ANNUAL REPORT 2014

MAKING

FOOD & ENERGY

AVAILABLE, AFFORDABLE
& SUSTAINABLE

DAWOOD HERCULES CORPORATION LIMITED

Dawood Hercules


MAKING
FOOD &
ENERGY
AVAILABLE, AFFORDABLE
& SUSTAINABLE

Dawood Hercules is a partner in Pakistan's growth and prosperity, and this ethos serves as the foundation of our business operations. Energy, agriculture and food sectors are the strongest drivers of Pakistan's economic growth, and are therefore the core areas of investment for our group. We are a holding company founded on family values. This allows us to deploy capital and invest in people and partnerships over a long period of time to solve two of the most pressing issues the world is facing today: making **food and energy** available, affordable and sustainable.


DH
Dawood Hercules

CONTENTS

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.

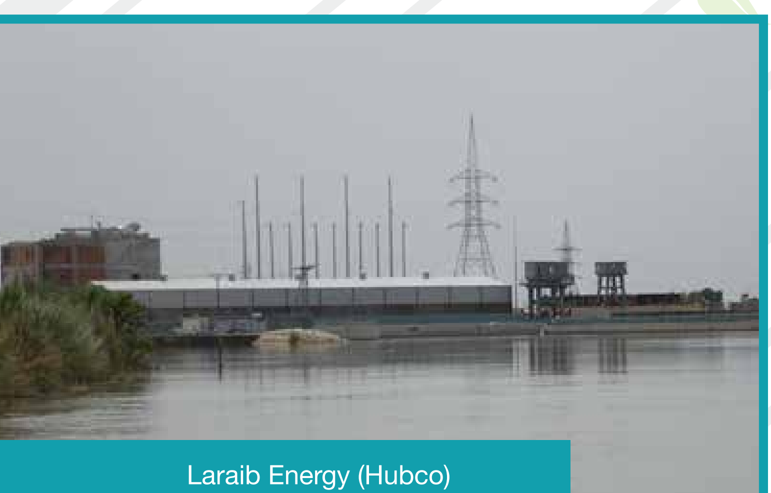
OUR BUSINESSES

Engro Foods

Engro Fertilizers

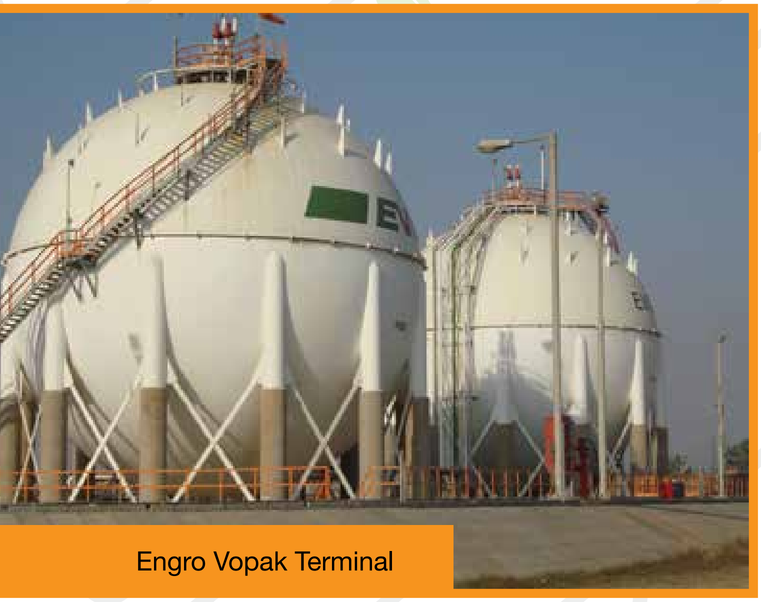
Engro Powergen

Hubco Narowal Plant



Laraib Energy (Hubco)

Engro Polymer & Chemicals



Engro Vopak Terminal

DH Fertilizers

Sindh Engro Coal Mining Company

Hub Power Plant, Hub

e2e Business Enterprises

Engro Elengy Terminal

PROBLEMS WORTH SOLVING

Over 40% children are undernourished mainly due to lack of protein

There is over 5,000 MW supply shortfall in the system, at current level of demand

Despite being one of the largest crop producers in the world, Pakistan's per acre yield is over 23% lower than the global average

More than 97% of smallholder farmers are unable to sell their milk

Did you know that high sulfur gas was being flared (wasted) through Qadirpur Gas Field for almost a decade

50% people do not get enough to eat due to unavailability and high price of food crops such as wheat and rice

OUR CURRENT INPUT

Provide over 5 million consumers with good quality dairy products everyday

We supply over 12% of the electricity to the national grid, lighting up more than 5.6 million households

We procure 1.3 million liters of milk per day from 150,000 dairy farms through 1,800 milk collection centers

We supply over 30% of all farm nutrients in the country through our fertilizer business, helping 3 million farmers

Innovation: The 217 MW power plant in Qadirpur is the only green facility of its kind in Pakistan to utilize permeate gas for reduced carbon emissions

Our fertilizers increase crop yield by almost 50%, hence increasing availability and affordability of food crops such as wheat and rice


OUR AIM
BY 2035


Provide 20% of the
Food & Electricity
in the country

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

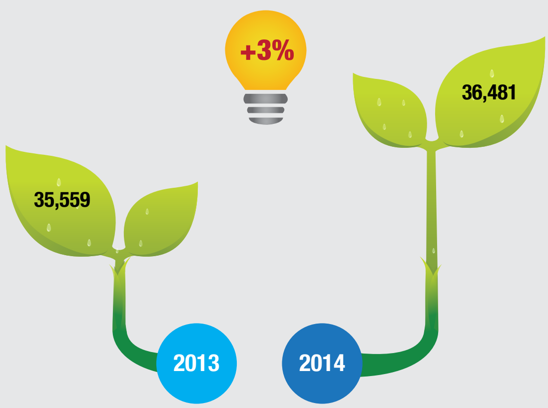
We will be accountable as individuals and as employees for our ethical conduct and for compliance with applicable laws and policies and directives of the management.

Commitment to Excellence

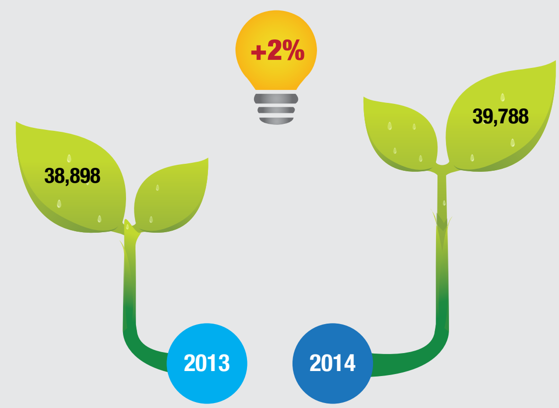
We will drive and achieve results while pursuing the highest standards and maximizing the use of resources.

PERFORMANCE HIGHLIGHTS - CONSOLIDATED

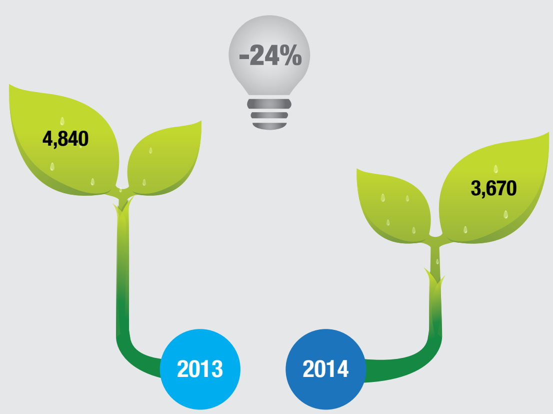
Key Figures



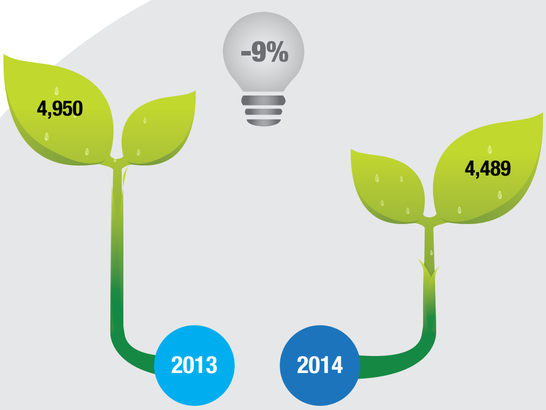
Total investment value
(Long term plus short term)
(Rs million)



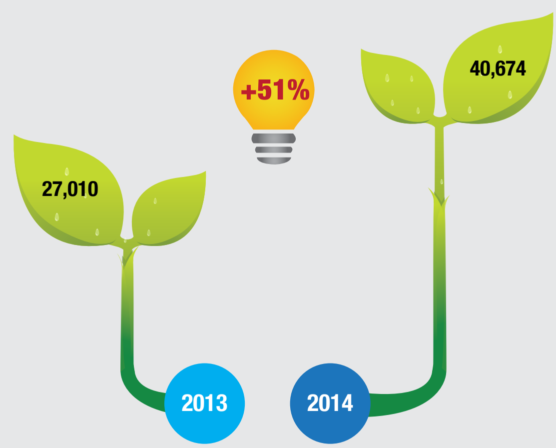
Total assest (Rs million)



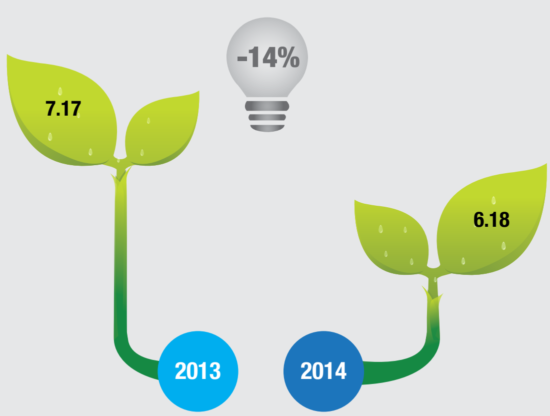
Sales (Rs million)



EBITDA (Rs million)



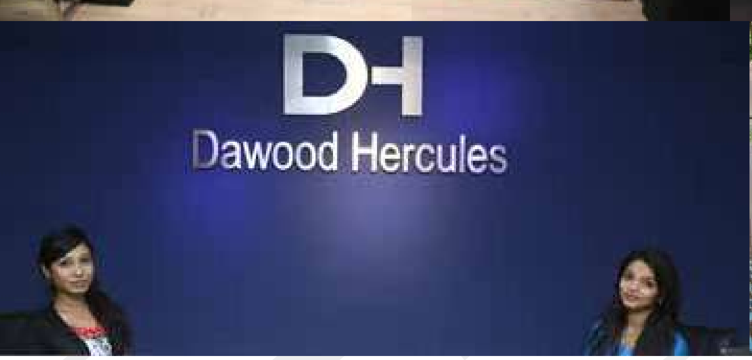
Maket capitalization
(Rs million)



Earning per share
(Rs per share)

@ WORK


Dawood Hercules
Making food and energy available, affordable, and sustainable


Dawood Hercules


TIME


Our Aim

Provide 20% of all farm produce in Pakistan for local and international markets
Create over 1 million jobs
Dawood Hercules
Our Aim is to make food and energy available, affordable, and sustainable by 2035
Become a leading private sector player in resolving the energy crisis
Provide low cost, sustainable electricity resulting in 20% (160 TWH) to the national grid
Earn/save the country billions in terms of foreign exchange
Provide 20% of the food and electricity in the country
Have over 35,000 MW of power generating capacity under our operation in Pakistan and similar markets
Create a $30 billion organization

COMPANY INFORMATION

Board of Directors

Mr. Hussain Dawood	Chairman
Mr. Samad Dawood	Chief Executive Officer
Mr. Javed Akbar	Director
Mr. M. Abdul Aleem	Director
Mr. Shahzada Dawood	Director
Ms. Sabrina Dawood	Director
Mr. Parvez Ghias	Director
Mr. Hasan Reza Ur Rahim	Director
Mr. Saad Raja	Director
Mr. Muhammad Asif Saad	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. Abdul Aleem	Member
Mr. Parvez Ghias	Member

Board Investment Committee

Mr. Hussain Dawood	Chairman
Mr. Javed Akbar	Member
Mr. Hasan Reza ur Rahim	Member

Chief Financial Officer & Company Secretary

Mr. Shafiq Ahmed

Registered Office

Dawood Centre, M.T. Khan Road
Karachi – 75530
Tel: +92 (21) 35686001
Fax: +92 (21) 35633972
Email: shareholders@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. B ox 4716, Karachi – 74000
Tel : +92 (21) 32426682-6
Fax: +92 (21) 32415007, 32427938

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
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. B ox 4716, Karachi – 74000
Tel : +92 (21) 32426682-6
Fax: +92 (21) 32415007, 32427938

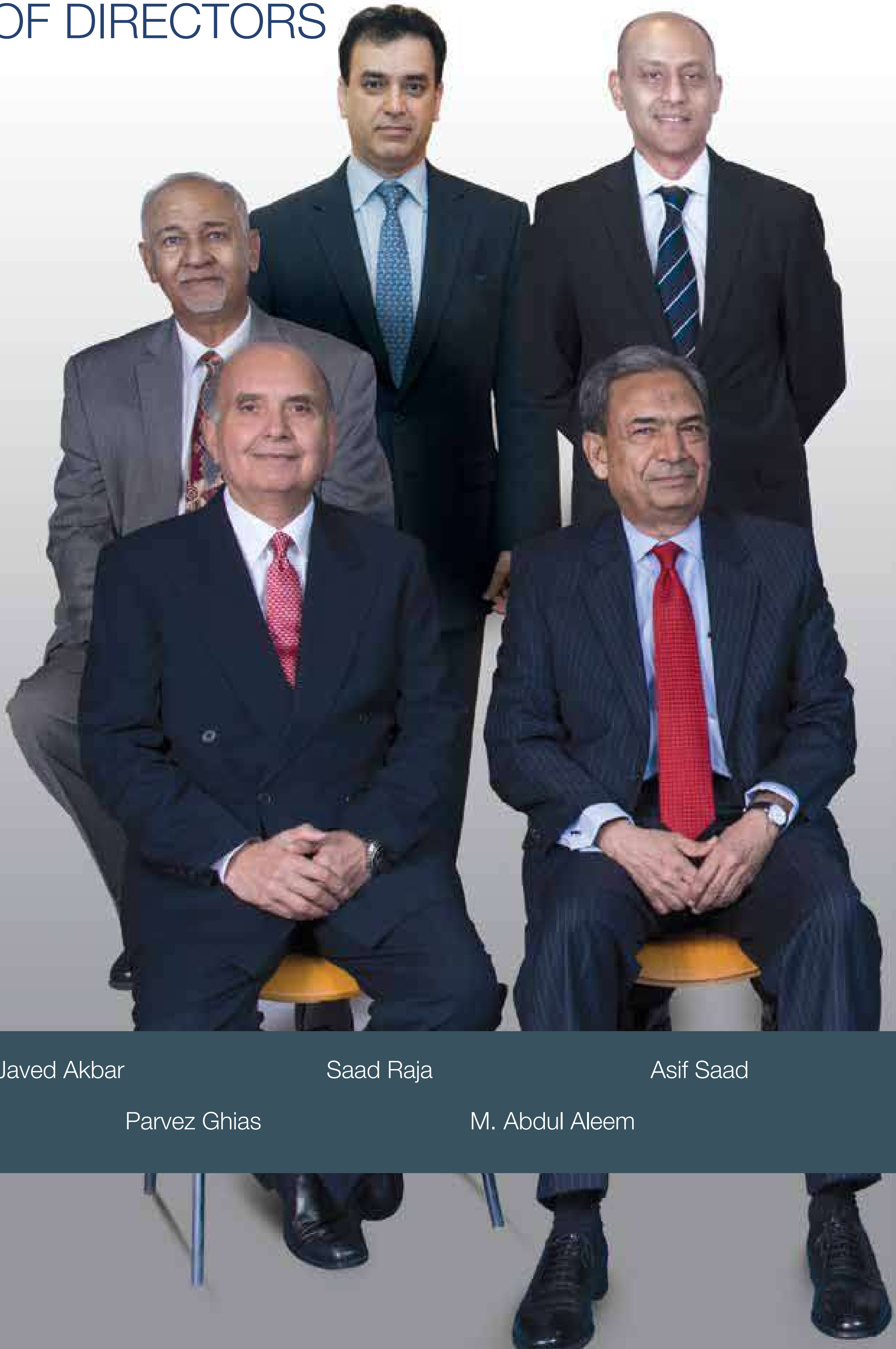
Legal Advisors

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


OUR AIM
BY 2035

Become a Leading Private Sector Player in Resolving the Energy Crisis in Pakistan

BOARD OF DIRECTORS



Javed Akbar   Saad Raja   Asif Saad

Parvez Ghias   M. Abdul Aleem

Sabrina Dawood

Shahzada Dawood

Reza Rahim

Hussain Dawood
Chairman

Samad Dawood
Chief Executive Officer

CHAIRMAN

Mr. Hussain Dawood is a Pakistani businessman and philanthropist. He has steered many companies and businesses to successful heights. Currently he is Chairman of seven successful profit and not-for-profit organizations namely; Dawood Hercules Corporation, Engro Corporation, Hub Power Company, Pakistan Poverty Alleviation Fund, Karachi Education Initiative / Karachi School for Business & Leadership and Dawood Foundation and is an expert in Corporate Governance.

