentage of holding 38.13% (2012: 38.13%)		
7.1.1 Market value of investment in Engro Corporation Limited (ECL) as at December 31, 2013 was Rs 30,879.265 million (2012: Rs 17,945.274 million).		
7.1.2 The Group has received Nil (2012: 44.990 million) bonus shares from ECL during the year.		
7.1.3 The financial year end of ECL is December 31, however, due to non-availability of the financial statements of ECL at the time of preparation of these consolidated financial statements, the financial results as at September 30 are used for the purpose of application of equity method.		
7.1.4 The Holding Company has pledged 5.540 million (2012: 5.540 million) ordinary shares of ECL having face value of Rs 55.400 million (2012: Rs 55.400 million) and market value of Rs 878.059 million (2012: Rs 509.902 million) as security against short term finance facility obtained from Bank Al-Habib Limited.		
7.1.5 The Subsidiary Company has pledged 19.960 million shares of ECL (2012: 24.960 million shares of ECL), having face value of Rs 199.600 million (2012: Rs 249.600 million of ECL) and market value of Rs 3,161.265 million (2012: Rs 2,297.318 million) against short term running finance facilities from commercial banks as more fully explained in note 22.		

	2013	2012
	------(Rupees in '000)-----	
7.1.6 Summarised financial information of ECL is as follows:		
Total assets as at September 30	191,232,040	179,722,068
Total liabilities as at September 30	140,451,461	138,411,887
Revenue (12 months period from October 1 to September 30)	149,977,968	118,725,294
Profit after taxation (12 months period from October 1 to September 30)	8,312,533	2,273,408



# Notes to and forming part of the consolidated financial statements

For the year ended December 31, 2013

	2013	2012
	------(Rupees in '000)-----	
7.2 The Hub Power Company Limited - quoted		
164,847,000 (2012: 164,847,000) ordinary shares of Rs 10 each		
Opening balance as at January 1	5,436,705	5,522,722
Share of post acquisition profits	1,448,491	408,524
Dividend received during the year	(1,318,776)	(494,541)
	129,715	(86,017)
Closing balance as at December 31	5,566,420	5,436,705
Percentage of holding 14.25% (2012: 14.25%)		
7.2.1 Market value of investment in The Hub Power Company Limited (HUBCO) as at December 31, 2013 was Rs 10,009.501 million (2012: Rs 7,458 million).		
7.2.2 The Group has effectively acquired 14.25% of the voting power in HUBCO. Due to the representation of the Group's nominees on the Board of Directors of HUBCO, participation in policy making process and being the single largest shareholder, the Group has significant influence over HUBCO.		
7.2.3 The financial year end of HUBCO is June 30. However, due to non-availability of the condensed interim financial statements of HUBCO at the time of preparation of these consolidated financial statements, the financial results as at September 30 are used for the purpose of application of the equity method.		
	2013	2012
	------(Rupees in '000)-----	
7.2.4 Summarised financial information of HUBCO is as follows:		
Total assets as at September 30	127,314,240	191,372,003
Total liabilities as at September 30	95,448,009	160,416,313
Revenue (12 months period from October 1 to September 30)	157,992,095	87,045,951
Profit after taxation (12 months period from October 1 to September 30)	10,167,776	4,080,502
7.2.5 The Holding Company has pledged 12.580 million (2012: 8.670 million) ordinary shares of HUBCO, having face value of Rs 125.800 million (2012: Rs 86.700 million) and market value of Rs 763.858 million (2012: Rs 392.156 million) as security against the long term finance facility obtained from Allied Bank Limited and another 13.500 million shares of HUBCO (2012: Nil), having face value of Rs 135 million (2012: Nil) and market value of Rs 819.720 million (2012: Nil) as security against short term running finance facility obtained from Bank Al-Habib Limited.		
7.2.6 The Subsidiary Company has pledged 102.260 million shares (2012: 102.260 million shares), having face value of Rs 1,022.600 million (2012: Rs 1,022.600 million) and market value of Rs 6,209.227 million (2012: Rs 4,626.242 million) against the syndicated financing facility as mentioned in note 19, and a further 22.880 million shares (2012: Nil), having face value of Rs 228.800 million (2012: Nil) and market value of Rs 1,389.274 million (2012: Nil) against short term running finance facilities from commercial banks as more fully explained in note 22.		

# Notes to and forming part of the consolidated financial statements

For the year ended December 31, 2013

	2013	2012
	------(Rupees in '000)-----	
7.3 e2e Business Enterprises (Private) Limited - unquoted		
17,514,633 (2012: Nil) ordinary shares Rs 10 each	175,146	-
Percentage of holding 39% (2012: Nil)		
7.3.1 During the year, the Holding Company has signed a Shareholders Agreement (SA) with e2e Supply Chain Management (Private) Limited and three individuals for the setting up of a Rice Bran Oil (RBO) project in Muridke, Sheikhpura - Punjab which is a greenfield project having annual production capacity of 9,700 tons of RBO. As per the SA, the Holding Company will make investment in e2e Business Enterprises (Private) Limited (e2eBE) in four tranches at various stages of the RBO project. The Holding Company has paid Rs 116.646 million and Rs 58.500 million on June 13 and December 20, 2013 representing first and second tranche of the total investment in e2eBE.		
7.3.2 As e2eBE is in the construction phase of the RBO project, costs are being incurred on an ongoing basis which are expected to be recovered after commencement of commercial production. Further, the management believes that the share of post acquisition loss in e2eBE will not have a material impact on the value of investment. Accordingly, the investment has been carried at cost in these consolidated financial statements.		

	2013	2012
Note	------(Rupees in '000)-----	
<b>8. LONG TERM LOANS AND ADVANCES</b>		
Loan to employees - considered good		
- Executives	8.1 922	9,017
- Others	8.2 602	4,632
	1,524	13,649
Receivable within one year		
- Executives	922	8,118
- Others	602	4,148
	1,524	12,266
	-	1,383
8.1 Loans to executives are provided interest free as temporary financial assistance and are repayable in 18 equal monthly installments.		
8.2 These represent interest free loans given to both supervisors and workers as temporary financial assistance. These are repayable in 18 and 24 equal monthly installments respectively. Loans to workers are provided under agreement with Workers Union.		

# Notes to and forming part of the consolidated financial statements

For the year ended December 31, 2013

	2013	2012
	------(Rupees in '000)-----	
8.3 Reconciliation of carrying amounts of loans to executives		
Opening balance	9,017	10,883
Disbursement during the year	-	11,161
Promotion of non-executive employees as executives	516	2,438
Loans recovered during the year	(8,611)	(15,465)
Closing balance	922	9,017
Less: Current portion shown under current assets	922	8,118
	-	899

8.4 None of the loans are outstanding for periods exceeding three years and the maximum amount due from executives at any month end during the year was Rs 9.643 million (2012: Rs 11.372 million).

	Note	2013	2012
		------(Rupees in '000)-----	
		(Restated)	
9. STORES, SPARES AND LOOSE TOOLS			
Stores		249,251	265,271
Spares and loose tools		614,100	616,648
Stores and spares in transit		7,488	12,402
		870,839	894,321
Less: Provision for obsolete items	9.1	103,057	218,084
		767,782	676,237
9.1 Opening provision		218,084	221,093
Less: Provision charged to capital spares		3,196	3,009
Less: Provision written back		111,831	-
Closing provision		103,057	218,084

9.1.1 During the year the management of the Subsidiary Company has reassessed its estimate in respect of provision for obsolete items. Had the estimate not been revised the profit before tax for the year and current assets as at the year ended December 31, 2013 would have been lower by Rs 111.831 million.