Mr. Dawood's investments span across an array of sectors making him one of the most diverse businessman of Pakistan. Dawood Hercules Corporation's businesses range from fertilizer, chemical to private equity, textile, garment, business end-to-end solutions and brokerage. Engro Corporation businesses range from fertilizer, chemicals to foods, grains, energy, trading, liquefied chemical terminal and coal mining. Hub Power Company's business interests focus on energy generation.

He is an ardent philanthropist and an active member of the World Economic Forum and it's Global Agenda Council on Anti-Corruption, Education and Pakistan. He is also the Chairman of the International Advisory Council of the Cradle to Cradle Institute in SanFrancisco. He supports many education and humanitarian associations and serves as a Director on the boards of Pakistan Business Council, Pakistan Centre for Philanthropy and Beaconhouse National University. He is on the Boards Karachi Education Initiative UK, London and Asia House, London.

In recognition of his contribution, the Italian Government conferred on him the award "Ufficiale Ordine al Merito della Repubblica Italiana."

Mr. Dawood holds an MBA from Kellogg School of Management, Northwestern University, USA, and is a graduate in Metallurgy from Sheffield University, UK

CHIEF EXECUTIVE

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 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. He also held the position of CEO Cyan Limited. Mr. Samad is a member of Young Presidents' Organization, Pakistan Chapter.

DIRECTORS' PROFILES

Javed Akbar

Mr. Javed has a Master's 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 and is also on the panel of environmental experts of Sindh Environmental Protection Agency.

M. Abdul Aleem

Mr. 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 Ltd and Esso Singapore. Thereafter, he has worked for another 14 years with British American Tobacco Group UK (BAT) in Pakistan and overseas. For the last ten years with BAT , Mr. Aleem served as the 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. Besides Dawood Hercules Corporation Limited, Mr. Aleem also serves as an independent Director on the Board of Meezan Bank Ltd.

Shahzada Dawood

Shahzada Dawood serves as a Director on the Boards of Dawood Hercules Corporation Ltd, Engro Corporation Ltd, Dawood Corporation (Pvt) Ltd, Engro Foods 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.

Sabrina Dawood

Sabrina Dawood is currently the CEO of The Dawood Foundation, and is directly involved with the management of Dawood Public School. She is also a director of Engro Foods Limited. Previously she has worked in various companies of the Dawood Hercules Group, including Dawood Hercules Corporation Limited and Dawood Lawrencepur Limited in marketing, corporate communications, administration and CSR. She holds an MSc in Medical Anthropology from University College London and a BA from London School of Economics in Anthropology & Law.

Parvez Ghias

Parvez Ghias is the Chief Executive Officer at Indus Motor Company Limited, a leading automobile manufacturer in the country of Toyota brand vehicle. He holds a Bachelor Degree in Economics and is a fellow of the Institute of Chartered Accountants from England & Wales. Mr. Parvez Ghias also serves as an independent director on the boards of Standard Chartered Bank Pakistan Limited and Injaz Pakistan.

Hasan Reza Ur Rahim

Mr. Rahim is an accomplished professional who has 32 years of domestic and international experience in the Banking and Financial Services industry. Currently, he is the Director of the Chairman's Office of the Dawood Hercules Group and his non-executive roles include being a Director on the boards of Cyan Limited and Dawood Lawrencepur Limited. Furthermore, he is the Chief Executive Officer and Director of Karachi Education Initiative and is on the Board of Governors of Karachi School for Business & Leadership.

During his career Mr. Rahim has been instrumental in implementing new business initiatives and establishing novel client coverage platforms. At JPMorgan he set up and headed the Global Corporate Bank in Bahrain, Qatar and Saudi Arabia, prior to which he also was the Senior Country Officer in Pakistan and was a part of the Regional Corporate Finance team based in Singapore. He has originated, led and executed large and complex M&A transactions and Privatizations totaling USD5.0 billion, Sovereign Bond and commercial debt issues in the Telecom, Airlines, O&G and Petrochemical industries of over USD2.0 billion.

Previously, Mr. Rahim has worked with MashreqBank psc, ANZ Grindlays Bank plc, and Exxon Chemical Pakistan Limited and received his degree from the University of Delaware in USA.

Saad Raja

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.

Asif Saad

Asif Saad served as Chief Executive of Lotte Chemical Pakistan, one of the largest petrochemical producers in the country, from 2008 to 2014. Prior to this he was employed with the ICI Pakistan group for almost 20 years and held various management positions in diverse businesses such as Paints, Polyester and Chemicals. In 2002 he joined Pakistan PTA Ltd as Commercial Manager with responsibilities for Marketing, Sales and Supply Chain functions and was appointed CEO in 2008. During his tenure as CEO, he led the management team through acquisition of this company by the Korean group Lotte.

Mr. Saad is a former Director of Pakistan Business Council and former Vice President of the Overseas Investors Chamber of Commerce & Industry. He currently serves on the boards of Education Fund for Sindh, Engro Polymer & Chemicals, Alfalah GHP Investments and Port Qasim Authority. He has also served on the board of Pakistan Human Development Fund and was a member of the fund's investment committee. Mr. Saad has an MBA from LUMS and has undertaken extensive executive & leadership training. He is also a certified Director by PICG.

Become the 1st

Pakistani company

that is a truly global player in energy and food markets


OUR AIM
BY 2035

COMMITTEES

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 one non-executive Director and two independent Directors, as follows:

Mr. Hussain Dawood	Chairman
Mr. M. Abdul Aleem	Member
Mr. Parvez Ghias	Member

The Chief Executive Officer attends the meetings by invitation.

Manager HR acts as secretary of the committee.

Board Audit Committee

The Board has set up an audit committee comprising of three Directors. Presently, two of whom are independent and one is non-executive. The Chairman of the Committee is an independent director.

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

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.

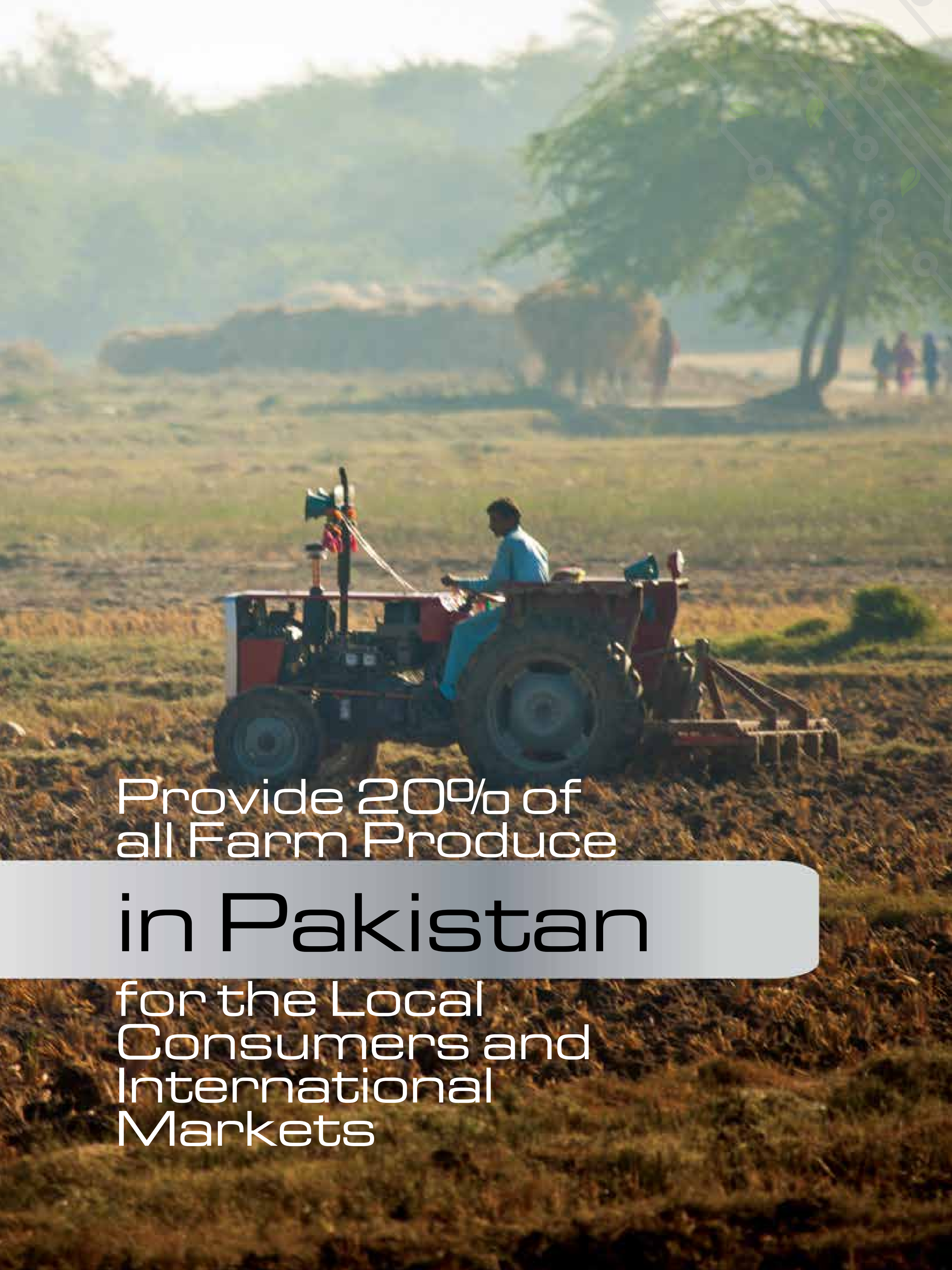
Board Investment Committee

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:

Mr. Hussain Dawood	Chairman
Mr. Javed Akbar	Member
Mr. Hasan Reza ur Rahim	Member

*Image courtesy WalkAbout Films


Provide 20% of
all Farm Produce
in Pakistan
for the Local
Consumers and
International
Markets

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	Property, plant and equipment	Rs. in Million
2	Investments in associates	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	%
18	Operating Profit Margin	%
23	EBITDA margin	%
3	Earnings Per Share	Rs.
4	Inventory Turnover	Time
5	Age of Inventory	Days
6	Debtors Turnover	Time
7	Average Collection Period	Days
8	Operating Cycle	Days
9	Total Assets Turnover	Time
10	Fixed Assets Turnover	Time
11	Break-up Value of Share	Rs.
12	Dividend Yield	%
13	Dividend Payout Ratio	%
14	Return on Equity	%
15	Debt Equity Ratio	Time
16	Current Ratio	Time
17	Quick Ratio	Time
19	Total Debt Ratio	Time
20	Interest Cover Ratio	Time
21	Dividend Cover Ratio	Time
22	Return on capital employed	%
24	Market Value per Share	Rs.
25	Market Capitalization	Rs. in Million
26	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

2009 Restated	2010	2011	2012 Restated	2013 Restated	2014
11,040	8,716	6,310	4,602	4,840	3,670
3,960	3,501	2,266	786	789	274
(560)	3,145	1,462	746	294	(370)
921	5,308	4,636	2,231	4,950	4,489
(213)	4,191	3,632	1,107	3,893	3,402
(1,138)	3,248	2,893	984	3,452	2,975
40	50	10	10	10	10
10	300	-	-	-	-
2,075	2,238	2,247	2,229	2,009	1,943
21,543	22,425	24,702	30,814	34,224	36,306
5,987	5,690	4,579	1,065	2,665	1,539
2,983	2,320	680	582	3,847	2,900
1,094	1,203	4,813	4,813	4,813	4,813
18,789	21,156	20,293	20,892	23,959	26,438
109.38	120.32	481.29	481.29	481.29	481.29
35.87	40.17	35.91	17.08	16.31	7.46
(10.31)	37.27	45.85	21.38	71.32	81.05
(5.07)	36.09	23.17	16.20	6.08	(10.08)
8.34	60.90	73.48	48.48	102.27	122.30
(9.46)	6.75	6.01	2.04	7.17	6.18
81.93	34.83	22.01	37.53	65.10	51.06
4.46	10.48	16.58	9.72	5.61	7.15
1,171.5	1,433.6	2,619.73	3,053.01	241.11	183.68
0.31	0.25	0.14	0.12	1.51	1.99
4.77	10.73	16.72	9.84	7.12	9.14
0.37	0.29	0.20	0.13	0.12	0.09
5.32	3.89	2.81	2.06	2.41	1.89
181.77	185.83	52.16	53.41	59.78	64.93
2.22	2.52	2.36	3.07	1.78	1.18
(38.44)	18.52	16.64	48.92	13.94	16.18
(5.72)	14.53	11.52	3.83	12.00	9.52
0.32	0.26	0.19	0.27	0.24	0.18
2.01	2.45	6.74	1.83	0.69	0.53
1.98	2.36	6.52	1.74	0.67	0.51
0.33	0.26	0.20	0.25	0.26	0.21
0.78	5.61	5.48	2.21	5.58	4.01
(2.60)	5.40	6.01	2.04	7.17	6.18
(5.72)	14.53	11.52	3.83	12.00	9.52
179.81	198.36	42.39	32.54	56.12	84.51
19,668	23,867	20,402	15,661	27,010	40,674
(19.01)	29.39	7.05	15.95	7.83	13.67
445.50	445.50	445.50	445.50	445.50	445.50
513.32	456.12	199.90	57.88	60.77	41.93
115	102	45	13	14	9
513.22	441.51	207.24	72.75	60.77	41.93
576	564	572	473	465	420
833.17	393.12	91.64	217.21	6.82	146.81
1,003	783	1,557	1,145	1,206	1,214

HORIZONTAL ANALYSIS

BALANCE SHEET

----------------------------------Rs in million----------------------------------

Particulars	2009 Restated	2,010	2011	2012 Restated	2013 Restated	2014
Share Capital and Reserves						
Issued, subscribed and paid up capital	1,094	1,203	4,813	4,813	4,813	4,813
Revenue reserves	18,785	21,021	20,293	20,890	23,959	26,438
Fair value reserve	4	136	0	1	0	0
	19,883	22,360	25,106	25,704	28,772	31,251
Non Current Liabilities	6,742	5,675	5,744	7,822	6,279	5,637
Current Liabilities						
Current portion - long term loan	0	661	0	216	1,996	1,328
Short term financing - secured	1,197	46	0	32	905	436
Trade and other payables	648	695	642	302	892	1,081
Markup payable on secured loans	280	233	9	32	54	56
Provision for taxation	858	686	29	0	0	0
	2,983	2,320	680	582	3,847	2,900
Total equity and liabilities	29,607	30,355	31,530	34,109	38,898	39,788

----------------------------------Rs in million----------------------------------

Particulars	2,009	2,010	2011	2012 Restated	2013 Restated	2014
Non-current Assets						
Property, plant and equipment	2,075	2,238	2,247	2,229	2,009	1,943
Investments in associates	21,543	22,425	24,702	30,814	34,224	36,306
Long term loans and advances	2	2	2	1	0	0
	23,621	24,665	26,951	33,044	36,233	38,249
Current Assets						
Stores, spares and loose tools	1,303	1,074	678	676	768	728
Stock in trade	83	216	151	52	72	61
Trade debts	10	2	3	0	40	0
Loans, advances, deposit, prepayments and other receivables including advance income tax	913	708	66	298	308	447
Short term investments	3,399	2,440	2,951	3	1,335	175
Cash and bank balances	278	1,250	731	36	143	128
	5,987	5,690	4,579	1,065	2,665	1,539
Total Assets	29,607	30,355	31,530	34,109	38,898	39,788

--Percentage change--

10 Over 09	11 Over 10	12 Over 11	13 Over 12	14 Over 13
10%	300%	0%	0%	0%
12%	-3%	3%	15%	10%
3307%	-100%	100%	-100%	0%
12%	12%	2%	12%	9%
-16%	1%	36%	-20%	-10%
100%	-100%	100%	825%	-33%
-96%	-100%	100%	2702%	-52%
7%	-8%	-53%	195%	21%
-17%	-96%	275%	66%	4%
-20%	-96%	-100%	0%	0%
-22%	-71%	-14%	560%	-25%
3%	4%	8%	14%	2%

--Percentage change--

10 Over 09	11 Over 10	12 Over 11	13 Over 12	13 Over 12
8%	0%	-1%	-10%	-3%
4%	10%	25%	11%	6%
-31%	31%	-37%	-100%	0%
4%	9%	23%	10%	6%
-18%	-37%	-0%	14%	-5%
160%	-30%	-66%	39%	-16%
-79%	26%	-88%	12003%	-100%
-22%	-91%	354%	3%	45%
-28%	21%	-100%	50933%	-87%
350%	-42%	-95%	302%	-10%
-5%	-20%	-77%	150%	-42%
3%	4%	8%	14%	2%

VERTICAL ANALYSIS

BALANCE SHEET

----------------------------------Rs in million----------------------------------

Particulars	2009 Restated	2,010	2011	2012 Restated	2013 Restated	2014
Share Capital and Reserves						
Issued, subscribed and paid up capital	1,094	1,203	4,813	4,813	4,813	4,813
Revenue reserves	18,785	21,021	20,293	20,890	23,959	26,438
Fair value reserve	4	136	0	1	0	0
	19,883	22,360	25,106	25,704	28,772	31,251
Non Current Liabilities	6,742	5,675	5,744	7,822	6,279	5,637
Current Liabilities						
Current portion - long term loan	0	661	0	216	1,996	1,328
Short term financing - secured	1,197	46	0	32	905	436
Trade and other payables	648	695	642	302	892	1,081
Markup payable on secured loans	280	233	9	32	54	56
Provision for taxation	858	686	29	0	0	0
	2,983	2,320	680	582	3,847	2,900
Total equity and liabilities	29,607	30,355	31,530	34,109	38,898	39,788

----------------------------------Rs in million----------------------------------

Particulars	2,009	2,010	2011	2012 Restated	2013 Restated	2014
Non-current Assets						
Property, plant and equipment	2,075	2,238	2,247	2,229	2,009	1,943
Investments in associates	21,543	22,425	24,702	30,814	34,224	36,306
Long term loans and advances	2	2	2	1	0	0
	23,621	24,665	26,951	33,044	36,233	38,249
Current Assets						
Stores, spares and loose tools	1,303	1,074	678	676	768	728
Stock in trade	83	216	151	52	72	61
Trade debts	10	2	3	0	40	0
Loans, advances, deposit, prepayments and other receivables including advance income tax	913	708	66	298	308	447
Short term investments	3,399	2,440	2,951	3	1,335	175
Cash and bank balances	278	1,250	731	36	143	128
	5,987	5,690	4,579	1,065	2,665	1,539
Total Assets	29,607	30,355	31,530	34,109	38,898	39,788

Percentage

2009	2010	2011	2012	2013	2014
4%	4%	15%	14%	12%	12%
63%	69%	64%	61%	62%	66%
0%	0%	0%	0%	0%	0%
67%	**74%**	**80%**	**75%**	**74%**	**79%**
23%	19%	18%	23%	16%	14%
0%	2%	0%	1%	5%	3%
4%	0%	0%	0%	2%	1%
2%	2%	2%	1%	2%	3%
1%	1%	0%	0%	0%	0%
3%	2%	0%	0%	0%	0%
10%	**8%**	**2%**	**2%**	**10%**	**7%**
100%	**100%**	**100%**	**100%**	**100%**	**100%**

Percentage

2009	2010	2011	2012	2013	2014
7%	7%	7%	7%	5%	5%
73%	74%	78%	90%	88%	91%
0%	0%	0%	0%	0%	0%
80%	**81%**	**85%**	**97%**	**93%**	**96%**
4%	4%	2%	2%	2%	2%
0%	1%	0%	0%	0%	0%
0%	0%	0%	0%	0%	0%
3%	2%	0%	1%	1%	1%
11%	8%	9%	0%	3%	0%
1%	4%	2%	0%	0%	0%
20%	**19%**	**15%**	**3%**	**7%**	**4%**
100%	**100%**	**100%**	**100%**	**100%**	**100%**

HORIZONTAL ANALYSIS

PROFIT AND LOSS

-----------------------------------Rs in million-----------------------------------

Particulars	2009 Restated	2010	2011	2012 Restated	2013 Restated	2014
Net sales	11,040	8,716	6,310	4,602	4,840	3,670
Cost of sales	7,080	5,214	4,044	3,816	4,051	3,397
Gross profit	3,960	3,501	2,266	786	789	274
Selling and distribution expenses	392	268	67	76	96	107
Administrative expenses	328	432	418	443	641	614
Impairment loss	3,791	2	587	0	-	-
Other operating expenses	160	116	82	9	39	9
Other income	151	462	351	488	280	86
Operating (loss) / profit	(560)	3,145	1,462	746	294	(370)
Finance cost	985	910	811	915	850	890
Share of profit of associates	1,331	1,956	2,981	1,275	4,449	3,941
Gain on dilution of share in associate	0	0	0	0	0	721
Profit before taxation	(213)	4,191	3,632	1,107	3,893	3,402
Taxation	925	943	739	123	442	427
Profit after taxation	(1,138)	3,248	2,893	984	3,452	2,975

VERTICAL ANALYSIS

Profit and Loss

-----------------------------------Rs in million-----------------------------------

Particulars	2009 Restated	2010	2011	2012 Restated	2013 Restated	2014
Net sales	11,040	8,716	6,310	4,602	4,840	3,670
Cost of sales	7,080	5,214	4,044	3,816	4,051	3,397
Gross profit	3,960	3,501	2,266	786	789	274
Selling and distribution expenses	392	268	67	76	96	107
Administrative expenses	328	432	418	443	641	614
Impairment loss	3,791	2	587	0	-	-
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Other income	151	462	351	488	280	86
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Gain on dilution of share in associate	0	0	0	0	0	721
Profit before taxation	(213)	4,191	3,632	1,107	3,893	3,402
Taxation	925	943	739	123	442	427
Profit after taxation	(1,138)	3,248	2,893	984	3,452	2,975

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

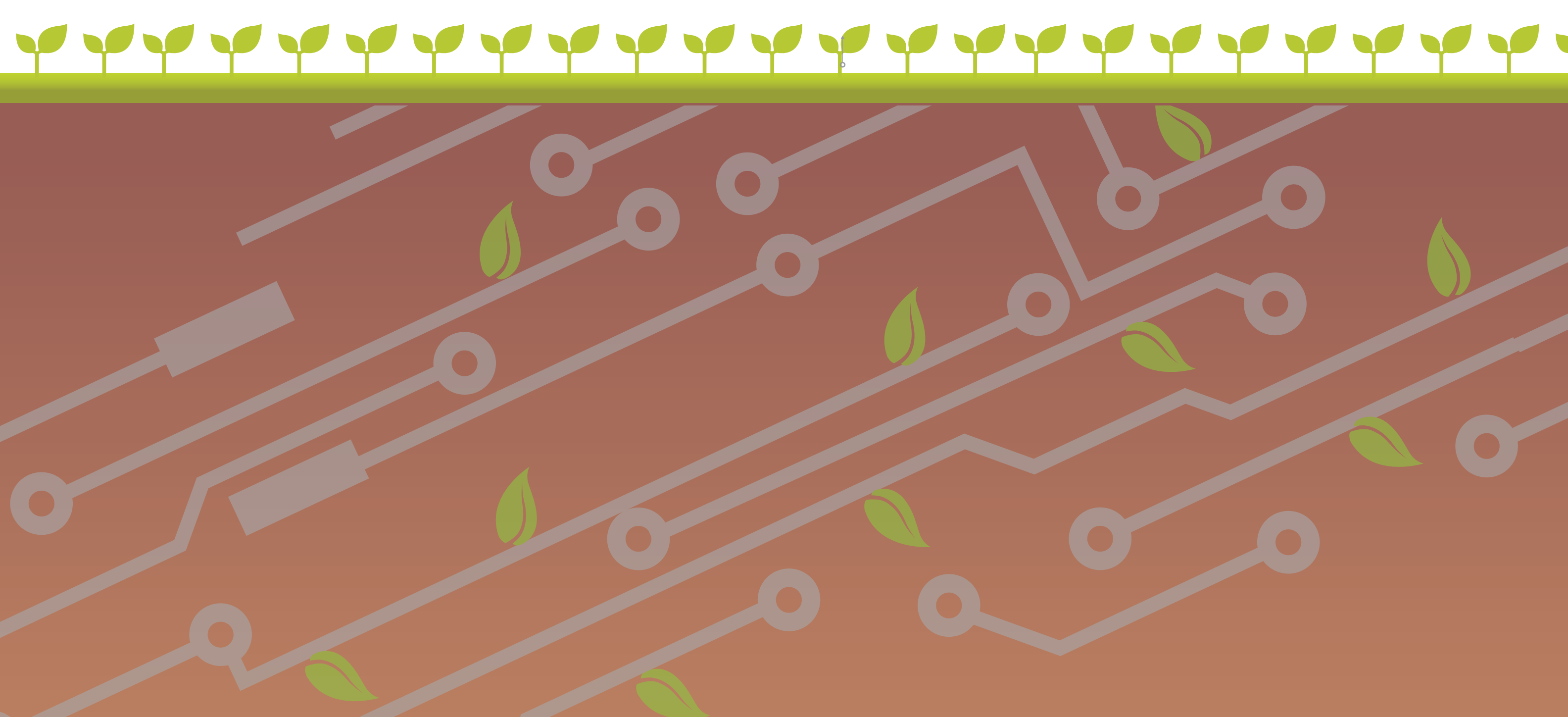
10 Over 09	11 Over 10	12 Over 11	13 Over 12	14 Over 13
-21%	-28%	-27%	5%	-24%
-26%	-22%	-6%	6%	-16%
-12%	-35%	-65%	0%	-65%
-32%	-75%	13%	26%	12%
32%	-3%	6%	45%	-4%
-100%	24449%	-100%	0%	0%
-27%	-29%	-89%	319%	-77%
206%	-24%	39%	-43%	-69%
-662%	-54%	-49%	-61%	-226%
-8%	-11%	13%	-7%	5%
47%	52%	-57%	249%	-11%
0%	0%	0%	0%	100%
-2063%	-13%	-70%	252%	-13%
2%	-22%	-83%	260%	-3%
-385%	-11%	-66%	251%	-14%

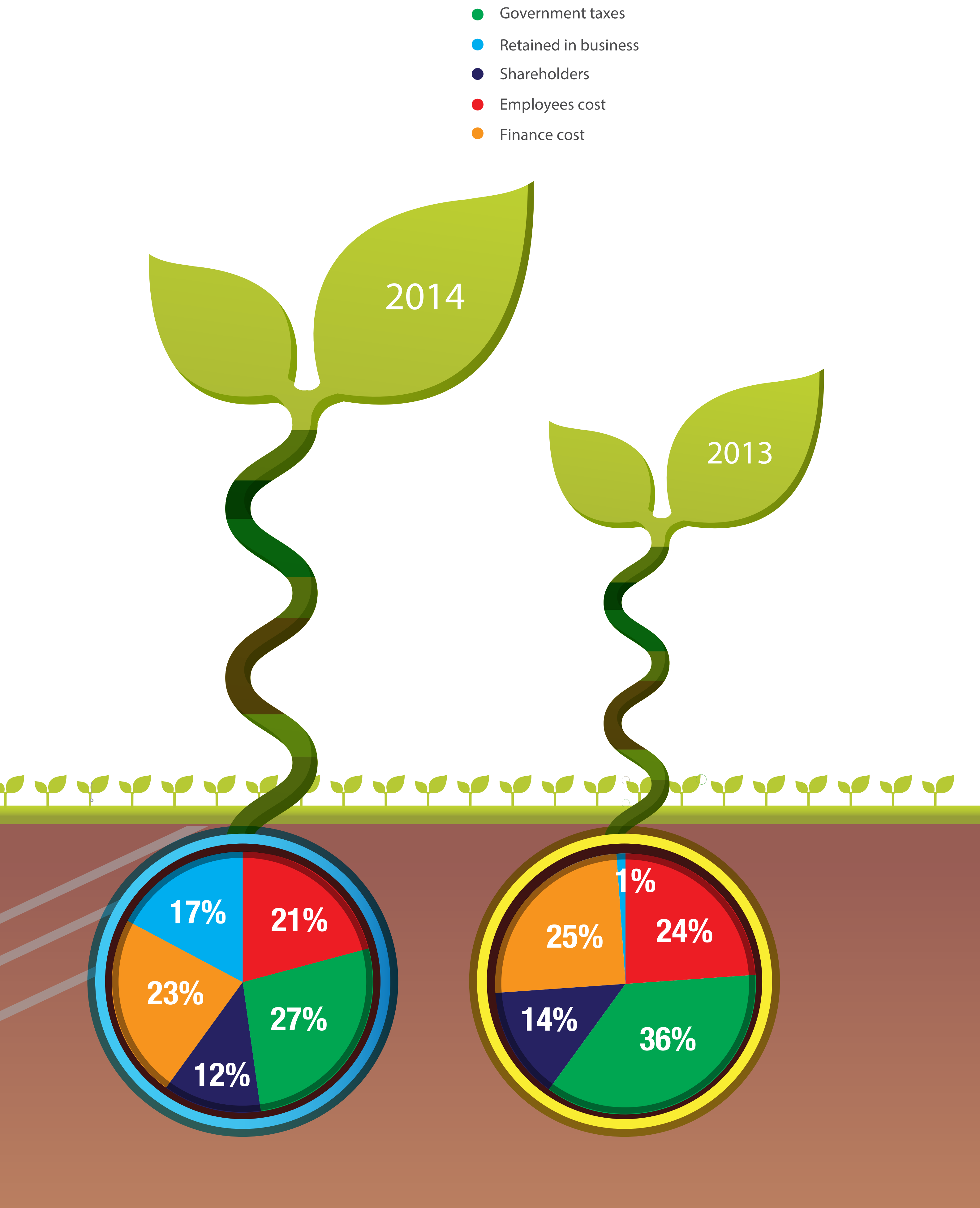
--------------------------------Percentage--------------------------------

2009	2010	2011	2012	2013	2014
100%	100%	100%	100%	100%	100%
64%	60%	64%	83%	84%	93%
36%	40%	36%	17%	16%	7%
4%	3%	1%	2%	2%	3%
3%	5%	7%	10%	13%	17%
34%	0%	9%	0%	0%	0%
1%	1%	1%	0%	1%	0%
1%	5%	6%	11%	6%	2%
-5%	36%	24%	16%	6%	-10%
9%	10%	13%	20%	18%	24%
12%	22%	47%	28%	92%	107%
0%	0%	0%	0%	0%	20%
-2%	48%	58%	24%	80%	93%
8%	11%	12%	3%	9%	12%
-10%	37%	46%	21%	71%	81%

STATEMENT OF VALUE ADDITION

	2014 Rs in million	%	2013 Rs in million	%
Wealth generated				
Total gross revenue and other income	7,016		7,234	
Bought-in materials and services	(3,117)		(3,777)	
Total value addition	3,899		3,457	
Wealth distribution				
To employees (salaries, wages & benefits)	807	21%	820	24%
To government (income tax, sales tax & WWF)	1,065	27%	1,259	36%
To Shareholders	481	12%	481	14%
Mark-up/interest expense on borrowed money	890	23%	850	25%
Retained for reinvestment and future growth, depreciation and retained profits	656	17%	47	1%
Total value distribution	3,899		3,457	





Government taxes
Retained in business
Shareholders
Employees cost
Finance cost
2014
17%
21%
23%
27%
12%
2013
1%
25%
24%
14%
36%


OUR AIM
BY 2035


Provide Low Cost,
Sustainable Electricity
Resulting in 20% (160 TWH)
to the National Grid

NOTICE OF 47th ANNUAL GENERAL MEETING

Notice is hereby given to all the shareholders of Dawood Hercules Corporation Limited (the "Company") that an 47th Annual General Meeting of the Company will be held on 24th April, 2015 at 1130 hours at Pearl Continental Hotel, Club Road, Karachi to transact the following businesses:

ORDINARY BUSINESS:

1. To confirm the Minutes of the Forty Sixth Annual General Meeting held on Monday, April 28, 2014.

2. To receive, consider and adopt the Audited Accounts of the Company for the year ended December 31, 2014 together with the Auditor's 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, 2014 as recommended by the Board of Directors.