	2013	2012
	------(Rupees in '000)-----	
10. STOCK IN TRADE		
Raw and packing materials	33,473	19,377
Material in process	38,884	32,602
Finished goods		
- Own manufactured - Urea	-	21
- Trading goods - Diammonium Phosphate (DAP)	-	100
	-	121
	72,357	52,100

# Notes to and forming part of the consolidated financial statements

For the year ended December 31, 2013

- 10.1 During the year, the Subsidiary Company reviewed the normal production capacity of its plant for the allocation of fixed production overheads to the costs of conversion due to the shortage in gas supply and the continuous decline in production caused by the ongoing energy crisis faced by the fertilizer industry. This effect of the change in accounting estimate resulted in net increase in stock in trade by Rs 7.270 million as at December 31, 2013. The effects of this change in accounting estimate in future periods can not be estimated due to uncertainty in gas supply.

	Note	2013	2012
		------(Rupees in '000)-----	
<b>11. TRADE DEBTS</b>			
Considered good			
- Unsecured		54	329
- Secured		39,765	-
	11.2	39,819	329
Less: Provision for impairment		-	-
		39,819	329

- 11.1 Trade debts do not include any amount receivable from related parties.

- 11.2 As at year end, trade receivables of Rs 0.054 million (2012: Rs 0.329 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

	Note	2013	2012
		------(Rupees in '000)-----	
The ageing analysis of these trade debts is as follows:			
Up to 1 month		-	275
1 to 6 months		-	-
More than 6 months		54	54
		54	329

## 12. SHORT TERM LOANS AND ADVANCES

Loans to employees - considered good		1,524	12,266
Advances - considered good			
- Employees and executives	12.1	3,088	1,080
- Suppliers		9,102	105,422
		12,190	106,502
		13,714	118,768

- 12.1 This includes an amount of Rs 0.979 million (2012: Rs 0.110 million) provided as advance to directors and executives.

# Notes to and forming part of the consolidated financial statements For the year ended December 31, 2013

	Note	2013	2012
		------(Rupees in '000)-----	
<b>13. SHORT TERM DEPOSITS AND PREPAYMENTS</b>			
Deposits	13.1	1,409	2,301
Prepayments	13.2	19,716	11,337
		<u>21,125</u>	<u>13,638</u>
13.1 Deposits			
Considered good		1,409	1,409
Considered doubtful		892	892
		<u>2,301</u>	<u>2,301</u>
Less: Provision for doubtful deposits		892	-
		<u>1,409</u>	<u>2,301</u>
13.2 Prepayments - considered good			
- Associates		663	-
- Others		19,053	11,337
		<u>19,716</u>	<u>11,337</u>
<b>14. OTHER RECEIVABLES</b>			
Sales tax		28,619	35,459
Others	14.1	8,279	3,028
		<u>36,898</u>	<u>38,487</u>
14.1 This includes receivable from related parties amounting to Rs 7.930 million (2012: Rs 0.0925 million).			
	Note	2013	2012
		------(Rupees in '000)-----	
<b>15. SHORT TERM INVESTMENTS</b>			
Available for sale	15.1	-	2,615
Financial assets at 'fair value through profit or loss'	15.2	1,334,515	-
		<u>1,334,515</u>	<u>2,615</u>
15.1 Available for sale			
Southern Electric Power Company Limited - quoted			
1,422,900 (2012: 3,622,900) ordinary shares at cost		36,321	68,431
Cumulative impairment loss		(34,975)	(65,895)
Balance at the beginning of the year		1,346	2,536
Investment disposed off		(1,346)	(1,190)
1,922,900 (2012: 1,700,000) ordinary shares		-	1,346
Cumulative unrealised gain		1,269	-
Increase in fair value during the year		-	1,269
Less: Realised gain on investments disposed off		(1,269)	-
Balance as at end of the year		-	2,615
Percentage of holding Nil (2012: 1.40%)			

# Notes to and forming part of the consolidated financial statements

For the year ended December 31, 2013

## 15.2 Financial assets at 'fair value through profit or loss'

Name of investee company	Note	As at January 1, 2013	Purchased during the year	Bonus	Sales/ redemption during the year	As at December 31, 2013	Carrying value as at December 31, 2013	Fair value adjustment	Market value as at December 31, 2013
-----Number of units-----						------(Rupees in '000)-----			
NAFA Money Market Fund	15.2.1	-	29,921,605	1,175,086	-	31,096,691	300,000	11,334	311,334
Askari Sovereign Cash Fund	15.2.2	-	1,984,349	68,829	-	2,053,178	200,000	6,959	206,959
HBL Money Market Fund	15.2.2	-	3,981,725	84,341	(993,775)	3,072,291	301,361	9,218	310,579
MCB Cash Management Optimizer	15.2.2	-	2,494,982	31,571	-	2,526,553	250,000	2,785	252,785
Atlas Money Market Fund	15.2.3	-	496,505	6,444	-	502,949	250,000	2,858	252,858
									<u>1,334,515</u>

15.2.1 These have a nominal value of Rs 10 per unit.

15.2.2 These have a nominal value of Rs 100 per unit.

15.2.3 These have a nominal value of Rs 500 per unit.

## 16. CASH AND BANK BALANCES

	2013	2012
------(Rupees in '000)-----		
Cash in hand	518	970
Cheques in hand	9,187	991
With banks in:		
Current accounts	5,967	15,387
Savings accounts		
- Local currency	126,192	17,364
- Foreign currency	907	820
	<u>127,099</u>	<u>18,184</u>
	<u>142,771</u>	<u>35,532</u>

16.1 The range of rates of profit on these savings accounts is between 5% to 9% per annum (2012: 5% to 9.5%).

## 17. SHARE CAPITAL

### 17.1 Authorised capital

2013	2012		2013	2012
(Number of shares)			------(Rupees in '000)-----	
<u>1,000,000,000</u>	<u>1,000,000,000</u>	Ordinary shares of Rs 10 each	<u>10,000,000</u>	<u>10,000,000</u>



# Notes to and forming part of the consolidated financial statements For the year ended December 31, 2013

## 17.2 Issued, subscribed and paid up capital

2013 (Number of shares)	2012		2013 ------(Rupees in '000)-----	2012
13,900,000	13,900,000	Ordinary shares of Rs 10 each fully paid up in cash	139,000	139,000
467,387,116	467,387,116	Ordinary shares of Rs 10 each issued as fully paid bonus shares	4,673,871	4,673,871
<u>481,287,116</u>	<u>481,287,116</u>		<u>4,812,871</u>	<u>4,812,871</u>

## 17.3 Shares held by related parties

Dawood Lawrencepur Limited Percentage of holding 16.19% (2012: 16.19%)	77,931,896	77,931,896
The Dawood Foundation Percentage of holding 3.95% (2012: 3.93%)	18,991,988	18,911,988
Cyan Limited Percentage of holding 0.165% (2012: 0.165%)	794,380	794,380
Sach International (Private) Limited Percentage of holding 0.001% (2012: 0.001%)	6,996	6,996

Note	2013 ------(Rupees in '000)-----	2012 (Restated)
------	-------------------------------------	--------------------

## 18. REVENUE RESERVES

General reserve	700,000	700,000
Unappropriated profit	23,400,283	20,273,397
Share of other comprehensive income of associates	10,629	(83,099)
	<u>24,110,912</u>	<u>20,890,298</u>

## 19. LONG TERM FINANCES - SECURED

		2013 ------(Rupees in '000)-----	2012
Musharaka arrangement	19.2	3,200,000	4,800,000
Syndicated term finance	19.3	1,500,750	1,863,000
Long term finance under mark-up arrangement	19.4	304,918	169,147
		<u>5,005,668</u>	<u>6,832,147</u>