4. To appoint Auditors for the year ending December 31, 2015 and to fix their remuneration.

SPECIAL BUSINESS:

5. To consider and, if thought fit, pass with or without modification, the following special resolution in terms of Section 208 of the Companies Ordinance 1984, to purchase 7,735,000 shares of The Hub Power Company Limited from Patek (Private) Limited – an associated company at the market price prevailing on the Karachi Stock Exchange on the date of acquisition:

   "RESOLVED that, as and by way of a Special Resolution and pursuant to Section 208 of the Companies Ordinance, 1984 and subject to such other approvals and consents, as may be necessary under the law, the Company do hereby acquire 7,735,000 ordinary shares of The Hub Power Company Limited from Patek (Private) Limited at the applicable quoted price of such shares on the Karachi Stock Exchange on the date of purchase and such other terms as may be determined jointly by any two of Mr. Samad Dawood (CEO), Mr. Shafiq Ahmed (CFO and Company Secretary) and Mr. Muhammad Asif Saad (Director) of the Company.

   FURTHER RESOLVED THAT any two of Mr. Samad Dawood (CEO), Mr. Shafiq Ahmed (CFO and Company Secretary) and Mr. Muhammad Asif Saad (Director) be and are hereby authorized, from time to time, to do all acts, deeds and things, to execute such agreements, documents and papers and make such applications, including but not limited to any application required to be filed with the Competition Commission of Pakistan, Securities and Exchange Commission of Pakistan, stock exchanges and any other regulatory authorities, as the aforesaid officers of the Company may deem fit in connection with the acquisition of the ordinary shares of The Hub Power Company Limited from Patek (Private) Limited pursuant to the foregoing resolution including filing of the special resolution with the Securities & Exchange Commission of Pakistan."

6. To consider and, if thought fit, pass with or without modification, the following special resolution in terms of Section 208 of the Companies Ordinance 1984, for authorizing investment by way of loan to e2e Business Enterprises (Private) Limited an associated company:

   "RESOLVED that, as and by way of a Special Resolution and pursuant to Section 208 of the Companies Ordinance, 1984 the Company do hereby extend a loan of Rs 90 million on commercial terms against the security of the shares of e2e Business Enterprises (Private) Limited ("e2eBE"), to e2eBE and that any two of Mr. Samad Dawood – (CEO), Mr. Shafiq Ahmed (CFO and Company Secretary) and Mr. Muhammad Asif Saad (Director) of the Company be and are hereby jointly authorized to do all acts, deeds and things and sign any documents or papers, as may be required or considered necessary or incidental by the aforesaid officers of the Company from time to time, for making an investment by way of a loan in e2eBE, including filing of the special resolution with the Securities & Exchange Commission of Pakistan."

7. **To consider and if thought fit, pass with or without modification, the following special resolution in terms of Section 208 of the Companies Ordinance 1984, for pledge of shares of e2e Business Enterprises (Private) Limited held by the Company in favour of Pak Brunei Investment Company to secure the finance facility obtained by e2e Business Enterprises (Private) Limited, associated company:**

   "**RESOLVED that,** as and by way of a Special Resolution, the Company do hereby give a guarantee and/or provide security in the form of pledge of ordinary shares of e2e Business Enterprises (Private) Limited (e2eBE) held by the Company in connection with a loan or loans made by Pak Brunei Investment Company Limited to e2eBE up to an aggregate sum of Rs 300 million and in this regard any two of Mr. Samad Dawood (CEO), Mr. Shafiq Ahmed (CFO and Company Secretary) and Mr. Muhammad Asif Saad (Director) be and are hereby jointly authorized to do all acts, deeds and things and sign any documents and papers on behalf of the Company, as may be required or considered necessary or incidental in connection with the foregoing, including filing of this special resolution with the Securities & Exchange Commission of Pakistan."

8. **To consider and if thought fit, pass with or without modification, the following resolution as special resolution for the alterations to be made in the Articles of Association of the Company:**

   "**RESOLVED** that the Article 58, 65, 85(A), 86, 87, 87(A), 88(A), 89 and 90 of the Articles of Association of the Company be and are hereby altered to read as under:

   (58) Ten shareholders, provided at least 25 per cent of the total issued and paid-up capital is represented, entitled to vote and be present in person or by proxy, shall be a quorum for Ordinary or Extraordinary General Meetings.

   (65) If a poll is demanded as aforesaid, it shall be taken in the manner laid down in Section 168 of the Ordinance and either at once, or after an interval or on adjournment or otherwise, but in no event later than fourteen (14) days after the day scheduled for the meeting and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The demand for a poll may be withdrawn.

   (85A) The Directors may elect the Chairman of the Board and the Vice Chairman of the Board from amongst the non-executive directors of the Board, provided that the Chairman and the Chief Executive shall not be the same person.

   (86) The Board of Directors shall, on such terms and conditions as it may determine, appoint any person to be the Managing Director of the Company. The Managing Director shall be the Chief Executive of the Company and he/she shall exercise all of his/her powers and functions in relation to the management and administration of the affairs of the Company, subject to the general supervision and control of the Directors.

   (87) The Directors may from time to time and at any time appoint one of their numbers to be an executive director with such duties and powers as the Board may prescribe, provided that the executive directors shall not be more than one third of the elected directors, including the Chief Executive.

   (87A) At least one member of the Board of the Company shall be an independent director.

   (88A) The Board of Directors shall establish an Audit Committee, a Human Resource and Remuneration Committee, and from time to time establish any other committee or committees as it thinks fit. The Board of Directors, subject to applicable law, shall determine the responsibilities of the committees, the regulations that may be imposed upon them by the Board and select the members that shall comprise these committees.

(89) Until otherwise determined by a General Meeting the qualifications of a Director, other than the Managing Director and Executive Director shall be his/her holding 100 shares at least, in his own name, provided that Directors representing interests holding the shares of the requisite value need not themselves hold the qualification shares.

(90) Each director including alternate or substitute Director shall receive out of funds of the Company a fee and expenses for every meeting of the Board attended by him/her as may be determined by the Board from time to time, by means of a formal and transparent procedure.

RESOLVED FURTHER that Mr. Shafiq Ahmed, Company Secretary be and is hereby authorised to file the aforesaid Resolution and altered Articles of Association with Registrar, Securities and Exchange Commission of Pakistan."

Statements under section 160(1)(b) of the Companies Ordinance, 1984 relating to the aforesaid special businesses to be transacted at the said Annual General Meeting are attached.

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

By Order of the Board

Karachi
March 7, 2015

Shafiq Ahmed
Company Secretary

Notes:

CLOSURE OF SHARE TRANSFER BOOKS

The Share transfer books of the Company will remain closed from 17th April 2015 to 24th April 2015 (both days inclusive). Transfers received in order at the office of our Registrar, Messrs. 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 (5:00 p.m.) on 16th April 2015 will be treated in time for the purpose of attending and voting at the AGM and also for the above entitlement to the transferees.

PARTICIPATION IN THE ANNUAL GENERAL MEETING

A member entitled to attend and vote at the meeting may appoint any other person as his/her proxy to attend and vote. A Corporation being a member may appoint any person, whether or not a member of the Company as it's Proxy. A Proxy, duly appointed, shall have such rights as respects speaking and voting at the Meeting as are available to a member.

In order to be effective, Proxy Forms, duly filled and signed, must be received at the Registered Office of the Company, not less than forty eight (48) hours before the Meeting.

CDC account holders will further have to follow the under-mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan:

A. FOR ATTENDING THE METING

i. In case of individuals, the account holders or sub-account holders whose registration details are uploaded as per the Regulations shall authenticate his/her original valid Computerized National Identity Card (CNIC) or the original passport at the time of attending the meeting.

ii. 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

i. In case of individuals, the account holders or sub-account holders whose registration details are uploaded as per the Regulations shall submit the proxy form as per the above requirement.

ii. Attested copies of valid CNIC or the passport of the beneficial owners and the Proxy shall be furnished with the Proxy Form.

iii. The proxy shall produce original valid CNIC or original passport at the time of the meeting.

iv. 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 the proxy form to the Company.

v. Proxy form will be witnessed by two persons whose names, addresses and valid CNIC numbers shall be mentioned on the forms.

CNIC NUMBER

As instructed by Securities & Exchange Commission of Pakistan (SECP) vides their letter No. EMD/D-II/Misc./2009-1342 dated April 4, 2013 dividend warrants cannot be issued without insertion of CNIC Numbers; therefore, all shareholders holding physical shares were requested to submit copies of their valid CNICs/NTN Certificates along with the folio numbers to the Company's Share Registrar: Messrs. FAMCO Associates (Pvt) Limited, 8-F, Next to Hotel Faran, Nursery, Block-6, P.E.C.H.S, Shahrah-e-Faisal, Karachi. No dividend will be payable unless the CNIC number is printed on the dividend warrants, so please let us have your CNIC numbers, failing which we will not be responsible if we are not able to pay the dividend.

DIVIDEND MANDATE

In order to make process of payment of cash dividend more efficient, SECP vide circular No. 8(4) SM/CDC 2008 dated April 5, 2013 have issued instructions so that the shareholders can get their dividend credited in their respective bank accounts electronically without any delay. You may therefore authorize the Company to credit the dividend directly to your bank account for all future dividends declared by the Company. Accordingly all non CDC shareholders are requested to send their bank account details to the Company's Registrar. Shareholders who hold shares with Participant/Central Depository Company of Pakistan (CDC) accounts are advised to provide the mandate to the concerned Stock Broker/Central Depository Company of Pakistan Ltd. (CDC).

TAXATION FOR FILERS AND NON FILERS UNDER THE PROVISIONS OF INCOME TAX ORDINANCE 2001

Pursuant to the provisions of Finance Act 2014, the rate of deduction of income tax under section 150 of the Income Tax Ordinance 2001 from dividend payment have been revised as for filers of Income Tax return 10% and Non filer of Income Tax return 15%. In case of Joint account, each holder is to be treated individually as either a filer or non-filer and tax will be deducted on the basis of shareholding of each joint holder as may be notified by the shareholder, in writing as follows, to our Share Registrar, or if no notification, each joint holder shall be assumed to have an equal number of shares

Company Name	Folio/CDS Account No.	Total Shares	Principal Shareholder		Joint Shareholder	
			Name & CNIC No.	Shareholding proportion (No.of Shares)	Name & CNIC No.	Shareholding proportion (No.of Shares)

The CNIC number/NTN details is now mandatory and is required for checking the tax status as per the Active Taxpayers List (ATL) issued by Federal Board of Revenue (FBR) from time to time.

Individuals including all joint holders holding physical share certificates are therefore requested to submit a copy of their valid CNIC to the company or its Registrar if not already provided. For shareholders other than individuals, the checking will be done by matching the NTN number, therefore the Corporate shareholders having CDC accounts are requested in their own interest to provide a copy of NTN certificate to check their names in the ATL before the book closure date to their respective participants/ CDC, whereas corporate shareholders holding physical share certificates should send a copy of their NTN certificate to the Company or its Share Registrar. The Shareholders while sending CNIC or NTN certificates, as the case may be must quote their respective folio numbers.

Further, all shareholders are advised to immediately check their status on ATL and may, if required take necessary action for inclusion of their name in the ATL. The Company as per the new Law, shall apply 15% rate of withholding tax if the shareholder's name, with relevant details, does not appear on the ATL, available on the FBR website on the first day of book closure and deposit the same in the Government Treasury as this has to be done within the prescribed time.

Consent for Video Conference Facility

Members can also avail video conference facility. In this regard please fill the following and submit to registered address of the Company 10 days before holding the general meeting. If the Company receives consent from members holding in aggregate 10% or more shareholding residing at geographical location, to participate in the meeting through video conference at least 10 days prior to the date of meeting, the Company will arrange video conference facility in that city subject to availability of such facility in that city.

The Company will intimate members regarding venue of conference facility at least 5 days before the date of general meeting along with complete information necessary to enable them to access such facility.

I/We,_________________________ of __________, being a member of Dawood Hercules Corporation Limited, holder of ____________________ ordinary share (s) as per Register Folio/CDC Account No_____________ hereby opt for video conference facility at ______________________.

____

Signature of members

AUDITED FINANCIAL STATEMENTS THROUGH EMAIL:

SECP through its Notification SRO 787 (I)/2014 dated September 8, 2014 has allowed the circulation of Audited Financial Statements along with Notice of Annual General Meeting to the members of the Company through e-mail. Therefore, all members of the Company who desire to receive soft copy of Annual Report are requested to send their e-mail addresses.

CHANGE OF ADDRESS

Shareholders (Non-CDC) are requested to promptly notify the Company's Registrar of any change in their addresses and submit, if applicable to them, the Non-deduction of Zakat Form CZ-50 with the Company's Registrar. All the shareholders holding their shares through the CDC are requested to please update their addresses and Zakat status with their participants. This will assist in the prompt receipt of Dividend.

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

These statements are annexed to the Notice of the Forty Seventh Annual General Meeting of Dawood Hercules Corporation Limited to be held on Friday, 24th April 2015, at which certain Special Businesses are to be transacted. These Statements set forth the material facts concerning such Special Business.

AGENDA ITEM (5) (SEEKING APPROVAL OF INVESTMENT IN ASSOCIATED UNDERTAKINGS, ACQUISITION OF HUBCO SHARES FROM PATEK PRIVATE LIMITED):

#	Nature of information required to be disclosed pursuant to the Companies (investments in associated companies or undertakings) Regulations, 2012	Relevant Information the hub power company limited
1.	Name of the associated company or associated undertaking along with criteria based on which the associated relationship is established	• The Hub Power Company Limited (Hubco) 3.43% shareholding • Common directorship
2.	Purpose, benefits and period of investment	Purpose • To consolidate the investments in Hubco by purchase of shares held by associated company – Patek (Private) Limited Benefits • To increase revenue and in turn shareholder's value Period of investment • Long term
3.	Maximum amount of investment	Rs 695.14 million (as at 17.3.2015)
4.	Maximum price at which securities will be acquired	Market price prevalent at the time of purchase
5.	Maximum number of securities to be acquired	7,735,000

6.	Number of securities/units and percentage thereof held before and after the proposed investment	Before: 39,707,000 (%age: 3.43%) After: 47,442,000 (%age: 4.10%)
7.	In case of investment in listed securities, average of the preceding twelve weekly average price of the security intended to be acquired	Rs 76.97
8.	Break-up value of securities intended to be acquired on the basis of the latest audited financial statements	Rs 26.83 (30.6.2014)
9.	Earning/(Loss) per share of the associated company or associated undertaking for the last three years	2014: Rs 5.66, 2013: Rs 8.11, Rs 2012: 7.08
10.	Sources of fund from which securities will be acquired	Long term finance
11.	If the securities are intended to be acquired using borrowed funds; a . Justification for investment through borrowings b. detail of the guarantees and assets pledged for obtaining such funds	 The cost of borrowing at 11% is lower than the average return of Karachi Stock Exchange which is around 27% for the period January 14 to December 14. The shares of the Hub Power Company will be pledged as security towards the borrowing.
12.	Salient features of the agreement(s), if any, entered into with its associated company or associated undertaking with regards to the proposed investment	Not applicable
13.	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 interest in the proposed acquisition, except to the extent of their shareholding in the associated company or associated undertaking or the transaction under consideration
14.	Any other important details necessary for the members to understand the transaction	The Hub Power Company Limited is an associated company of the Company. As part of consolidation of investment under the Holding Company, the investment held by the associated company is being transferred into the Holding Company. This transfer is intended to have the effect of increased revenues and will in turn result in increased pay out to the shareholders of the Company in the form of dividends.

15.	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: a. Description of the project and its history since conceptualization. b. Starting and expected date of completion of work. c. Time by which such project shall become commercially viable. d. Expected time by which the project shall start paying return on investment.	Not applicable

AGENDA ITEM (6) (TO SEEK APPROVAL FOR AUTHORIZING INVESTMENT BY WAY OF LOAN TO e2e BUSINESS ENTERPRISES PRIVATE LIMITED, AN ASSOCIATED COMPANY)

#	Nature of information required to be disclosed pursuant to the Companies (investments in associated companies or undertakings) Regulations, 2012	Relevant Information
1	Name of associated company or associated undertaking along with the criteria based on which the associated relationship established	• e2e Business Enterprises (Private) Limited • 39% investment
2	Amount of loan or advances	Rs 90 million
3	Purpose of loans or advances and benefits likely to accrue to the investing company and its members from such loans and advances	Purpose • To meet the construction requirement of the project • To ensure timely completion of the project Benefits The completion of project will result in distribution of profits to the Company and resultantly increase in shareholder's return.
4	In case any loan has already been granted to the said associated company or associated undertaking on the basis of its latest financial statements	Not applicable
5	Average borrowing cost of the investing company or in case of absence of borrowing the Karachi Inter Bank Rate of the relevant period	10.72% (3M KIBOR plus 250 bps)
6	Rate of interest or markup, profit, fees or commission etc. to be charged	13.22% (3M KIBOR plus 500bps)

7	Sources of funds where loans or advances will be given	Own funds
8	Where loans or advances are being granted using borrowed funds: • Justification for granting loan or advances out of borrowed funds • Details of guarantee/ assets pledged for obtaining such funds, if any and • Repayment schedule of borrowings of the investing company	Not applicable
9	Particulars of collateral security to be obtained against loan to the borrowing company or undertaking, if any;	Shares of e2e Business Enterprises (Private) Limited held by the sponsor of e2e Supply Chain Management (Private) Limited with 20% margin
10	If the loan or advances carry conversion feature i.e it is convertible into securities, this fact along with complete detail including conversion formula, circumstances in which the conversion may take place and the time when the conversion may be exercisable	Not applicable
11	Repayment schedule and terms of loans or advances to be given to investee company	• The tenor of loan is 15 months • The repayment will be in one bullet payment of entire amount on the completion of the aforesaid period • Markup is payable quarterly
12	Salient feature of all agreement entered or to be entered with its associated company or associated undertaking with regard to proposed investment	None
13	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 interest in the proposed acquisition, except to the extent to their shareholding in the associated company or associated undertaking or the transaction under consideration
14	Any other important details necessary for the members to understand the transaction; and	Not applicable
15	In case of investment in a project of an associated company or associated undertaking that has not commenced operations, in addition to the information referred to above, the following further information is required, namely:	
	a. A description of the project and its history since conceptualization	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

	b. Starting date and expected date of completion c. Time by which such project shall become commercially operational	Rice Bran will be sourced from the rice growing areas of Punjab. The total cost of the project is currently estimated at Rs 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. The project company was established in January 2012 and the expected date of completion of the project is March 2015. The project has an estimated payback period of 3 years and is expected to be commercially viable in the first year of its operation.
	d. Expected return on total capital employed in the project e. Funds invested or to be invested by the promoters distinguishing between cash and non cash amounts	29.6% Cash : Rs 238 million Non cash : Nil

AGENDA ITEM (7) (TO SEEK APPROVAL FOR PLEDGE OF SHARES OF e2e BUSINESS ENTERPRISES LIMITED HELD BY THE COMPANY IN FAVOR OF PAK BRUNEI INVESTMENT COMPANY TO SECURE THE FINANCE FACILITY OBTAINED BY e2e BUSINESS ENTERPRISES PRIVATE LIMITED, AN ASSOCIATED COMPANY:

M/s. e2e Business Enterprises (Private) Limited, an associated company, has obtained a long term loan of Rs 300 million from Messrs. Pak Brunei Investment Company Limited as a project financing facility for the construction and procurement of machinery. One of the conditions for the aforesaid loan is the furnishing of security in the form of 51% shares held by all the shareholders of e2e Business Enterprises (Private) Limited. As a result, the Company is also required to pledge 51% of its 23.7 million ordinary shares in e2e Business Enterprises (Private) Limited, which works out to 12.1 million shares.

For the above purpose, approval of the members is being sought through a Special Resolution.

None of the directors of the Company is, either directly or indirectly, concerned or interested in the aforesaid special business.

AGENDA ITEM (8) (TO SEEK APRROVAL FOR ALTERATION IN THE ARTICLES OF ASSOCIATION OF THE COMPANY):

ORIGINAL CLAUSES OF THE ARTICLES	PROPOSED AMMENDED CLAUSES OF THE ARTICLES
58. Five shareholders, provided at least 25 per cent of the total issued and paid-up capital is represented, entitled to vote and be present in person or by proxy, shall be a quorum for Ordinary or Extraordinary General Meetings.	58. Ten shareholders, provided at least 25 per cent of the total issued and paid-up capital is represented, entitled to vote and be present in person or by proxy, shall be a quorum for Ordinary or Extraordinary General Meetings.
65. If a poll is demanded as aforesaid, it shall be taken in the manner laid down in Section 168 of the Ordinance and either at once, or after an interval or on adjournment or otherwise, but in no event later than one (1) day after the day scheduled for the meeting and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The demand for a poll may be withdrawn.	65. If a poll is demanded as aforesaid, it shall be taken in the manner laid down in Section 168 of the Ordinance and either at once, or after an interval or on adjournment or otherwise, but in no event later than fourteen (14) days after the day scheduled for the meeting and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The demand for a poll may be withdrawn.
85. (a) The Directors may elect one of their numbers as the Chairman of the Board and the another number as the vice Chairman of the Board.	85. (a) The Directors may elect the Chairman of the Board and the Vice Chairman of the Board from amongst the non-executive directors of the Board, provided that the Chairman and the Chief Executive shall not be the same person.
86. The Board of Directors shall, on such terms and conditions as it may determine, appoint one of their number to be the Managing Director of the Company. The Managing Director shall be the Chief Executive of the Company and he shall exercise all his powers and functions in relation to the management and administration of the affairs of the Company subject to the general supervision and control of the Directors.	86. The Board of Directors shall, on such terms and conditions as it may determine, appoint any person to be the Managing Director of the Company. The Managing Director shall be the Chief Executive of the Company and he/she shall exercise all of his/her powers and functions in relation to the management and administration of the affairs of the Company, subject to the general supervision and control of the Directors.
87. The Directors may from time to time and at any time appoint one of their number to be an Executive Director with such duties and powers as the Directors may prescribe.	87. The Directors may from time to time and at any time appoint one of their number to be an executive directors with such duties and powers as the Board may prescribe, provided that the executive directors shall not be more than one third of the elected directors, including the Chief Executive. 87A. At least one member of the Board of the Company shall be an independent director.

88. (a) The Directors may from time to time and at any time delegate any of their powers to an Executive Committee composed of the Managing Director and the Executive Director appointed in accordance with Articles 86 and 87. The Executive Committee shall conform to any regulations that may be imposed upon it by the Directors. (b) The Directors may from time to time and at any time create a committee or committees consisting of two or more persons to undertake any general or specific function. Any committee so formed shall conform to any regulation that may be imposed upon it by the Directors	88. The Board of Directors shall establish an Audit Committee, a Human Resource and Remuneration Committee, and from time to time establish any other committee or committees as it thinks fit. The Board of Directors, subject toapplicable law, shall determine the responsibilities of the committees, the regulations that may be imposed upon them by the Board and select the members that shall comprise these committees.
89. Until otherwise determined by a General Meeting the qualifications of a Director, other than the Managing Director and Executive Director shall be his holding shares of the value of Rs. 25,000 at least, in his own name, provided that Directors representing interests holding the shares of the requisite value need not themselves hold the qualification shares.	89. Until otherwise determined by a General Meeting the qualifications of a Director, other than the Managing Director and Executive Director shall be his/her holding 100 shares at least, in his/her own name, provided that Directors representing interests holding the shares of the requisite value need not themselves hold the qualification shares
90. Each Director including alternate or substitute Director shall receive out of the funds of the Company a fee and expenses for every meeting of the Board attended by him as may be determined by the Board from time to time.	90. Each director including alternate or substitute Director shall receive out of funds of the Company a fee and expenses for every meeting of the Board attended by him/her as may be determined by the Board from time to time, by means of a formal and transparent procedure.


OUR AIM
BY 2035

Have over 35,000 MW of Power Generating Capacity Under our Operation in Pakistan and Similar Markets

AWARDS

Best Corporate Governance Award 2014, World Finance, London (Engro)

KSE Top 25 Companies Award, 2010 (Dawood Hercules Corporation)

Investor Relations Award 2014, 11th CFA Pakistan Annual Excellence Awards (Engro)

Corporate Social Responsibility Award (Hubco)

Engro declared the Best Coordinator for Green Office by WWF Finland


OUR AIM
BY 2035

Create an Organization that will be over

$30 billion in Value

($20bn from Foods, $10bn from Energy), at a CAGR of 12% in USD

DIRECTORS' REPORT

A. Business Report

I. Economic scenario

Global

The Global economy witnessed moderate recovery in 2014. After witnessing slower growth of 2.1 percent in 2013, world growth recovered to 3.0 percent in 2014 and outlook for 2015 is a further improvement to 3.3 percent. This is driven by stronger growth in advanced economies, especially in the United States coupled with signs of ending of the recession in Europe and Japan. Whereas China's growth has slowed somewhat, the world's second largest economy is seen to be undergoing positive reform as it attempts to consolidate and improve governance etc.

Local

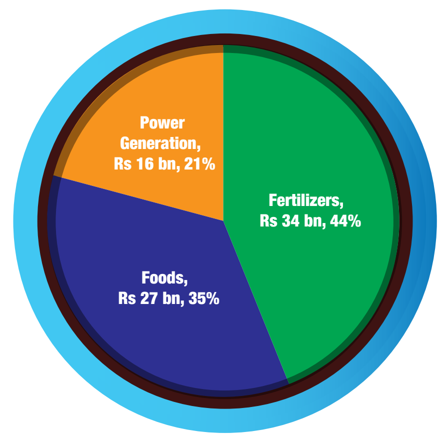
Pakistan economy succeeded in attaining 4.14 percent growth in the fiscal year 2014 which is the highest since 2008-09. The economy has witnessed a turnaround as the government is seen to be pursuing economic reform. Early results, particularly stabilizing foreign exchange reserves, appreciation of exchange rate, successful launching of Euro Bond and auction of 3G/4G licenses reinforced this view coupled with the drop in international oil price, the economy presents an improved overall outlook. The international financial institutions such as International Monetary Fund and World Bank have also acknowledged the positive improvements in Pakistan's economy.

China and Pakistan entered into a comprehensive plan to create a new "economic corridor" between the two nations. The list of projects to be completed in Pakistan is under consideration and joint working groups have been formed. The corridor will serve as a driver for connectivity between South Asia and East Asia. These new trade linkages are expected to increase trade and Pakistan will benefit from key export markets.

II. Business Overview

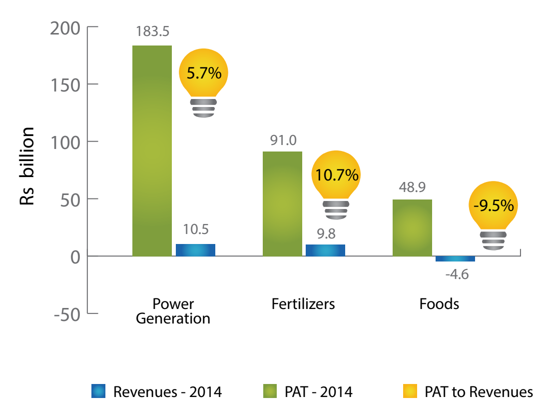
DH Corp's investment portfolio consists mainly of investments in Engro Corporation Limited (E Corp), The Hub Power Company Limited (Hubco) and DH Fertilizers Limited (DHFL). The Company directly and through its subsidiary DHFL own 37% of the shareholding in E Corp and 14% shareholding in Hubco. The value of its listed portfolio during 2014 has increased by 37% from Rs 40,889 million to 56,106 million at the end of 2014. This is 10% points higher than the return generated by the KSE of 27%.

Market capitalization of the Company's investment portfolio as at December 31, 2014 is as follows:



Investment portfolio
Proportionate market capitalization 2014
Rs 78 billion

Breakdown of DH Corp exposure into different businesses (fertilizers, foods, energy) along with return is as follows:



Fertilizers

On a consolidated basis, our fertilizer segment performed much better than last year. This was a result of 60mmcfd of gas from Guddu/Mari shallow, being made available to Engro Fertilizers to run both its plants. As a result, the revenues of Engro Fertilizers increased by 23% to Rs 61,425 million,

thereby leading to an increase in profits by 49% to Rs 8,208 million. The increased cash generation allowed the company to accelerate its deleveraging by implementing a cash sweep to its lenders. As of December 2014, total debt outstanding in Engro Fertilizers was Rs 44,002 million, down by 25.4% from the same period last year.

Growth in agriculture is on average at least twice as effective in reducing poverty as growth in other areas

However, gas to DHFL, a wholly owned subsidiary of DH Corp, remained a key concern. Number of days of gas available to DHFL reduced from 56 days last year to 45 days in 2014. Consequently, urea production fell by 31% to 41,933 tons. The lower urea production led to an operating loss of Rs 38 million for the entire year.

The Company has also reinitiated its negotiations with Pakarab Fertilizers Limited (PAFL) to find an out of court settlement regarding the suit for the sale of its wholly owned subsidiary DHFL. The negotiations have been progressing well and we expect to arrive at a definitive solution by the end of March this year.

Foods

Engro Foods Limited (EFL) has had an important year. EFL entered the year with a myriad of challenges, ranging from a tough external environment led by higher commodity prices, higher inflation and increased competition to internal challenges resulting from distribution to managing multiple product/business lines. As a result, EFL focused on consolidating its business portfolio and prioritizing on its core product portfolio. The Canadian business was sold and its pilot project on pasteurized milk was brought to a conclusion. The increased focus on its core business led to a substantial improvement in revenue and profitability improvement in its two largest brands i.e. Olpers and Tarang.

The rice portfolio continued to present the management with many challenges. The crash in commodity prices, appreciation of the Pakistani rupee and reduced competitiveness of Pakistani produce led substantial losses in the business. Consequently, the management of the Engro Eximp initiated a restructuring of the business leading to a much-reduced size of the operation and bringing about more stringent cost controls.

The RBO project is a joint venture with e2e supply chains. The project aims to extract oil from rice bran and is based in Muridke. The project is scheduled to come on line in the second quarter, 2015.

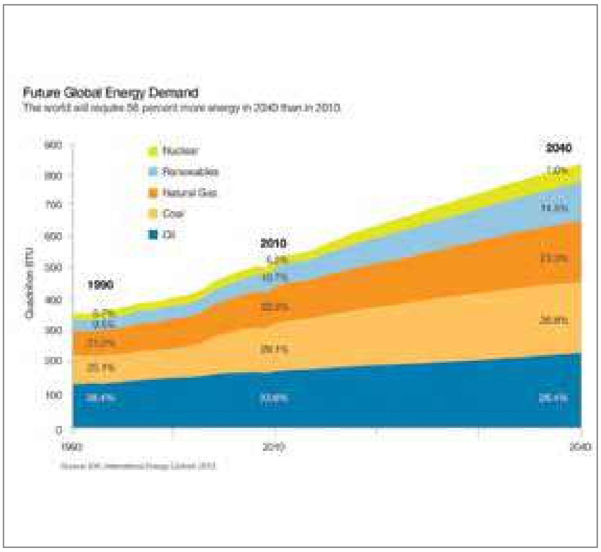
Modern dairy techniques can increase per day yield of milk in cows of small farmers to up-to 30 litres (current yield in Pakistan is about 5 litres)

Energy and Energy infrastructure

The energy and energy infrastructure portfolio consists of 1,800 MW of power generation assets owned by Hubco and Engro and a liquid chemical facility by the name of Engro Vopak.

Performance of Hubco has improved dramatically since the program on boiler rehabilitation of its hub plant was initiated in 2013. Significant investments were made to improve the operational reliability of the plants, which are resulting in better plant availability.

The combined average plant availability of the three plants (Hub, Narowal and Laraib) increased from 67% to 70% corresponding to an increase in electricity generation by 3%. The consolidated earnings per share have increased by 62% to Rs 4.67/share.



The Engro Powergen Qadirpur improved upon its operational performance for the year ended December 31, 2014 and demonstrated a billable available capacity factor of 99.9% compared to 83.1% last year. The revenues of Engro PowerGen Qadirpur showed an increase of 39% to Rs 12,041 million and similarly increasing its earnings per share by 39% to Rs 6.24/share.

During the year, LNG Service Agreement (LSA) was signed between Engro Elengy Terminal Private Limited (EETPL) and Sui Southern Gas Company Limited (SSGC). This agreement is in line with the Federal Cabinet's approval for the LNG import infrastructure project. LNG Import is the fastest short-term solution to Pakistan's crippling economic needs. Pakistan's existing gap between gas supply/ demand is approximately 1.6bcfd. At the current rate of consumption, it is expected that Pakistan will run out of gas in less than 20 years, hence it is imperative to look for the alternative source of gas in and around Pakistan. Importing LNG will enable the government to save significant foreign exchange through import substitution of oil and alleviate the energy crisis plaguing the country.

The Terminal has entered into a contract of 400 MMSCFD of re-gasified liquefied natural gas (RLNG) with Government of Pakistan which will reduce the existing shortage of 1.6 billion cubic feet by one-fourth. Engro – our associated company possesses expertise to develop and execute projects of such nature.