# Notes to and forming part of the consolidated financial statements

For the year ended December 31, 2013

	2013	2012
	------(Rupees in '000)-----	
19.1 Opening balance	7,048,050	4,800,000
Add: Availed during the year	175,500	2,248,050
	7,223,550	7,048,050
Less: Repayments during the year	221,752	-
	7,001,798	7,048,050
Less: Current portion	1,996,130	215,903
	5,005,668	6,832,147
19.2 The Musharaka arrangement of Rs 5,702 million was transferred to the Subsidiary Company on transfer of fertilizer operations. The Subsidiary Company then entered into a Musharaka agreement for long term finance facility of Rs 4,800 million based on Diminishing Musharaka with Meezan Bank Limited acting as Investment Agent. The facility was utilised towards redemption of Musharaka arrangement under participatory redeemable capital (Islamic Sukuks). The facility is for a period of 5 years, inclusive of grace period of 2 years, while the first Musharaka buyout will be due at the end of the 30th month from the date of first drawdown. The profit is payable semi-annually in arrears at the markup rate of six months Karachi Inter Bank Offer Rate (KIBOR) plus 110 basis points. The finance facility is secured by a first charge equal to the bank musharaka share plus 25% margin on specific movable assets of the Subsidiary Company and a corporate guarantee by the Holding Company.		
19.3 The Subsidiary Company entered into a syndicated term finance facility with a consortium led by Allied Bank Limited. The facility was utilised towards making an investment in the shares of The Hub Power Company Limited (HUBCO). The facility is for a period of 5 years, the first repayment was due at the end of the 12th month from the date of first drawdown. The profit is payable semi annually in arrears at the rate of six months KIBOR plus 100 basis points. The loan is secured against pledge of shares of HUBCO as mentioned in note 7.2.6 and further ranking hypothecation charge over all present and future fixed assets of the Subsidiary Company.		
19.4 The Holding Company has availed a long term finance facility under mark-up arrangement from Allied Bank Limited (ABL) aggregating Rs 380 million (2012: Rs 380 million). The finance facility is secured by way of hypothecation charge over all assets of the Holding Company with 25% margin and pledge of HUBCO shares with 50% margin. The facility carries markup at the rate of six months ask side KIBOR plus 200 basis points per annum and is payable semi annually in arrears with the first payment made on January 4, 2013, whereas repayment of the first installment of principal was made in July 2013. The facility will be repaid in full by July 2017.		

# Notes to and forming part of the consolidated financial statements For the year ended December 31, 2013

	Note	2013 ----- (Rupees in '000) -----	2012 (Restated)
<b>20. DEFERRED TAXATION</b>			
Deferred liability arising due to accelerated depreciation allowance		285,523	324,702
Deferred liability arising due to unrealised profits from associates		939,367	602,227
Deferred asset arising in respect of provision for compensated absences		(25,679)	(18,315)
Cumulative effect of change in accounting policy on the carrying amounts		-	(10,651)
		<u>1,199,211</u>	<u>897,963</u>
<b>21. DEFERRED LIABILITIES</b>			
These comprise of:			
Defined benefit plan (funded)	21.1	29,515	39,459
Employees' compensated absences	21.2	61,067	52,322
Defined contributory gratuity scheme for non-management staff	21.3	489	-
		<u>91,071</u>	<u>91,781</u>

## 21.1 Defined benefit plan (funded)

21.1.1 As stated in note 2.12.1, the Group operates a defined benefit plan i.e. an approved funded gratuity scheme for all its permanent employees subject to attainment of minimum service of prescribed period. Actuarial valuation of the scheme is carried out every year and the latest actuarial valuation was carried out as at December 31, 2013. The disclosures made in notes 21.1.2 to 21.1.16 are based on the information included in that actuarial report.

21.1.2 The actuarial valuation of defined benefit plan was carried out as at December 31, 2013. The 'Projected Unit Credit Method' using the following significant assumptions was used in this valuation:

	2013 -----Percentage-----	2012
Discount rate used for charge to profit and loss account	11.0	12.5
Discount rate used for year end obligation	12.5	11.0
Expected rate of return on plan assets - per annum	11.5	10.0

# Notes to and forming part of the consolidated financial statements

For the year ended December 31, 2013

## 21.1.3 Mortality rate

The rates assumed were based on the EFU 61-66 mortality table.

	Note	2013 ------(Rupees in '000)----- (Restated)	2012 (Restated)
21.1.4 Balance sheet reconciliation			
Present value of defined benefit obligation	21.1.5	223,327	142,724
Fair value of plan assets	21.1.6	(193,812)	(103,265)
Balance sheet liability as at December 31		<u>29,515</u>	<u>39,459</u>
21.1.5 Movement in present value of defined benefit obligation			
Obligation as at January 1		142,724	134,144
Current service cost		15,791	14,215
Past service cost		55,826	4,537
Interest cost		15,700	16,768
Benefits paid		(9,711)	(30,908)
Remeasurements on obligation		2,997	3,968
Obligation as at December 31		<u>223,327</u>	<u>142,724</u>
21.1.6 Movement in fair value of plan assets			
Fair value as at January 1		103,265	101,138
Remeasurements on plan assets		8,822	(658)
Contribution made		80,077	21,051
Interest income on plan assets		11,359	12,642
Benefits paid		(9,711)	(30,908)
Fair value as at December 31		<u>193,812</u>	<u>103,265</u>
21.1.7 Movement in net liability in the balance sheet			
Opening balance of net liability		39,459	33,006
Charge for the year		75,958	22,878
Contribution made during the year		(80,077)	(21,051)
Net remeasurements for the year		(5,825)	4,626
Closing balance of net liability		<u>29,515</u>	<u>39,459</u>
21.1.8 Amounts recognised in the profit and loss account			
Current service cost		15,791	14,215
Past service cost		55,826	4,537
Net interest cost		4,341	4,126
		<u>75,958</u>	<u>22,878</u>

# Notes to and forming part of the consolidated financial statements

For the year ended December 31, 2013

	2013 ------(Rupees in '000)-----	2012 (Restated)
21.1.9 Remeasurements recognised in other comprehensive income		
Loss from changes in demographic assumptions	1,570	-
Experience adjustments	1,427	3,968
Remeasurements of fair value of plan assets	(8,822)	658
	<u>(5,825)</u>	<u>4,626</u>
21.1.10 Actual return on plan assets		
Expected return on plan assets	11,359	12,642
Remeasurement gain / (loss) on plan assets	8,822	(658)
Actual return on plan assets	<u>20,181</u>	<u>11,984</u>
21.1.11 Major categories / composition of plan assets		
Cash and cash equivalents	122,263	101,946
Mutual funds units	71,549	-
Funds receivable from Workers Gratuity Fund	-	1,319
	<u>193,812</u>	<u>103,265</u>
21.1.12 Historical information		

Amounts for the current year and previous four annual years of the fair value of plan assets, present value of defined benefit obligation and deficit arising thereon is as follows:

	2013	2012	2011	2010	2009
	------(Rupees in '000)-----				
As at December 31					
Fair value of plan assets	193,812	103,265	101,138	107,904	106,171
Present value of defined benefit obligation	(223,327)	(142,724)	(134,144)	(143,455)	(148,767)
Deficit	<u>(29,515)</u>	<u>(39,459)</u>	<u>(33,006)</u>	<u>(35,551)</u>	<u>(42,596)</u>
Experience adjustments:					
Gain / (loss) on plan assets	8,822	(658)	(1,404)	4,583	(7,821)
(Loss) / gain on obligations	<u>(2,997)</u>	<u>(3,968)</u>	<u>2,880</u>	<u>(793)</u>	<u>(16,877)</u>

# Notes to and forming part of the consolidated financial statements

For the year ended December 31, 2013

21.1.13 The expected return on plan assets is based on the market expectations and depends upon the asset portfolio of the Fund, at the beginning of the period, for returns over the entire life of related obligation.

21.1.14 The expected contribution to post employment benefit plan for the year ending December 31, 2014 is Rs 21.030 million (2013: Rs 80.077 million).

21.1.15 Sensitivity analysis for actuarial assumption

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on defined benefit obligation		
	Change in assumption	Increase	Decrease
	------(Rupees in '000)-----		
Discount rate	1%	(195,024)	213,863
Salary growth rate	1%	213,065	(195,600)

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised within the balance sheet.

If longevity increases by 1 year, the resultant increase in obligation is insignificant.

21.1.16 The actuary conducts separate valuations for calculating contribution rates and the Group contributes to the defined benefit plan according to the actuary's advice. Expense of the defined benefit plan is calculated by the actuary.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

	2013	2012
	------(Rupees in '000)-----	
21.2 Compensated absences		
Obligation as at January 1	52,322	51,771
Expense recognised	11,742	14,539
Payments made	(2,997)	(13,988)
Obligation as at December 31	61,067	52,322



# Notes to and forming part of the consolidated financial statements

For the year ended December 31, 2013

	Note	2013	2012
		----- (Rupees in '000) -----	
21.2.1	Movement in obligation for compensated absences		
	Obligation as at January 1	52,322	51,771
	Current service cost	1,786	6,891
	Interest cost	5,755	5,819
	Benefits paid	(2,997)	(13,988)
	Remeasurements on obligation	4,201	1,829
	Obligation as at December 31	61,067	52,322
21.2.2	Charge for the year		
	Current service cost	1,786	6,891
	Interest cost	5,755	5,819
	Remeasurements on obligation	4,201	1,829
	Charged to profit and loss account	11,742	14,539
21.3	Defined contributory gratuity scheme for non - management staff		
	Liability as at January 1	-	-
	Charge to profit and loss account	3,091	2,709
	Contribution made by the Group	(2,602)	(2,709)
	Liability as at December 31	489	-
22.	SHORT TERM RUNNING FINANCES		
	Running finance under mark-up arrangement	22.1 & 22.2	905,055
22.1	This includes Rs 519.542 million being utilised portion of short-term running finance facility aggregating Rs 1,000 million (2012: Rs 300 million) obtained under mark-up arrangement from Bank Al-Habib Limited by the Holding Company. The facility is secured by way of pledge of ECL and HUBCO shares as more fully explained in note 7.1.4 and 7.2.5 respectively. Rate of mark-up applicable to the facility is 3 months KIBOR plus 100 basis points (2012: three months KIBOR plus 100 basis points) per annum. The facility will expire on April 30, 2014.		
	The Holding Company has obtained another running finance facility of Rs 1,000 million (2012: Nil) under mark-up arrangement from United Bank Limited. The facility remained utilised as at December 31, 2013 and it carries mark-up at the rate of 1 month KIBOR plus 150 basis points per annum. The facility is required to be secured by way of pledge of HUBCO shares to be created at the time of utilisation of this facility.		

# Notes to and forming part of the consolidated financial statements

For the year ended December 31, 2013

22.2 The Subsidiary Company has obtained short term running finance facilities from Habib Metropolitan Bank under mark-up arrangement aggregating Rs 2,000 million (2012: Rs 1,775 million) which shall expire on February 28, 2014. Out of the total short term running finance facility of Rs 2,000 million, amount which remain unavailed as at the year end was Rs 1,617 million (2012: Rs 1,775 million). The facility has been arranged to meet working capital requirements and is secured by way of pledge of ECL and HUBCO shares as more fully explained in note 7.1.5 and 7.2.6 respectively. Rate of mark-up of applicable to the facility ranges between three months KIBOR plus 50 basis points to 75 basis points per annum (2012: three months KIBOR plus 50 basis points per annum to 75 basis points).

During the year, the Subsidiary Company obtained another short term running finance facility from Habib Bank Limited under mark-up arrangements aggregating Rs 398 million (2012: Nil) which shall expire on April 30, 2014. Out of the total short term running finances facility of Rs 398 million amount which remained unavailed as at the year end was Rs 395.331 million (2012: Nil). The facility has been arranged to meet working capital requirements and is secured by way of pledge of HUBCO shares as more fully explained in note 7.2.6. Rate of mark-up applicable to the facility is one month KIBOR plus 100 basis points per annum. In addition, the Subsidiary Company has obtained facilities for letter of credit and bank guarantee amounting to Rs 50 million (2012: Nil) and Rs 30 million (2012: Nil) respectively which remained unutilised as at the year end.

	Note	2013	2012
		------(Rupees in '000)-----	
<b>23. TRADE AND OTHER PAYABLES</b>			
Trade creditors			
- Related parties	23.1	-	699
- Others		204,518	20,065
		204,518	20,764
Advances from customers		51,793	46,044
Unclaimed dividends		22,066	20,804
Accrued expenses		546,130	162,348
Deposits		9,601	11,978
Workers' profits participation fund	23.2	4,132	-
Workers' welfare fund		43,280	28,128
Others		10,262	11,896
		<u>891,782</u>	<u>301,962</u>

23.1 The maximum aggregate amount due to related parties at the end of any month during the year was Rs 429.118 million (2012: Rs 348.040 million).

	2013	2012
	------(Rupees in '000)-----	
<b>23.2 Workers' profits participation fund</b>		
Liability as at January 1	-	59,909
Allocation for the year	4,132	-
Interest on funds utilised	-	209
	<u>4,132</u>	<u>60,118</u>
Payments	-	(60,118)
Liability as at December 31	<u>4,132</u>	<u>-</u>

# Notes to and forming part of the consolidated financial statements For the year ended December 31, 2013

## 24. CONTINGENCIES AND COMMITMENTS

	Note	2013	2012
		----- (Rupees in '000) -----	
24.1 Commitments in respect of:			
Letters of credit for purchase of raw material and spares		8,067	-
Purchases of stores and spares		114,413	-
Investment in e2e Business Enterprises (Private) Limited	24.2.1	102,487	-
Capital expenditure		989	-
Operating lease	24.2.2	3,651	3,319

24.1.1 As stated in note 7.3.1, the Holding Company has entered into a Shareholders Agreement (SA) for setting up of a Rice Bran Oil (RBO) project. As per the terms of the SA, the Holding Company will make investment in e2e Business Enterprises (Private) Limited (e2eBE) aggregating to Rs 277.633 million in four tranches at various stages of the RBO project, the first and second of which amounting to Rs 116.646 million and Rs 58.500 million were made on June 13 and December 20, 2013 respectively. The remaining amount of investment of Rs 102.487 million will be made on the exercise of call options by e2eBE.

24.1.2 This represents the amount of future payments in operating lease arrangements relating to office premises. The Holding Company has signed lease agreement for premises on rent from The Dawood Foundation, a related party, which is due to expire in June 2014. The lease agreement is revocable by either party through prior notice of at least three months.

# Notes to and forming part of the consolidated financial statements For the year ended December 31, 2013

		2013	2012
		----- (Rupees in '000) -----	
<b>25. NET SALES</b>			
Own manufactured		2,578,379	2,718,411
Less: Sales tax		366,309	374,953
		2,212,070	2,343,458
Purchased product		3,056,808	2,620,395
Less: Sales tax		428,736	361,434
		2,628,072	2,258,961
		<b>4,840,142</b>	<b>4,602,419</b>
	Note	2013	2012
		----- (Rupees in '000) -----	
			(Restated)
<b>26. COST OF SALES</b>			
Raw and packing materials consumed	26.1	614,939	596,039
Fuel and power		206,486	197,787
Catalysts and chemicals		14,255	17,182
Salaries, wages, benefits and staff welfare	26.2	519,673	500,848
Stores and spares consumed		46,925	59,540
Repairs and maintenance		27,998	24,055
Travelling and conveyance		56,591	65,608
Rent, rates and taxes		32,185	30,782
Insurance		14,543	12,274
Depreciation	5.1.4	186,969	188,887
Communication, stationery and office supplies		1,701	2,860
Health and safety consultancy charges		2,526	19,538
Other expenses		2,137	4,793
		<b>1,726,928</b>	<b>1,720,193</b>
Add: Opening stock of work-in-process		32,602	9,612
Less: Closing stock of work-in-process		38,884	32,602
Cost of goods manufactured		<b>1,720,646</b>	<b>1,697,203</b>
Add: Opening stock of finished goods		21	122,140
Less: Closing stock of finished goods		-	21
Cost of sales - Own manufactured		<b>1,720,667</b>	<b>1,819,322</b>
Cost of sales - Purchased product		<b>2,330,186</b>	<b>1,997,102</b>
		<b>4,050,853</b>	<b>3,816,424</b>

# Notes to and forming part of the consolidated financial statements

For the year ended December 31, 2013

2013	2012
----- (Rupees in '000) -----	

## 26.1 Raw and packing materials consumed

Opening balance	19,377	18,357
Purchases	629,035	597,059
	648,412	615,416
Closing stock	(33,473)	(19,377)
	614,939	596,039

26.2 Salaries, wages, benefits and staff welfare include Rs 55.807 million (2012: Rs 13.733 million) in respect of staff gratuity funds and Rs 20.115 million (2012: Rs 20.161 million) in respect of provident fund.