The EETPL tolling price at $0.66 per mmbtu is an extremely low price relative to international benchmarks. EETPL's price is competitive and reflects EETPL's focus on ensuring affordable LNG to the nation. The import of Liquefied Natural Gas (LNG) would provide a big saving to the country in view of lower petrol imports.

III. Business reorganization

During the year, the Company has appointed an international consulting company to advise the management on the future direction of the Company. This was an extension of the earlier study carried out with respect to the vision, portfolio strategy and governance & organization. The management of DHCL engaged with the consultant to clarify and articulate the central idea for our group.

The Group believes that Pakistan's economic health and growth is inextricably linked to adding value to the country's agricultural output and in having the requisite energy supply to power economic growth. The Group further believes that given its current business portfolio and skill set, it is ideally positioned to be able to lead in both energy and agriculture and in doing so, can not only profitably meet Pakistan's growing demand but also grow to be the food basket for the region.

B. Financial Report

I. Financial performance

The consolidated gross profit of the Group for 2014 at Rs 273.71 million was lower than 2013 by Rs 515.58 million mainly due to non availability of gas from 309 days in 2013 to 320 days in the current year. During the year, the Group sustained a consolidated operating loss of Rs 369.95 million against profit of Rs 294.18 million in the similar period last year. Consolidated finance cost at Rs

890.16 million was Rs 40.32 million higher over last year mainly due to higher utilization of running finance facilities due non-availability of gas, the only raw material for the fertilizer industry. The share of profit from associated companies at Rs 3,941.45 million was Rs 507.63 million lower mainly due to losses accounted for by Engro Corporation of its subsidiary companies and lower profitability by the Hub Power Company Limited. After accounting for tax charge of Rs 427.14 million, the profit after tax of Rs 2,974.71 million was lower by Rs 477.07 million against last year.

Gas to DHFL, a wholly owned subsidiary of DH Corp, remained a key concern. Number of days of gas available to the company reduced from 56 days last year to 45 days in 2014. Consequently, urea production fell by 31% to 41,933 tons. The lower urea production led to an operating loss of Rs 38 million for the entire year.

II. Earnings per share

The unconsolidated earnings per share for the year 2014 were Rs 1.79 per share as compared to Rs 0.89 per share for the year 2013. Consolidated earnings per share for the year were Rs 6.18 (2013: Rs 7.17) per share.

III. Auditors

The present auditors, Messrs. A.F. Ferguson & Co., Chartered Accountants are retiring at the conclusion of the forthcoming annual general meeting and 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, 2015 and the Board has endorsed this recommendation.

IV. Pattern of shareholding

The pattern of shareholding of the Company as at December 31, 2014 together with other necessary information is available at the end of this report along with the proxy form.

V. Market capitalization and breakup value

At the close of the year, the market capitalization of the Company was Rs 40,674 million (2013: Rs 27,010 million) with a market value of Rs 84.51 per share (2013: Rs 56.12) and the breakup value of Rs 19,857.82 million (2013: Rs 19,478.86 million) or Rs 41.25 per share (2013: Rs 40.47 per share).

VI. Appropriation

The Board has recommended a final cash dividend of Rs 1 per share (10%) for approval by the shareholders in the 47th Annual General Meeting.

VII. Contribution to the national exchequer and economy

During the year, in aggregate, a sum of Rs 1,041 million (2013: Rs 1,073 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 173 million (2013: Rs 133 million).

VIII. Provident and gratuity funds

The value of investment of provident fund and defined benefit gratuity plan (funded) as at December 31, 2014, based on their un-audited accounts, were Rs 39.113 million and Rs 13.953 million respectively.

IX. Board of directors

During the year election of directors was held on April 28, 2014 and effective from that date ten elected directors took office for a term of three years. There has been no change in the composition of the Board during the year, which comprised of:

Independent Directors	2
Non-Executive Directors	6
Executive Directors	2

X. Board meetings

Seven meetings of the Board were held during the year 2014, 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 was as follows:

Name of the Director	Meetings attended		
	Board Meetings	Board Audit Committee	Board Compensation Committee
Mr. Hussain Dawood	7/7	-	2/2
Mr. Samad Dawood	6/7	-	1/2 **
Mr. Javed Akbar	7/7	5/5	
Mr. M. Abdul Aleem	6/7	5/5	2/2
Mr. Aliuddin Ansari*	2/7	-	
Mr. Shahzada Dawood	6/7	-	-
Ms. Sabrina Dawood	4/7	-	-
Mr. Parvez Ghias	7/7	5/5	2/2
Mr. Shahid Hamid Pracha	7/7	-	1/2 **
Mr. Hasan Reza ur Rahim	5/7	-	-
Mr. Saad Raja	3/7	-	-

*Term completed on 28th April 2014

** Attended by invitation

XI. Exemption from disclosure of CEO remuneration under the Companies Ordinance, 1984

Mr. Samad Dawood was appointed as the Chief Executive Officer of the Company with effect from 6th October 2014. Upon a request, SECP had granted waiver from the requirement of Fourth Schedule to the Companies Ordinance, 1984 with respect to disclosure of CEO remuneration for the year 2014.

XII. 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. 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

XIII. Directors training program

One of the directors attended the directors' training course during the year.

XIV. Related party transactions

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

XV. Future outlook

The Company has repositioned itself and is now focusing on its key investments verticals – Energy and Agri Business. For this purpose, new resources are in the process of being hired. This will help in better management of the investments and maintaining strategic focus in our underlying companies.

- Imported LNG has been planned to be part of the system by start of second quarter 2015 and might result in easing of the current challenging gas supply scenario in the country including the fertilizers sector.

- Sindh Engro Coal Mining Company (SECMC) project on Thar Coal is expected to achieve financial close by end of the year 2015. This project has the potential of controlling the energy crisis prevailing in the country and meet the future energy requirements as well in the medium to long term. Hubco has also committed to invest upto $20 million in SECMC.

- With respect to the fertilizer operations of DHFL, the Company is negotiating with all the stakeholders including the government to work out a win-win scenario in order to meet fertilizers demand of the country and simultaneously meeting the aspirations of other stakeholders including shareholders and employees of the DHFL.

C. 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 and their tireless efforts in driving the Company on the path of growth.

On behalf of the Board

Hussain Dawood
Chairman

Samad Dawood
Chief Executive

create over 1

million jobs

Our Aim by 2035

Relief activities for Thar drought victims (The Dawood Foundation)

Solar panel installation at TCF school in Hub (Hubco)

Celebrating International Day for Preservation of Ozone layer (Engro)

Women's Health Camp (DH Fertilizers)


e-education program (The Dawood Foundation)


Engro visit to Karachi Vocational Training Centre (KVTC)


LRBT eye camp (DH Fertilizers)


Visit to TCF school (Engro)


Beach Cleanup (Engro)


Blood Donation Drive (The Dawood Foundation)

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

FOR THE YEAR ENDED DECEMBER 31, 2014

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 comprises of:

Category	Names
Independent Directors	M. Abdul Aleem Pervez Ghias
Executive Directors	Samad Dawood Hasan Reza ur Rahim Muhammad Asif Saad *
Non-Executive Directors	Hussain Dawood Javed Akbar Shahzada Dawood Sabrina Dawood Saad Raja

* Muhammad Asif Saad was appointed on the Board with effect from January 16, 2015 after resignation of Shahid Hamid Pracha on the same date.

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 NBFI or, being a member of a Stock Exchange, has been declared as a defaulter by that Stock Exchange.

4. A casual vacancy occurring on the Board on 5th February 2014 was filled up upon election of directors held on 28th April 2014.

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 director training program.

10. The Board has approved the appointments of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit including their remuneration and terms and conditions of employment.

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 three members, of whom two are independent directors and one non executive director. 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 Human Resource and Remuneration Committee called as Board Compensation Committee. It comprises of three members, of whom two are independent directors and one non executive director. The Chairman of the Committee is a non executive director.

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 a 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.

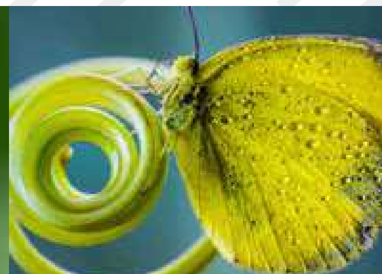
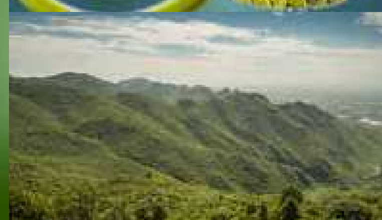
22. Material/price sensitive information has been disseminated among all market participants at once through Stock Exchanges.

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

Karachi
March 7, 2015

Samad Dawood
Chief Executive

THE GIVE BACK PROJECT

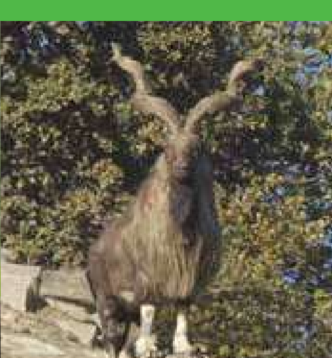





The Dawood Foundation (TDF) is the philanthropic arm of the Dawood Hercules Group. Formed by the Dawood Family in 1961, TDF mainly supports causes like education, community awareness and healthcare. TDF is proud to partner with Walkabout Films for “The Give Back Project” for the production of two documentary films (Margalla Hills National Park & Chitral Gol National Park). These spectacular documentaries will be translated into regional languages and televised nationwide for maximum coverage. The aim of these films is to showcase the diverse flora, fauna and landscape which Pakistan is blessed with, the fragility of the ecosystems, and the challenges faced by the land and its wildlife due to human intrusions. Sponsorship of two more films is also planned.







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A. F. FERGUSON & CO.

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, 2014 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, 2014.

A.F.Ferguson & Co.
Chartered Accountants
Karachi, March 13, 2015

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, 2014 and the related profit and loss account, statement of 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 accounts have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion-

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

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, statement of changes in equity and cash flow statement together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2014 and of the profit, 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.

A.F.Ferguson & Co.

Chartered Accountants
Karachi, March 13, 2015

Audit Engagement Partner: Khurshid Hasan

Balance sheet

As at December 31, 2014

	Note	2014	2013
		----------(Rupees in '000)----------	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	4	77,926	57,607
Intangible assets	5	134	267
Long term investments	6	20,569,752	20,507,191
		20,647,812	20,565,065
CURRENT ASSETS			
Short term advances	7	1,423	983
Short term deposits and prepayments	8	11,304	16,626
Other receivables	9	11,459	6,504
Short term investments	10	175,000	-
Interest accrued on bank deposits and investments		915	-
Cash and bank balances	11	10,253	13,727
		210,354	37,840
TOTAL ASSETS		20,858,166	20,602,905
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital	12	10,000,000	10,000,000
Issued, subscribed and paid up share capital	12	4,812,871	4,812,871
Revenue reserves	13	15,044,945	14,665,990
		19,857,816	19,478,861
NON CURRENT LIABILITIES			
Long term financing	14	242,585	304,918
Deferred liabilities	15	423	402
		243,008	305,320
CURRENT LIABILITIES			
Current portion of long term financing	14	87,880	33,880
Short term running finance	16	436,011	519,542
Trade and other payables	17	197,292	235,614
Accrued mark-up		34,148	28,081
Taxation - net		2,011	1,607
		757,342	818,724
TOTAL EQUITY AND LIABILITIES		20,858,166	20,602,905
CONTINGENCIES AND COMMITMENTS	18		

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

Karachi	M. A. Aleem	Samad Dawood
March 7, 2014	Director	Chief Executive

Profit and loss account

For the year ended December 31, 2014

	Note	2014	2013
		---------(Rupees in '000)---------	
Dividend income	19	1,652,946	922,406
Administrative expenses	20	(412,157)	(418,737)
		1,240,789	503,669
Other operating expenses	21	(696)	(428)
Other (loss) / income	22	(83,770)	16,818
Operating profit		1,156,323	520,059
Finance cost	23	(121,961)	(65,447)
Profit before taxation		1,034,362	454,612
Taxation	24	(174,256)	(25,327)
Profit after taxation		860,106	429,285
Earnings per share (Rupees) – basic and diluted	25	1.79	0.89

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

Karachi	M. A. Aleem	Samad Dawood
March 7, 2014	Director	Chief Executive

Statement of total comprehensive income

For the year ended December 31, 2014

	2014	2013
	----------(Rupees in '000)----------	
Profit after taxation	860,106	429,285
Other comprehensive income for the year		
Item that will not be reclassified to profit and loss		
Remeasurement of post-retirement benefits obligation	136	276
Item that may be subsequently reclassified to profit and loss		
Fair value reserve transferred to profit and loss account on disposal of investments classified as 'available for sale'	-	(1,269)
	136	(993)
Total comprehensive income for the year	860,242	428,292

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

Karachi
March 7, 2014

M. A. Aleem
Director

Samad Dawood
Chief Executive

Statement of changes in equity

For the year ended December 31, 2014

	Issued, subscribed and paid up share capital	--------------Revenue reserves-------------- General reserve	Unappropriated profit	Sub-total	Surplus on revaluation of investments	Total
	---------------------------------------(Rupees in '000)					--
Balance as at January 1, 2013	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)
Total comprehensive income for the year	-	-	429,561	429,561	(1,269)	428,292
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	13,965,990	14,665,990	-	19,478,861
Total comprehensive income						
Profit for the year	-	-	860,106	860,106	-	860,106
Other comprehensive income	-	-	136	136	-	136
Total comprehensive income for the year	-	-	860,242	860,242	-	860,242
Transactions with owners						
Final cash dividend @10% for the year ended December 31, 2013	-	-	(481,287)	(481,287)	-	(481,287)
Balance as at December 31, 2014	4,812,871	700,000	14,344,945	15,044,945	-	19,857,816

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

Karachi
March 7, 2014

M. A. Aleem
Director

Samad Dawood
Chief Executive

Cash flow statement

For the year ended December 31, 2014

	Note	2014	2013
		---------(Rupees in '000)---------	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash utilised in operations	28	(434,318)	(220,317)
Finance cost paid		(115,894)	(49,771)
Taxes paid		(173,852)	(24,092)
Staff retirement and other service benefits paid		(3,867)	(12,727)
Net cash utilised in operating activities		(727,931)	(306,907)
CASH FLOW FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(40,901)	(3,939)
Additions to intangibles		-	(400)
Proceeds from disposal of property, plant and equipment		11,509	1,630
Sale proceeds from disposal of assets classified as held for sale		952,690	-
Proceeds from disposal of short term investments		-	6,208
Interest received on bank deposits and investments		2,350	272
Long term investments made in associate		(62,561)	(175,146)
Dividends received		608,121	317,656
Net cash generated from investing activities		1,471,208	146,281
CASH FLOW FROM FINANCING ACTIVITIES			
Long term financing obtained		26,000	175,500
Long term financing repaid		(34,333)	(14,752)
Dividends paid		(479,887)	(480,025)
Net cash utilised in financing activities		(488,220)	(319,277)
Net increase / (decrease) in cash and cash equivalents		255,057	(479,903)
Cash and cash equivalents at the beginning of the year		(505,815)	(25,912)
Cash and cash equivalents at the end of the year	29	(250,758)	(505,815)

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

Karachi
March 7, 2014

M. A. Aleem
Director

Samad Dawood
Chief Executive

Notes to and forming part of the financial statements

For the year ended December 31, 2014

1. GENERAL INFORMATION

1.1 Dawood Hercules Corporation Limited (the 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 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 was incorporated on August 2, 2010. The division was affected 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 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.

1.3 During the year ended December 31, 2012, the Company had signed a Memorandum of Understanding (MoU) with Pakarab Fertilizers Limited (Pakarab) for the disposal of its entire shareholding (100 million ordinary shares of Rs. 10 each) in its wholly owned subsidiary, DH Fertilizers Limited (DHFL). Subsequently the Board of Directors (the Board) of the Company in its meeting held on December 10, 2012 decided that the Company does not intend to pursue the transaction for commercial reasons. Pakarab being aggrieved filed a suit in Sindh High Court (the Court) for the enforcement of the said MoU. The single bench of the Court in its interim order dated October 23, 2014 passed an injunction against the Company. The Company has filed an appeal against the order passed by the Court.

However, subsequent to the year end, the Company has recommenced negotiations with Pakarab to reach an out of court settlement for the said suit. The negotiations are currently in progress and it is expected that a definitive solution will be achieved by the end of June 2015.