26.3 For better presentation, certain expenses which were previously included in 'Fuel and power' have now been reclassified to 'Rent, rates and taxes'. Accordingly, corresponding figures amounting to Rs 28.948 million respectively have now been reclassified to 'Rent, rates and taxes'.

Note	2013	2012
	----- (Rupees in '000) -----	
		(Restated)

## 27. SELLING AND DISTRIBUTION EXPENSES

Product transportation and handling cost		12,033	10,305
Salaries, wages, benefits and staff welfare	27.1	37,149	33,826
Communication, stationery and office supplies		482	669
Rent, rates and taxes		2,897	2,892
Travel and conveyance		3,124	2,476
Repairs and maintenance		189	235
Depreciation	5.1.4	2,540	3,059
Insurance		132	184
Sales promotion, advertising and market development		36,575	20,670
Legal and professional charges		-	55
Other expenses		434	1,626
		95,555	75,997

# Notes to and forming part of the consolidated financial statements

For the year ended December 31, 2013

- 27.1 Salaries, wages, benefits and staff welfare include Rs 2.141 million (2012: Rs 1.590 million) in respect of staff gratuity funds and Rs 2.006 million (2012: Rs 1.935 million) in respect of provident fund.

	Note	2013 ------(Rupees in '000)----- (Restated)	2012
<b>28. ADMINISTRATIVE EXPENSES</b>			
Salaries, wages, benefits and staff welfare	28.1	263,271	277,139
Communication, stationery and office supplies		24,858	21,014
Rent, rates and taxes		40,783	36,199
Travel and conveyance		21,227	18,515
Repairs and maintenance		12,096	12,565
Depreciation	5.1.4	16,886	18,202
Legal and professional charges		223,817	28,358
Insurance		3,669	3,130
Donations	28.2	3,619	204
Subscription and periodicals		13,051	7,386
Other expenses		17,233	19,899
Amortisation		133	-
		<b>640,643</b>	<b>442,611</b>

- 28.1 Salaries, wages and other benefits include Rs 21.101 million (2012: Rs 10.264 million) in respect of staff gratuity funds and Rs 9.966 million (2012: Rs 10.455 million) in respect of provident funds.

- 28.2 Donations represents Rs 0.05 million (2012: Nil) paid to The Dawood Foundation, a related party.

- 28.3 For better presentation, certain expenses which were previously included in 'Repair and maintenance' have now been reclassified to 'Salaries, wages, benefits and staff welfare'. Accordingly, corresponding figures amounting to Rs 7.053 million respectively have now been reclassified to 'Salaries, wages, benefits and staff welfare'.

	Note	2013 ------(Rupees in '000)-----	2012
<b>29. OTHER OPERATING EXPENSES</b>			
Workers' profits participation fund		4,132	-
Workers' welfare fund		18,638	8,000
Auditors' remuneration	29.1	1,617	1,306
Property, plant and equipment written off		14,568	-
		<b>38,955</b>	<b>9,306</b>
29.1 Auditors' remuneration			
Audit fee, including half yearly review and other certifications		1,265	1,100
Out of pocket expenses		352	206
		<b>1,617</b>	<b>1,306</b>



# Notes to and forming part of the consolidated financial statements

For the year ended December 31, 2013

	Note	2013	2012
		----- (Rupees in '000) -----	
<b>30. OTHER INCOME</b>			
Income from financial instruments		103,046	355,652
Income from non-financial instruments		177,000	131,945
		<u>280,046</u>	<u>487,597</u>
<b>30.1 Income from financial instruments:</b>			
Realised gain on sale of available for sale investments		4,862	212,348
Realised gain on sale of investments at 'fair value through profit or loss'		30,167	97,912
Unrealized gain due to fair value adjustment		33,153	-
Profit on saving accounts and term deposits receipts		19,040	39,343
Other income from related parties		-	6,049
Unrealised exchange gain		2,636	-
Long outstanding balances written back		13,188	-
		<u>103,046</u>	<u>355,652</u>
<b>30.2 Income from non-financial assets:</b>			
Sale of scrap		-	45,902
Profit on disposal of property, plant and equipment		13,668	18,508
Reversal of provision against obsolete stores and spares		111,831	-
Other income	30.3	51,501	67,535
		<u>177,000</u>	<u>131,945</u>
<b>30.3</b>	This includes rental income from a related party in respect of plant and machinery aggregating Rs 14.40 million (2012: Rs 14.40 million) and stores and spares written back aggregating Nil (2012: Rs 36.141 million).		

		2013	2012
		----- (Rupees in '000) -----	
<b>31. FINANCE COST</b>			
Mark-up on			
- Long term finances		736,396	843,856
- Short term running finance		113,054	70,368
Interest on workers' profits participation fund		-	209
Bank charges		389	123
		<u>849,839</u>	<u>914,556</u>

# Notes to and forming part of the consolidated financial statements For the year ended December 31, 2013

	2013 ------(Rupees in '000)----- (Restated)	2012 ------(Rupees in '000)----- (Restated)
<b>32 TAXATION</b>		
Current	169,636	93,500
Deferred	288,947	29,251
	<u>458,583</u>	<u>122,751</u>
<b>32.1 Relationship between tax expense and accounting profit:</b>		
	2013 %	2012 % (Restated)
Applicable tax rate	34.00	35.00
Tax effect of expense not admissible for calculation of taxable profit	1.26	7.46
Tax effect of lower rates on dividend income	(5.31)	(12.13)
Tax effect of income exempt from tax	0.91	(7.99)
Tax effect of share of profit of associates	(19.57)	(10.67)
Minimum tax	-	(0.58)
	<u>11.29</u>	<u>11.09</u>
<b>33. EARNINGS PER SHARE</b>		
Profit after taxation	<u>3,604,235</u>	<u>983,859</u>
	------(Number of shares)-----	
Weighted average number of ordinary shares	<u>481,287,116</u>	<u>481,287,116</u>
	------(Rupees in '000)----- (Restated)	
Earnings per share (Rupees) – basic and diluted	<u>7.49</u>	<u>2.04</u>
<b>33.1</b>	There are no dilutive potential ordinary shares outstanding as at December 31, 2013 and 2012.	

# Notes to and forming part of the consolidated financial statements

For the year ended December 31, 2013

	Note	2013 ------(Rupees in '000)----- (Restated)	2012 (Restated)
<b>34. CASH GENERATED FROM OPERATIONS</b>			
Profit before taxation		4,062,818	1,106,610
Adjustment for non cash expenses and other items:			
Depreciation		206,395	210,148
Amortisation		133	-
Finance costs		849,839	914,556
Profit on disposal of property, plant and equipment		(13,668)	(18,508)
Profit on saving accounts and term deposits receipts		(19,040)	(39,343)
Realised gain on sale of available for sale investments		(4,862)	(212,348)
Realised gain on disposal of investments at 'fair value through profit or loss'		(30,167)	(97,912)
Unrealised gain on investments at 'fair value through profit or loss'		(33,153)	-
Share of profit of associates		(4,618,475)	(1,275,488)
Long outstanding balances written back		(13,188)	-
Provision for doubtful deposits		892	-
Reversal of provision against obsolete stores and spares		(111,831)	-
Unrealised exchange gain		(2,636)	-
Provision for staff retirement and other service benefits		90,791	40,126
Property, plant and equipment written off		14,568	-
Working capital changes	34.1	666,381	(340,866)
Cash generated from operations		1,044,797	286,975
<b>34.1 Working capital changes</b>			
Decrease / (increase) in current assets			
Stores, spares and loose tools		23,482	4,536
Stock in trade		(20,257)	99,167
Trade debts		(39,490)	2,357
Short term loans and advances		105,054	(66,663)
Short term deposits and prepayments		(8,379)	(8,423)
Other receivables		1,589	(30,166)
		61,999	808
Increase / (decrease) in trade and other payables		604,382	(341,674)
		666,381	(340,866)
<b>35. CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	16	142,771	35,532
Short term running finances	22	(905,055)	(32,299)
		(762,284)	3,233

# Notes to and forming part of the consolidated financial statements For the year ended December 31, 2013

## 36. OPERATING SEGMENTS

- 36.1 The financial information has been prepared on the basis of a single reportable segment.
- 36.2 Sales from fertilizer products represent 100% (2012: 100%) of total revenue of the Subsidiary Company.
- 36.3 All sales made by the Subsidiary Company are in Pakistan.

## 37. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for the year is as follows:

	-----2013-----			-----2012-----		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	------(Rupees in '000)-----					
Managerial remuneration	24,644	33,300	216,069	18,225	35,105	240,203
Retirement benefits						
including ex-gratia	2,199	-	30,965	2,142	-	30,783
Rent and utilities	5,276	14,985	82,299	8,166	15,343	80,628
Leave fare assistance	1,581	-	-	2,608	-	4,453
Medical	893	3	10,584	-	143	6,853
	<u>34,593</u>	<u>48,288</u>	<u>339,917</u>	<u>31,141</u>	<u>50,591</u>	<u>362,920</u>
Number of persons	<u>2</u>	<u>1</u>	<u>128</u>	<u>2</u>	<u>3</u>	<u>130</u>

- 37.1 In addition, the Chief Executive Officer, certain directors and executives are provided with Group owned and maintained cars.
- 37.2 Meeting fees aggregating Rs 4.850 million (2012: Rs 6.450 million) were paid to 9 directors (2012: 9 directors).
- 37.3 During the year, consulting professional fees of Rs 13.500 million (2012: Nil) have been paid to a director by the Subsidiary Company.

# Notes to and forming part of the consolidated financial statements For the year ended December 31, 2013

## 38. RELATED PARTY TRANSACTIONS

The related parties comprise associated companies, related Group companies, directors of the Group companies, companies in which directors are interested, staff retirement benefits, key management personnel and close members of the families of directors. The Group in the normal course of business carries out transactions with various related parties. Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

	2013	2012
	----- (Rupees in '000) -----	
<b>Associated companies</b>		
Sale of operating fixed assets	-	855
Purchase of goods and services	13,174	13,821
Dividend income	1,318,776	794,499
Markup on Musharaka loan - Meezan Bank Limited	218,172	275,437
Reimbursement of expenses from associated companies	3,618	1,188
Reimbursement of expenses to associated companies	2,890	2,274
Advertisements and entertainment	654	-
Investment in e2e Business Enterprises (Private) Limited	175,146	-
Commitment of investment in e2e Business Enterprises (Private) Limited	102,487	-
Commitment in respect of operating lease	3,651	3,319
Membership fee and other subscriptions	1,459	-
Sale of goods and services	15,203	5,196
Donations	50	-
Rental income	14,400	14,400
<b>Other related parties</b>		
Gratuity funds	82,679	23,760
Provident funds	32,137	32,528
Sale of operating fixed assets	-	595
Purchase of goods and services	462,787	1,953,013
Reimbursement of expenses from other related parties	2,616	3,467
Others	-	6,049
<b>Key management personnel</b>		
Sale of property, plant and equipment	-	22,693
Salaries and other short term employee benefits	389,634	184,458
Post retirement benefit plans	33,164	14,943
Consulting professional fees	13,500	-

No buying or selling commission has been paid to any related party.

# Notes to and forming part of the consolidated financial statements

For the year ended December 31, 2013

## 39. FINANCIAL RISK MANAGEMENT

39.1 The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk, currency risk and price risk), credit risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

### 39.2 Market risk

Market risk is the risk that the value of financial instrument may fluctuate as a result of changes in market interest rates or the market prices of instruments due to change in credit rating of the issuers or the instruments, changes in market sentiments, speculative activities, supply and demand of instruments and liquidity in the market. The Group manages the market risk by monitoring exposure on financial instruments and by following internal risk management policies.

Market risk comprises of three types of risks: interest rate risk, currency risk and other price risk.

#### 39.2.1 Interest rate risk

Interest rate risk is the risk that the fair value of or future cash flows from a financial instrument will fluctuate due to changes in market interest rates.

- Fair value risk - Presently, fair value risk to the Group arises from 'balances with banks' which are based on fixed interest rates. As at December 31, 2013, the impact of increase / decrease in fixed interest rates by 100 basis points will not have a material impact on the profit after tax of the Group.
- Future cash flow risk - Presently, future cash flow risk to the Group arises from short term running finances and long term finances which are based on floating interest rates (i.e. KIBOR based). During December 31, 2013, had there been an increase / decrease of 100 basis points in KIBOR, with all other variables held constant, profit before taxation for the year then ended would have been lower / higher by Rs 81.902 million (2012: Rs 68.842 million) mainly as a result of lower / higher finance costs.

#### 39.2.2 Currency risk

Currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies. The Group primarily has foreign currency exposures in US Dollars, cash and bank balances (note 16) and trade creditors (note 23) in respect of import of DAP, stores and spares and plant and machinery. Since the Group's pricing mechanism is mainly linked to cost of DAP, therefore, the affects, if any, of any adverse movement in exchange rates in USD can be passed on to the customers to some extent through increase in prices.

As at December 31, 2013, if the Group's functional currency had weakened / strengthened by 10% against the US Dollar with all other variables held constant, profit before taxation for the year would have been higher / lower by Rs 19.215 million (2012: Rs 0.082 million), mainly as a result of foreign exchange gains / (losses) on translation of foreign currency bank accounts in USD.



# Notes to and forming part of the consolidated financial statements For the year ended December 31, 2013

## 39.2.3 Price risk

Price risk is the risk that the fair value of or future cash flows from a financial instrument will fluctuate due to changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A 10% increase / decrease in share / unit prices at the year end would have increased / decreased the surplus on re measurement of investments due to available for sale investments and profit and loss due to investments at fair value through profit and loss as follows:

	2013	2012
	------(Rupees in '000)-----	
Effect on equity	-	262
Effect on profit and loss account	133,452	-

## 39.3 Credit risk and its concentration

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail completely to perform as contracted.

Out of the total financial assets of Rs 1,540.507 million (2012: Rs 163.956 million), the financial assets which are subject to credit risk amounted to Rs 1,530.802 million (2012: Rs 161.995 million). The management of the Group believes that it is not exposed to major concentration of credit risk.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each of the parties. To manage exposure to credit risk, management reviews credit ratings, total deposits worthiness, and maturities of the investments made, past experience and other factors.

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligations to be similarly effected by the changes in economic, political or other conditions.

To manage exposure to credit risk in respect of trade debts, management performs credit reviews taking into account the customer's financial position, past experience and other factors. Furthermore, the Group sells its major products mostly against receipt of cash in advance from its customers. The management has set a maximum credit period of one month in respect of its Ammonia sales to reduce the credit risk.