2. SIGNIFICANT ACCOUNTING INFORMATION AND POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation and statement of compliance

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

2.2 New standards, amendments to approved accounting standards and interpretations

2.2.1 New standards, amendments to the published approved accounting standards and interpretations which became effective during the year ended December 31, 2014

There are certain new / revised standards, amendments to the published approved accounting standards and new interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) which became effective during the year ended December 31, 2014, but are considered not to be relevant or do not have any significant effect on the Company's operations and are, therefore, not disclosed in these financial statements.

2.2.2 New standards, amendments to the published approved accounting standards and new interpretations that are not yet effective and have not been early adopted by the Company

There are certain new standards, amendments to the published approved accounting standards and new interpretations that are mandatory for accounting periods beginning on or after January 1, 2015, but are considered not to be relevant or do not have any significant effect on the Company's operations and are, therefore, not disclosed in these financial statements except for IFRS 10, 'Consolidated financial statements'. This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in determination of control where this is difficult to assess. The Company is yet to assess the full impact of the amendments.

2.3 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 4 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.

2.4 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.

2.5 Investments 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.

2.6 Investments 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.

Investments in associates are carried at cost. At subsequent reporting dates, the Company determines whether there is any objective evidence that the investment in an 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.

2.7 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 Company 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 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.

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 the 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.

2.7.2 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.

2.7.3 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 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.

2.8 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 in hand, cheques in hand, deposits held with banks and other short-term highly liquid investments with maturities of three months or less.. 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.

2.9 Staff retirement and other benefits

2.9.1 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, 2014.

All actuarial gains / losses arising during the year are recognised in other comprehensive income of the Company in the year in which they arise.

Unfunded gratuity scheme has been established by the Company for all of the eligible contract employees who have completed minimum service of prescribed period. Provision is recognized for the obligation at each reporting date and the adjustments are recognised in the profit and loss account in the period in which they arise.

2.9.2 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.

2.9.3 Employee compensated absences

The Company provides for compensated absences for all eligible employees in accordance with the rules of the Company. During the year ended December 31, 2012, the Company changed the employee service rules whereby compensated absences are restricted to 10 days and the remaining balance is encashed at the end of the year. Accordingly, as at December 31, 2013 and 2014 the provision for compensated absences has been made at actual amounts.

2.10 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.

2.11 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.

2.12 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 the book closure period.

2.13 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 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.

2.14 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.

2.15 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.

- 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.

2.16 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 gains / losses on foreign currency translations are included in income / equity.

2.17 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 significant 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. The 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 15 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 estimates. Any change in the estimates in future years might effect the carrying amounts of the provisions with a corresponding affect on the profit and loss account of the Company.

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 4) will have a corresponding effect 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. PROPERTY, PLANT AND EQUIPMENT

4.1 The following is a statement of property, plant and equipment:

	Land	Building	Leasehold improvements	Furniture, fittings and equipment	Data processing equipment	Vehicles	Total
				(Rupees in '000)			
At January 1, 2013							
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
Year ended December 31, 2013							
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)
Net book value as at December 31, 2013	22,716	1,312	-	3,457	3,292	26,830	57,607
Year ended December 31, 2014							
Additions	-	-	10,406	6,743	4,406	19,346	40,901
Disposals							
Cost	-	-	-	-	(1,243)	(18,227)	(19,470)
Accumulated depreciation	-	-	-	-	859	9,391	10,250
Net book value	-	-	-	-	(384)	(8,836)	(9,220)
Depreciation charge for the year	-	(375)	(88)	(784)	(1,933)	(8,182)	(11,362)
Net book value as at December 31, 2014	22,716	937	10,318	9,416	5,381	29,158	77,926
At December 31, 2013							
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
At December 31, 2014							
Cost	22,716	7,500	10,406	17,803	15,750	53,212	127,387
Accumulated depreciation	-	(6,563)	(88)	(8,387)	(10,369)	(24,054)	(49,461)
Net book value	22,716	937	10,318	9,416	5,381	29,158	77,926
Depreciation rate (%)	-	5	10	10 to12.5	33.33 to 50	20	

4.2 Cost of property, plant and equipment that are fully depreciated amounts to Rs 18.190 million (2013: Rs 18.120 million).

4.3 Details of property, plant and equipment disposed off:

Particulars	Mode of disposal	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / (loss)	Particulars of purchasers
		----------------------(Rupees in '000)----------------------					
Items having net book value of greater than Rs 50,000 each							
Vehicles	Company policy	6,245	2,915	3,330	3,981	651	Ali Aamir
	--do--	9,581	4,790	4,791	6,072	1,281	Shahid Hamid Pracha
	--do--	676	484	192	304	112	Ronald Inayat
	--do--	834	667	167	323	156	Beena Tauseef
	--do--	891	535	356	535	179	Zubair Abdullah
Data processing equipment	--do--	86	14	72	40	(32)	Zubair Abdullah
	Bid	86	14	72	40	(32)	TAU Computers
Others Items having net book value of less than Rs 50,000 each	Various	1,071	831	240	214	(26)	Various
2014		19,470	10,250	9,220	11,509	2,289	
2013		2,178	2,138	40	1,630	1,590	

	Note	2014	2013
		--------(Rupees in '000)--------	
5. INTANGIBLE ASSETS			
Computer Software			
Net book value as at January 1		267	-
Additions during the year		-	400
Amortisation for the year		(133)	(133)
Net book value as at December 31		134	267
At December 31			
Cost		400	400
Accumulated amortisation		(266)	(133)
Net book value		134	267
6. LONG TERM INVESTMENTS			
Investment in a subsidiary company	6.1	1,615,119	1,615,119
Investment in associates - quoted	6.2	18,716,926	18,716,926
Investment in an associate - unquoted	6.3	237,707	175,146
		20,569,752	20,507,191

Notes to and forming part of the financial statements

For the year ended December 31, 2014

			2014	2013
			------------(Rupees in '000)------------	
6.1	Investment in a subsidiary company			
	DH Fertilizers Limited - unquoted 100,000,000 (2013: 100,000,000) ordinary shares of Rs 10 each		1,615,119	1,615,119
	Percentage of holding 100% (2013:100%)			

6.1.1 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	2014	2013
			------------(Rupees in '000)------------	
6.2	Investment in associates - quoted			
	Engro Corporation Limited (ECL)	6.2.1	17,425,249	17,425,249
	The Hub Power Company Limited (HUBCO)	6.2.2	1,291,677	1,291,677
			18,716,926	18,716,926
6.2.1	Engro Corporation Limited - quoted			
	175,012,555 (2013: 170,012,555) ordinary shares of Rs 10 each		17,425,249	16,820,499
	Add: Nil (2013: 5,000,000) ordinary shares received as 'specie dividend'		-	604,750
	175,012,555 (2013: 175,012,555) ordinary shares of Rs 10 each		17,425,249	17,425,249
	Percentage of holding 33.41% (2013: 34.23%)			

6.2.1.1 The market value of investment in ECL as at December 31, 2014 was Rs 38,767 million (2013: Rs 27,718 million).

6.2.1.2 During the year, ECL increased its paid-up capital through issuance of new shares to International Finance Corporation (IFC) pursuant to IFC's exercise of the conversion options in respect of loan to one of ECL's subsidiary companies. This resulted in decrease by 0.82% of the Company's holding in ECL.

6.2.1.3 The details of shares pledged as security against finance facilities are as follows:

Bank	As at December 31, 2014			As at December 31, 2013		
	Number of shares pledged	Face value of pledged shares	Market value of pledged shares	Number of shares pledged	Face value of pledged shares	Market value of pledged shares
	(in '000)	-----(Rupees in '000)-----		(in '000)	-----(Rupees in '000)-----	
Bank AL Habib Limited	5,540	55,400	1,227,165	5,540	55,400	878,059
United Bank Limied	1,900	19,000	420,869	-	-	-
Meezan Bank Limited (note 18.1.2)	29,000	290,000	6,423,790	-	-	-

	2014	2013
	---------(Rupees in '000)---------	
6.2.2 The Hub Power Company Limited - quoted		
39,707,000 (2013: 39,707,000) ordinary shares of Rs 10 each	1,291,677	1,291,677

Percentage of holding 3.43% (2013: 3.43%)

6.2.2.1 The Company effectively has 14.25% (2013: 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.

6.2.2.2 The market value of investment in HUBCO as at December 31, 2014 was Rs 3,111 million (2013: Rs 2,411 million).

6.2.2.3 The details of shares pledged as security against long term finance facility and short term running finance facilities are as follows:

Bank	As at December 31, 2014			As at December 31, 2013		
	Number of shares pledged	Face value of pledged shares	Market value of pledged shares	Number of shares pledged	Face value of pledged shares	Market value of pledged shares
	(in '000)	-----(Rupees in '000)-----		(in '000)	-----(Rupees in '000)-----	
Long term:						
Allied Bank Limited	12,581	125,810	985,847	12,581	125,810	763,858
Short term:						
Bank Al Habib Limited	13,500	135,000	1,057,860	13,500	135,000	819,720
United Bank Limited	10,000	100,000	783,600	-	-	-

		Note	2014	2013
			---------(Rupees in '000)---------	
6.3	Investment in an associate - unquoted			
	e2e Business Enterprises (Private) Limited			
	17,514,633 (2013: Nil) ordinary shares of Rs 10 each		175,146	-
	Add: 6,256,068 (2013: 17,514,633) ordinary shares received during the year		62,561	175,146
	23,770,701 (2013: 17,514,633) ordinary shares of Rs 10 each	6.3.1	237,707	175,146
	Percentage of holding 39% (2013: 39%)			

6.3.1 The Company signed a Shareholders Agreement (SA) with e2e Supply Chain Management (Private) Limited and three other members for the setting up of a Rice Bran Oil (RBO) project in Muridke, Sheikhupura - Punjab which is a greenfield project having annual production capacity of 9,700 tons of RBO. As per the SA, the Company made investment in e2e Business Enterprises (Private) Limited in four tranches at various stages of the RBO project.

		Note	2014	2013
			---------(Rupees in '000)---------	
7.	SHORT TERM ADVANCES			
	Considered good - unsecured			
	Advances to:			
	- Employees and executives	7.1	324	979
	- Suppliers		1,099	4
			1,423	983

7.1 Short term advances include Rs 0.130 million (2013: Rs 0.980 million) due from key management personnel of the Company. The maximum amounts due at the end of any month during the year from the directors and executives were Rs 0.850 million (2013: Rs 0.600 million) and Rs 0.070 million (2013: Rs 1.391 million) respectively.

		2014	2013
		---------(Rupees in '000)---------	
8.	SHORT TERM DEPOSITS AND PREPAYMENTS		
	Considered good		
	- to associates	881	663
	- to others	10,423	15,963
		11,304	16,626
	Considered doubtful - others	892	892
	Less: Provision for doubtful deposits	(892)	(892)
		-	-
		11,304	16,626

9. OTHER RECEIVABLES

These are receivable from the associates of the Company aggregating to Rs 11.459 million (2013: 6.504 million).

	2014	2013
	---------(Rupees in '000)---------	
10. SHORT TERM INVESTMENTS		
Held till maturity - note 10.1	175,000	-
10.1 Term deposit receipts - note 10.2		
- Bank Al-Habib Limited (7 days)	25,000	-
- Bank Al-Habib Limited (30 days)	150,000	-
	175,000	-

10.2 These carry mark-up rates ranging from 7.5% to 8.6% per annum (2013: Nil).

	Note	2014	2013
		---------(Rupees in '000)---------	
11. CASH AND BANK BALANCES			
Cash in hand		148	245
Cheques in hand		6,955	9,187
With banks in:			
- Current accounts		112	172
- Savings accounts	11.1	3,038	4,123
		3,150	4,295
		10,253	13,727

11.1 These carry markup at the rates ranging from 5% to 7% (2013: 5% to 7%) per annum.

12. SHARE CAPITAL

12.1 Authorised share capital

2014	2013		2014	2013
(Number of shares)			---------(Rupees in '000)--------	
1,000,000,000	1,000,000,000	Ordinary shares of Rs 10 each	10,000,000	10,000,000

12.2 Issued, subscribed and paid up share capital

2014	2013		2014	2013
(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
481,287,116	481,287,116		4,812,871	4,812,871

12.3 Shares held by related parties

	2014	2013
	(Number of shares)	
Dawood Lawrencepur Limited Percentage of holding 16.19% (2013: 16.19%)	77,931,896	77,931,896
The Dawood Foundation Percentage of holding 3.95% (2013: 3.95%)	18,991,988	18,991,988
Cyan Limited Percentage of holding 0.165% (2013: 0.165%)	794,380	794,380
Sach International (Private) Limited Percentage of holding 0.001% (2013: 0.001%)	6,996	6,996

		Note	2014	2013
			---------(Rupees in '000)--------	
13.	REVENUE RESERVES			
	General reserve		700,000	700,000
	Unappropriated profit		14,344,945	13,965,990
			15,044,945	14,665,990
14.	LONG TERM FINANCING			
	Long term financing	14.1	330,465	338,798
	Current portion		(87,880)	(33,880)
			242,585	304,918
14.1	Balance as at January 1		338,798	178,050
	Availed during the year		26,000	175,500
	Repayments during the year		(34,333)	(14,752)
	Balance as at December 31		330,465	338,798

14.2 This represents utilised portion of long term finance facility under mark-up arrangement from Allied Bank Limited (ABL) aggregating Rs 380 million (2013: 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 as more fully explained in note 6.2.2.3 with 50% margin. The facility carries markup at the rate of six months KIBOR plus 200 basis points per annum. The facility is for the period of 5 years and is payable semi annually in arrears with the first principal repayment made on July 5, 2013. The facility will be repaid in full by July 2017.

		Note	2014	2013
			---------(Rupees in '000)--------	
15.	DEFERRED LIABILITIES			
	These comprise of:			
	Defined benefit plan funded - gratuity scheme	15.4	(264)	402
	Defined benefit plan unfunded - obligation		687	-
			423	402

15.1 As stated in note 2.9.1, the Company operates a defined benefit plan i.e. an approved funded gratuity scheme for all of 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, 2014. The disclosures made in notes 15.2 to 15.16 are based on the information included in that actuarial report.

15.2 The actuarial valuation of gratuity plan was carried out as at December 31, 2014. The projected unit credit method using the following significant assumptions was used for this valuation:

	2014	2013
	---------(Rupees in '000)--------	
- Discount rate used for profit and loss account charge	12.5%	11.0%
- Discount rate used for year end obligation	10.5%	12.5%
- Expected rate of increase in salary levels - per annum	9.5%	11.5%

15.3 Mortality rate

The rates assumed were based on the SLIC 2001 - 2005 with 1 year setback mortality table.

	Note	2014	2013
		---------(Rupees in '000)--------	
15.4 Balance sheet reconciliation			
Present value of defined benefit obligation	15.5	13,689	19,883
Fair value of plan assets	15.6	(13,953)	(19,481)
Liability as at December 31		(264)	402
15.5 Movement in present value of defined benefit obligation			
Obligation as at January 1		19,883	15,096
Current service cost		3,529	3,386
Interest cost		1,741	1,661
Benefits paid		(11,902)	(170)
Remeasurment on obligation		438	(90)
Obligation as at December 31		13,689	19,883
15.6 Movement in fair value of plan assets			
Fair value as at January 1		19,481	6,070
Interest income		1,933	668
Contributions made		3,867	12,727
Benefits paid		(11,902)	(170)
Remeasurement on plan assets		574	186
Fair value as at December 31		13,953	19,481
15.7 Movement in net liability in the balance sheet			
Opening balance of net liability		402	9,026
Charge for the year	15.8	3,337	4,379
Contributions made by the company		(3,867)	(12,727)
Net remeasurement for the year	15.9	(136)	(276)
Closing balance of net (asset) / liability		(264)	402

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		2014	2013
		---------(Rupees in '000)--------	
15.8	Amounts recognised in the profit and loss account		
	Current service cost	3,529	3,386
	Net interest (income) / cost	(192)	993
		3,337	4,379
15.9	Remeasurement recognised in other comprehensive income		
	Remeasurement (gain) / loss on defined benefit liability		
	- Experience adjustments	438	(90)
	Remeasurement (gain) / loss on plan assets	(574)	(186)
	Net remeasurement (gain) / loss	(136)	(276)
15.10	Actual return on plan assets		
	Expected return on plan assets	1,933	668
	Remeasurement gain / (loss) on plan assets	574	186
	Actual return on plan assets	2,507	854

		2014		2013	
		(Rs in '000)	Percentage	(Rs in '000)	Percentage
15.11	Major categories / composition of plan assets				
	Cash and cash equivalents (net)	936	7%	2,932	15%
	Mutual funds	12,746	91%	16,549	85%
	Receivable from DHFL Management Staff Gratuity Fund	271	2%	-	0%
		13,953	100%	19,481	100%

15.12 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:

	2014	2013	2012	2011	2010
	-------------------------	-(Rupees in '000)-	-------------------------		
As at December 31					
Fair value of plan assets	13,953	19,481	6,070	2,711	107,904
Present value of defined benefit obligation	(13,689)	(19,883)	(15,096)	(7,593)	(143,455)
Surplus / (Deficit)	264	(402)	(9,026)	(4,882)	(35,551)
Experience adjustments:					
Gain / (loss) on plan assets	574	186	(18)	(307)	4,583
Gain / (loss) on obligations	(438)	90	(580)	3,967	(793)

15.13 Expected contribution to post employment benefit plan for the year ending December 31, 2015 is Rs 3.195 million (2014: Rs 3.580 million)

15.14 The weighted average duration of the defined benefit obligation is 7 years.

15.15 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%	(854)	976
Salary growth rate	1%	990	(878)

15.16 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.