Based on past experience the management believes that no impairment allowance is necessary in respect of trade debts past due as some debts have been recovered subsequent to the year end and for other debts there are reasonable grounds to believe that the amounts will be recovered in short course of time.

# Notes to and forming part of the consolidated financial statements

For the year ended December 31, 2013

Trade debts of the Group relates to amounts due from the customers. Due to the credit rating of the debtors and the Group's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by those counter parties on their obligations to the Group. The management continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful of recovery. The maximum exposure to credit risk for trade debts as at the balance sheet date was Rs 39.819 million (2012: Rs 0.329 million).

2013	2012
----- (Rupees in '000) -----	

The ageing of trade debtors at the reporting date is:

Dues 30 - 150 days	-	-
Dues 150 days or more	54	54
	<u>54</u>	<u>54</u>

The maximum credit risk exposure of the Group as at the reporting date is as follows:

Long term loans and advances	-	1,383
Trade debts - considered good	39,819	329
Short term loan and advances	13,714	118,768
Short term deposits	1,409	2,301
Other receivables	8,279	3,028
Short term investments	1,334,515	2,615
Cash and bank balances	133,066	33,571
	<u>1,530,802</u>	<u>161,995</u>

The credit quality of the Group's liquidity can be assessed with reference to external credit ratings as follows:

Bank	Rating agency	Rating	
		Short term	Long term
Barclays Bank Plc	Standard & Poors	A-1	A
United Bank Limited	JCR-VIS	A-1+	AA+
Allied Bank Limited	PACRA	A1+	AA+
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
Habib Bank Limited	JCR-VIS	A-1+	AAA
Bank Al-Habib Limited	PACRA	A1+	AA+
Meezan Bank Limited	JCR-VIS	A-1+	AA
MCB Bank Limited	PACRA	A1+	AAA

# Notes to and forming part of the consolidated financial statements

For the year ended December 31, 2013

2013                      2012  
----- (Rupees in '000) -----

The analysis of credit rating of investees for short term investments is as follows:

Credit ratings

AA(f)	1,127,556	-
AAA(f)	206,959	-
	<u>1,334,515</u>	<u>-</u>

## 39.4 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulties in meeting obligations associated with financial liabilities. The Group's approach to manage liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its financial liabilities when due. Accordingly, the Group maintains sufficient cash and also makes availability of funding through credit facilities.

The analysis below summarises the Group's financial liabilities (based on contractual undiscounted cash flows) into relevant maturity groups on the remaining period as at the balance sheet date:

	Carrying amount	Six months or less	Six to twelve months	One to two years	Two to five years
----- (Rupees in '000) -----					
<b>2013</b>					
Short term running finances	905,055	914,486	-	-	-
Long term finances	7,001,798	1,289,335	1,396,628	2,712,347	2,975,736
Trade and other payables	792,577	792,577	-	-	-
Accrued mark-up	53,535	53,535	-	-	-
	<u>8,752,965</u>	<u>3,049,933</u>	<u>1,396,628</u>	<u>2,712,347</u>	<u>2,975,736</u>
<b>2012</b>					
Short term running finances	32,299	32,299	-	-	-
Long term finances	7,048,050	453,305	531,655	2,767,854	5,534,805
Trade and other payables	227,790	227,790	-	-	-
Accrued mark-up	32,283	32,283	-	-	-
	<u>7,340,422</u>	<u>745,677</u>	<u>531,655</u>	<u>2,767,854</u>	<u>5,534,805</u>

# Notes to and forming part of the consolidated financial statements

For the year ended December 31, 2013

	2013	2012
	----- (Rupees in '000) -----	
39.5 Financial instruments by category		
Financial assets		
a) Financial assets at 'fair value through profit or loss'	1,334,515	-
b) Available for sale investments	-	2,615
c) Loans and receivables at amortised cost:		
Long term loans and advances	-	1,383
Trade debts - considered good	39,819	329
Short term loans and advances	13,714	118,768
Short term deposits	1,409	2,301
Other receivables	8,279	3,028
Cash and bank balances	142,771	35,532
	205,992	161,341
d) Financial liabilities at amortised cost:		
Long term finances	7,001,798	7,048,050
Trade and other payables	792,577	227,790
Short term running finances	905,055	32,299
Accrued mark-up	53,535	32,283
	8,752,965	7,340,422

## 39.6 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or obtain / repay long term finances from / to financial institutions.

Consistent with others in the industry, 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 long term borrowing less cash and bank balances. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

# Notes to and forming part of the consolidated financial statements For the year ended December 31, 2013

The debt-to-equity ratios as at December 31, 2013 and 2012 were as follows:

	Note	2013 ------(Rupees in '000)-----	2012
Total debt	19	7,001,798	7,048,050
Less: Cash and cash equivalent	35	(762,284)	3,233
Net debt		7,764,082	7,044,817
Total equity		28,923,783	25,704,438
Debt to equity ratio		0.27:1	0.27:1

Total equity has been restated as more fully explained in note 4.3 to the financial statements.

## 39.7 Fair value of financial instruments

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying value and the fair value estimates.

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy is as follows:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observation inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: Valuation techniques using significant un-observable inputs.

Investments held by the Subsidiary Company in mutual fund units and investments in ordinary shares of listed companies is valued using quoted prices in active market, hence, fair value of such investments fall within Level 1.

	2013 ------(Tonnes)-----	2012
<b>40. PLANT CAPACITY AND ACTUAL PRODUCTION</b>		
Operational capacity at year end	445,500	445,500
Operational capacity available during the year	445,500	445,500
Production	60,770	57,876

As against the annual production capacity of 445,500 tons of urea fertilizer the plant produced 60,770 tons (2012: 57,876 tons) which was 14% (2012: 13%) of designed capacity. This shortfall in production was due to non-availability of gas.

# Notes to and forming part of the consolidated financial statements For the year ended December 31, 2013

## 41. PROVIDENT FUND RELATED DISCLOSURE

The following information is based on un-audited financial statements of the Provident Funds (the Funds) as at December 31, 2013 and audited financial statements as at December 31, 2012:

	Note	2013 ------(Rupees in '000)-----	2012
Size of the funds - total assets		841,499	779,933
Cost of investment made		781,229	706,412
Percentage of investment made		93%	91%
Fair value of investments	41.1	823,384	758,801

### 41.1 The break up of fair value of investment is as follows:

	-----2013----- (Rupees in '000)      Percentage		-----2012----- (Rupees in '000)      Percentage	
Bank balances	14,662	2%	24,860	4%
Term deposit receipts	497,734	60%	655,535	86%
Government securities	41,170	5%	-	-
Debt securities	61,639	8%	78,406	10%
Mutual funds units	208,179	25%	-	-
	823,384	100%	758,801	100%

### 41.2 The investment of the Funds have been made in accordance with the provision of Section 227 of the Companies Ordinance, 1984 and the rules there under.

## 42. NUMBER OF EMPLOYEES

The total average number of employees during the year and as at December 31, 2013 and 2012 respectively are as follows:

	2013 -----No. of employees-----	2012
Average number of employees during the year	465	496
Number of employees as at December 31	465	473



# Notes to and forming part of the consolidated financial statements

For the year ended December 31, 2013

## 43. GENERAL

- 43.1 Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.
- 43.2 The Board of Directors of the Holding Company in their meeting held on 27<sup>th</sup> February 2014 has proposed a cash dividend of Re 1 per share (2012: Re 1 per share) for the year ended December 31, 2013 subject to approval of members at the annual general meeting to be held on 28<sup>th</sup> April 2014. These financial statements do not recognise the proposed dividend as deduction from unappropriated profit as it has been proposed subsequent to balance sheet date.
- 43.3 These financial statements were authorised for issue on 27<sup>th</sup> February 2014 by the Board of Directors of the Holding Company.

Karachi  
February 27, 2014



M. A. Aleem  
Director



Shahid Hamid Pracha  
Chief Executive

# Pattern of shareholding

As at December 31, 2013

Disclosure requirement under the Code of Corporate Governance

<b>1</b>	<b>Associated Companies, Undertakings and Related Parties</b>	
	Dawood Lawrencepur Limited	77,931,896
	Dawood Foundation	18,991,988
	Cyan Limited	794,380
	Sach International (Pvt ) Limited	6,996
<b>2.</b>	<b>Mutual Funds</b>	
	CDC - Trustee PICIC Income Fund - MT	77,000
	CDC - Trustee AKD Index Tracker Fund	42,046
	MC FSL - Trustee JS KSE-30 Index Fund	7,977
	TRUSTEE - BMA Chundrigar Road Savings Fund - MT	3,000
	MCBFSL - Trustee Namco Balanced Fund - MT	1,000
<b>3.</b>	<b>Directors, CEO and their Spouse(s) and minor children</b>	
	Hussain Dawood - Chairman	28,273,516
	Shahzada Dawood	5,111,616
	Abdul Samad Dawood	4,761,616
	Isar Ahmad	10,000
	Shahid Hamid Pracha	100
	Mrs. Kulsum Dawood (w/o Hussain Dawood)	10,000,000
<b>4.</b>	<b>Executives</b>	-
<b>5.</b>	<b>Public Sector Companies and Corporations</b>	12,204,788
<b>6.</b>	<b>Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful, Modaraba and Pension Funds</b>	10,800,209
<b>7.</b>	<b>Shareholders Holding five percent or more Voting Rights in the Listed Company</b>	
	Dawood Lawrencepur Limited	77,931,896
	Faisal Private Bank (Switzerland) SA	66,653,068
	Hercules Enterprises Limited	43,281,216
	Zincali Limited	38,376,008
	Alzarat Limited	38,376,008
	Palmrush Investments Limited	36,240,796
	Persica Limited	36,240,796
	Hussain Dawood	28,273,516
<b>8.</b>	<b>Detail of purchase/sale of shares by Directors/Company Secretary/ Chief Financial Officer and their spouses/minor children during the year</b>	

During the year, Mr. Saad Raja disposed of 35,000 shares at an average price of Rs. 40.57 per share.

# Pattern of shareholding

As at December 31, 2013  
Category-Wise

Shareholders Category	Number of Shareholders	Total Shares Held	Percentage %
Directors, Chief Executive Officer, and their spouse and minor children.	6	48,156,848	10.01
Associated Companies, undertakings and related parties.	4	97,725,260	20.30
NIT and ICP	1	2,120,896	0.44
Banks Development Financial Institutions, Non Banking Financial Institutions.	14	9,288,117	1.93
Insurance Companies	4	13,716,880	2.85
Modarabas and Mutual Funds	5	131,023	0.03
Share holders holding 10%	2	144,584,964	30.04
General Public :			
a. Local	3,783	26,435,486	5.49
b. Foreign	12	274,838,692	57.10
Others	57	8,873,914	1.84
Total (excluding : share holders holding 10%)	3,886	481,287,116	100.00

# Pattern of shareholding

As at December 31, 2013

No. of Shareholders	Shareholding	Total Shares Held
456	1	100
701	101	500
446	501	1,000
1,676	1,001	5,000
273	5,001	10,000
104	10,001	15,000
60	15,001	20,000
29	20,001	25,000
11	25,001	30,000
16	30,001	35,000
16	35,001	40,000
10	40,001	45,000
9	45,001	50,000
1	50,001	55,000
5	55,001	60,000
3	60,001	65,000
5	65,001	70,000
2	70,001	75,000
1	75,001	80,000
1	80,001	85,000
1	85,001	90,000
7	95,001	100,000
5	100,001	105,000
1	105,001	110,000
4	115,001	120,000
1	120,001	125,000
2	140,001	145,000
1	155,001	160,000
1	170,001	175,000
4	195,001	200,000
1	215,001	220,000
1	235,001	240,000
1	280,001	285,000
2	315,001	320,000
1	700,001	705,000
1	790,001	795,000
1	810,001	815,000
1	865,001	870,000
1	945,001	950,000
1	1,450,001	1,455,000
1	1,825,001	1,830,000
1	2,120,001	2,125,000
1	2,435,001	2,440,000
1	2,485,001	2,490,000
1	4,150,001	4,155,000
1	4,715,001	4,720,000
1	4,760,001	4,765,000
3	5,110,001	5,115,000
1	5,270,001	5,275,000
1	8,180,001	8,185,000
1	9,995,001	10,000,000
1	12,200,001	12,205,000
1	18,990,001	18,995,000
1	28,270,001	28,275,000
2	36,240,001	36,245,000
2	38,375,001	38,380,000
1	43,280,001	43,285,000
1	66,650,001	66,655,000
1	77,930,001	77,935,000
3,886	TOTAL	481,287,116





Dawood Hercules

## Form of Proxy

I/We \_\_\_\_\_  
of \_\_\_\_\_ being a member of Dawood Hercules Corporation 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 Forty Sixth Annual General Meeting of the Company to be held on Monday, April 28, 2014 at Pearl Continental Hotel, Club Road, Karachi, and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2014.

### WITNESSES:

1. Signature: \_\_\_\_\_  
Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
CNIC No. or \_\_\_\_\_  
Passport No. \_\_\_\_\_

Signature on  
Revenue Stamps  
of Rupees Five

2. Signature: \_\_\_\_\_  
Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
CNIC No. or \_\_\_\_\_  
Passport No. \_\_\_\_\_

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 Computerized National Identity Card (CNIC) or Passport with this proxy form before submission to the Company.
3. All proxies attending the AGM are requested to bring their original CNIC/Passport for identification.



AFFIX  
CORRECT  
POSTAGE

The Company Secretary  
Dawood Hercules Corporation Limited

Dawood Centre, 11th Floor M.T. Khan Road, Karachi - 75530  
Tel: +92-21-35686001 Fax: +92-21-35693416  
[www.dawoodhercules.com](http://www.dawoodhercules.com)

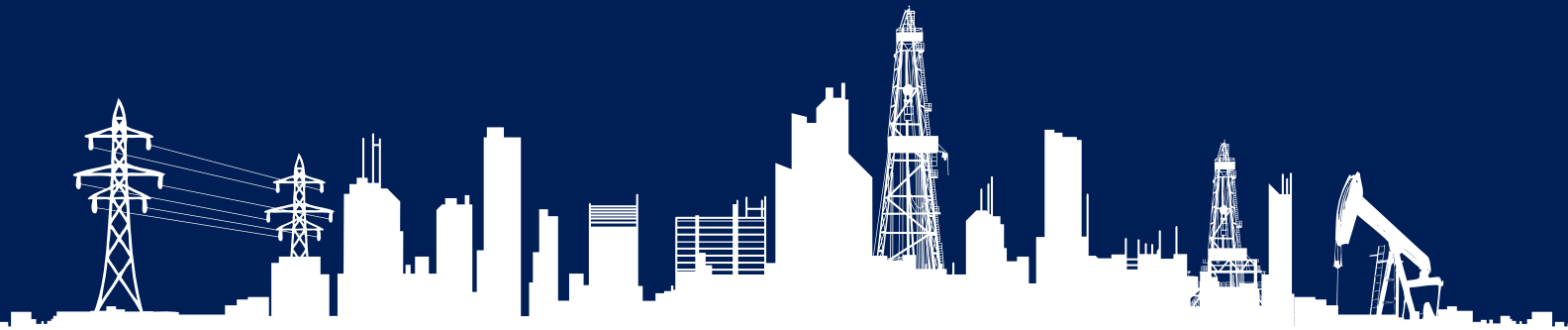


DH Fertilizers Plant

# Dawood Hercules Corporation Limited

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[www.dawoodhercules.com](http://www.dawoodhercules.com)



Dawood Hercules