	Note	2014	2013
		---------(Rupees in '000)--------	
16. SHORT TERM RUNNING FINANCE			
Running finance under mark-up arrangement	16.1 & 16.2	436,011	519,542

16.1 This includes utilised portion of short-term running finance facility aggregating to Rs 1,000 million (2013: Rs 1,000 million) obtained under mark-up arrangements from Bank Al-Habib Limited. The amount which remained unutilized as at December 31, 2014 was Rs 998.900 million (2013: Rs 480.458 million). The facility is secured by way of pledge of ECL and HUBCO shares as more fully explained in note 6.2.1.3 and 6.2.2.3 respectively. Rate of mark-up applicable to the facility is three months KIBOR plus 100 basis points (2013: three months KIBOR plus 100 basis points) per annum. The facility will expire on April 30, 2015.

16.2 This also includes utilised portion of short-term running finance facility aggregating to Rs 1,000 million (2013: Rs 1,000 million) obtained under mark-up arrangements from United Bank Limited. The amount which remained unutilized as at December 31, 2014 was Rs 565.090 million (2013: Rs 1,000 million). The facility is secured by way of pledge of ECL and HUBCO shares as more fully explained in note 6.2.1.3 and 6.2.2.3 respectively. Rate of mark-up applicable to the facility is one month KIBOR plus 125 basis points (2013: one month KIBOR plus 125 basis points) per annum. The facility will expire on May 02, 2015.

	2014	2013
	---------(Rupees in '000)--------	
17. TRADE AND OTHER PAYABLES		
Creditors	2,958	192,092
Accrued expenses	169,963	21,421
Unclaimed dividend	23,466	22,066
Others	905	35
	197,292	235,614

18. CONTINGENCIES AND COMMITMENTS

18.1 Contingent liabilities

18.1.1 During the year ended December 31, 2012 the Company had signed a Memorandum of Understanding (MoU) with Pakarab Fertilizers Limited (Pakarab) for the disposal of its entire shareholding (100 million ordinary shares of Rs. 10 each) in its wholly owned subsidiary, DH Fertilizers Limited (DHFL). However, the Board of Directors (the Board) of the Company in its meeting held on December 10, 2012 decided that the Company does not intend to pursue the transaction for commercial reasons. Subsequently, Pakarab filed a suit against the Company in Sindh High Court (the Court) for the enforcement of the said MoU. The single bench of the Court in its interim order dated October 23, 2014 gave an injunction against the Company. The Company has filed an appeal against the interim order. Subsequent to the year end, the Company has recommenced negotiations with Pakarab to reach an out of court settlement for the said suit.

18.1.2 The Company has 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 (2013: Rs 6,400 million) relating to a diminishing Musharaka finance facility of Rs 4,800 million (2013: Rs 4,800 million) availed by the subsidiary company. The corporate guarantee will remain in full force and effect for a period of seven and a half years commencing from December 27, 2011.

Further during the year, the Company has pledged 29 million shares of ECL as security for the subject finance facility which was restructured on December 26, 2014 for a further period of two and a half years.

18.2 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:

	2014	2013
	---------(Rupees in '000)--------	
Not later than one year	2,315	3,651

The Company has signed lease agreement for premises on rent from Dawood Foundation, a related party, which is due to expire in September 2017. The same is revocable by either party through prior notice of at least 3 months.

Notes to and forming part of the financial statements

For the year ended December 31, 2014

	Note	2014	2013
		---------(Rupees in '000)--------	
19. DIVIDEND INCOME			
Subsidiary - DH Fertilizers Limited		-	604,750
Associates			
- Engro Corporation Limited	19.1	1,394,850	-
- The Hub Power Company Limited		258,096	317,656
		1,652,946	317,656
		1,652,946	922,406

19.1 This includes the receipt of one share of Engro Fertilizers Limited (E Fert) for every ten shares of ECL i.e. 17,501,255 shares as 'specie dividend' amounting to Rs 1,044.825 million. These were measured at lower of carrying amount and fair value less cost to sell and were classified as held for sale in accordance with the requirement of IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'. However, during the year these shares were disposed off at a market value of Rs 952.690 million.

	Note	2014	2013
		---------(Rupees in '000)--------	
20. ADMINISTRATIVE EXPENSES			
Salaries, wages and other benefits	20.1	184,488	143,682
Rent, rates and taxes		15,051	12,264
Insurance		3,416	3,134
Repairs and maintenance		3,585	3,473
Communication, stationery and office supplies		13,585	11,164
Subscription and periodicals		14,276	13,051
Travelling and conveyance		18,344	12,659
Depreciation	4.1	11,362	11,519
Amortisation	5	133	133
Legal and professional charges		130,096	199,102
Donations	20.2	487	50
Other expenses	20.3	17,334	8,506
		412,157	418,737

20.1 Salaries, wages and other benefits include Rs 4.024 million (2013: Rs 4.379 million) charge for the year in respect of staff gratuity fund and Rs 6.207 million (2013: Rs 5.568 million) in respect of staff provident fund.

20.2 Donations include the following in which certain directors are interested:

Name and address of Donee	Name of Director	Interest in Donee	Purpose of Donation	2014	2013
				--------(Rupees in '000)--------	
Karachi Education Initiative National Stadium Road opp. Liaquat National Hospital, Karachi-74800	Mr. Hussain Dawood Mr. Hasan Reza Ur Rahim	Chairman of the Board Chief Executive Officer	Promotion of Education	487	-
The Dawood Foundation 10th Floor, Dawood Centre, M.T. Khan Road, Karachi	Mr. Hussain Dawood Mr. Shahzada Dawood	Chairman of the Board and his Spouse is the trustee Trustee	For earthquake affectees of Awaran District Balochistan	-	50

20.3 This includes an aggregate amount of Rs 11.090 million (2013: Rs 1.020 million) in respect of advertisement.

	Note	2014	2013
		---------(Rupees in '000)--------	
21. OTHER OPERATING EXPENSES			
Audit fee		240	215
Half year and other certification fees		297	130
Out of pocket expenses		159	83
		696	428
22. OTHER (LOSS) / INCOME			
(Loss) / income from financial instruments	22.1	(88,870)	7,770
Income from non-financial instruments	22.2	5,100	9,048
		(83,770)	16,818
22.1 (Loss) / income from financial instruments:			
Profit on savings accounts and term deposit receipts		3,265	272
Realised gain on sale of short term investments available for sale		-	4,862
Loss on disposal of assets classified as held for sale		(92,135)	-
Unrealised exchange gain		-	2,636
		(88,870)	7,770

		Note	2014	2013
			---------(Rupees in '000)--------	
22.2	Income from non-financial instruments:			
	Profit on disposal of property, plant and equipment		2,289	1,590
	Other income		2,811	7,458
			5,100	9,048
23.	FINANCE COST			
	Mark up on:			
	- Long term financing		39,901	26,664
	- Short term running finance		81,810	38,394
	Bank charges		250	389
			121,961	65,447
24.	TAXATION			
	Current - for the year	24.1	174,256	25,327
24.1	Relationship between tax expense and accounting profit			
			%	%
	Applicable tax rate		33.0	34.0
	Tax effect of amounts that are not taxable / deductible for tax purposes		13.1	11.9
	Tax effect of amounts exempt from tax		(26.5)	(21.8)
	Tax effect of amounts taxed at lower rate		(2.8)	(18.5)
			16.8	5.5

		2014	2013
		---------(Rupees in '000)--------	
25.	EARNINGS PER SHARE		
	Profit after taxation	860,106	429,285
		(Number of shares)	
	Weighted average number of ordinary shares	481,287,116	481,287,116
		---------(Rupees in '000)-------	
	Earnings per share (Rupees) – basic and diluted	1.79	0.89

25.1 There were no convertible dilutive potential ordinary shares outstanding as at December 31, 2014 and 2013.

26. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	2014			2013		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	(Rupees in '000)					
Managerial remuneration	9,612	49,951	35,219	11,782	33,300	36,948
Retirement benefits including ex-gratia	1,794	662	5,906	2,199	-	6,403
Rent and utilities	4,337	22,498	21,886	5,276	14,985	21,267
Compensated absences	697	-	2,998	1,581	-	-
Medical	651	6,965	2,465	785	3	3,069
	17,091	80,076	68,474	21,623	48,288	67,687
Number of persons	1	2	17	1	1	20

26.1 During the year, Mr. Abdul Samad Dawood was appointed as the Chief Executive Officer (CEO) of the Company. The above amounts relate to the outgoing CEO only, as a waiver was granted by the Securities and Exchange Commission of Pakistan with respect to the remuneration disclosure of newly appointed CEO for the year ended December 31, 2014.

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

26.3 Meeting fees aggregating Rs 4.800 million (2013: Rs 4.300 million) were paid to 8 directors (2013: 7 directors).

27. RELATED PARTY TRANSACTIONS

The related parties comprise Company, local associated companies, related group companies, directors of the Company, companies in which directors are interested, staff retirement benefits, key management personnel and close members of the family 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	2014	2013
		---------(Rupees in '000)--------	
Subsidiary company			
Reimbursement of expenses made to the Company		-	140
Reimbursement of expenses made by the Company		21,835	16,159
Dividend income		-	604,750
Purchase of goods and services		444	-
Sale of goods and services		2,092	4,475
Corporate guarantee provided on behalf of subsidiary	18.1	6,400,000	6,400,000
Associates			
Sale of goods and services		8,591	11,868
Purchase of services		16,703	13,174
Reimbursement of expenses from associates		12,011	3,618
Reimbursement of expenses to associates		2,304	2,890
Advertisements and entertainment		-	654
Investment in e2e Business Enterprises (Private) Limited		62,561	175,146
Commitment of investment in e2e Business Enterprises (Private) Limited		-	102,487
Dividend income		1,652,946	317,656
Commitment in respect of operating lease	18.2	2,315	3,651
Membership fee and other subscriptions		1,928	1,459
Donations		487	50
Other related parties			
Contribution to staff gratuity fund		3,867	12,727
Contribution to staff provident fund		6,207	5,618
Key management personnel			
Sale of property, plant and equipment		11,335	-
Salaries and other short term employee benefits		157,279	128,996
Post retirement benefit plans		8,362	8,602

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.

		Note	2014	2013
			---------(Rupees in '000)--------	
28.	CASH UTILISED IN OPERATIONS			
	Profit before taxation		1,034,362	454,612
	Adjustment for non cash expenses and other items:			
	Depreciation		11,362	11,519
	Amortisation		133	133
	Finance cost		121,961	65,447
	Profit on disposal of property, plant and equipment		(2,289)	(1,590)
	Profit on sale of short term investments		-	(4,862)
	Loss on sale of assets classified as held for sale		92,135	-
	Dividend income		(1,652,946)	(922,406)
	Provision for staff retirement and other service benefits		4,024	4,379
	Provision for doubtful deposits		-	892
	Profit on bank deposits		(3,265)	(272)
	Unrealised exchange gain		-	(2,636)
	Working capital changes	28.1	(39,795)	174,467
			(1,468,680)	(674,929)
	Cash utilised in operations		(434,318)	(220,317)
28.1	Working capital changes			
	(Increase) / decrease in current assets:			
	Short term advances		(440)	(675)
	Short term deposits and prepayments		5,322	(8,032)
	Other receivables		(4,955)	(6,012)
			(73)	(14,719)
	(Decrease) / increase in trade and other payables		(39,722)	189,186
			(39,795)	174,467
29.	CASH AND CASH EQUIVALENTS			
	Cash and bank balances	11	10,253	13,727
	Short term investments having maturity of three months or less	10	175,000	-
	Short term running finance	16	(436,011)	(519,542)
			(250,758)	(505,815)

	2014	2013
	---------(Rupees in '000)--------	
30. FINANCIAL INSTRUMENTS BY CATEGORY		
FINANCIAL ASSETS		
Loans and receivables at amortised cost		
Short term advances	1,423	983
Other receivables	11,459	6,504
Interest / mark-up accrued	915	-
Cash and bank balances	10,253	13,727
	24,050	21,214
Held to maturity		
Short term investments	175,000	-
	199,050	21,214
FINANCIAL LIABILITIES		
Financial liabilities at amortised cost		
Long term financing	330,465	338,798
Trade and other payables	197,292	235,614
Accrued mark-up	34,148	28,081
Short term running finance	436,011	519,542
	997,916	1,122,035

31. FINANCIAL RISK MANAGEMENT

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.

The Board of Directors (the Board) has overall responsibility for the establishment and oversight of Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor adherence to limits. Risk management policies and systems are reviewed regularly to react to change in market conditions and the Company's activities.

Risks managed and measured by the Company are explained below:

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 comprises 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, 2014, 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). As at December 31, 2014, 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 10.982 million (2013: Rs 6.417 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, 2014, if the Pakistani rupee 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 6.173 million (2013: Rs. 9.563 million). This will mainly result due to foreign exchange gains / losses on translation of USD denominated creditors.

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.

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 obligations to be similarly affected 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+

Total amount of short term investments of Rs 175 million (2013: Nil) has been placed with investees which have a short term credit rating of at least A1+.

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

	2014	2013
	---------(Rupees in '000)--------	
Short term advances	1,423	983
Other receivables	11,459	6,504
Mark-up accrued	915	-
Bank balances	10,105	13,482
Short term investments	175,000	-
	198,902	20,969

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:

2014	Carrying Amount	Six months or less	Six to twelve months	One to two years	Two to five years
	------------------------------(Rupees in '000)-----------------------------				
Short term financing	436,011	436,011	-	-	-
Long term financing	330,465	43,940	43,940	103,442	139,143
Trade and other payables	197,292	197,292	-	-	-
Accrued mark-up	34,148	34,148	-	-	-
	997,916	711,391	43,940	103,442	139,143
2013					
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	-	-	-
	1,122,035	800,177	16,940	85,591	219,327

31.5 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 equivalent. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

The gearing ratio as at December 31, 2014 and 2013 were as follows:

	Note	2014	2013
		---------(Rupees in '000)--------	
Total debt	14	330,465	338,798
Less: Cash and cash equivalent	29	(250,758)	(505,815)
Net debt		581,223	844,613
Total capital		20,439,039	20,323,474
Gearing Ratio		2.84%	4.16%

31.6 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 estimated fair value of all financial instruments is considered not significantly different from book value.

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, 2014.

	Note	2014	2013
		---------(Rupees in '000)--------	
Size of the fund - total assets		40,168	55,931
Cost of investments made		38,266	53,174
Percentage of investments made		95%	97%
Fair value of investments	32.1	39,113	54,216

32.1 The break up of fair value of investments is:

	--------------2014--------------		--------------2013--------------	
	(Rs in '000)	%age	(Rs in '000)	%age
Bank balances	2,623	6.7%	91	0.2%
Government securities	22,632	57.9%	41,170	75.9%
Mutual funds	13,858	35.4%	12,955	23.9%
	39,113	100%	54,216	100%

32.2 The investments of the Funds have been made in accordance with the provision of Section 227 of the Companies Ordinance, 1984 and the rules formulated for the purpose.

33. NUMBER OF EMPLOYEES

The total and average number of employees during the years ended December 31, 2014 and 2013 respectively are as follows:

	2014	2013
	--------No. of employees--------	
Average number of employees during the year	25	22
Number of employees as at the end of the financial year	28	23

34. GENERAL

34.1 All financial information except as otherwise stated has been rounded to the nearest thousand rupees.

34.2 As more fully explained in note 1 to these financial statements, the negotiations with Pakarab, which recommenced subsequent to the year end are in progress and it is expected that a definitive solution will be achieved by the end of June 2015. These financial statements do not recognise the impact of this event as it has taken place subsequent to the balance sheet date.

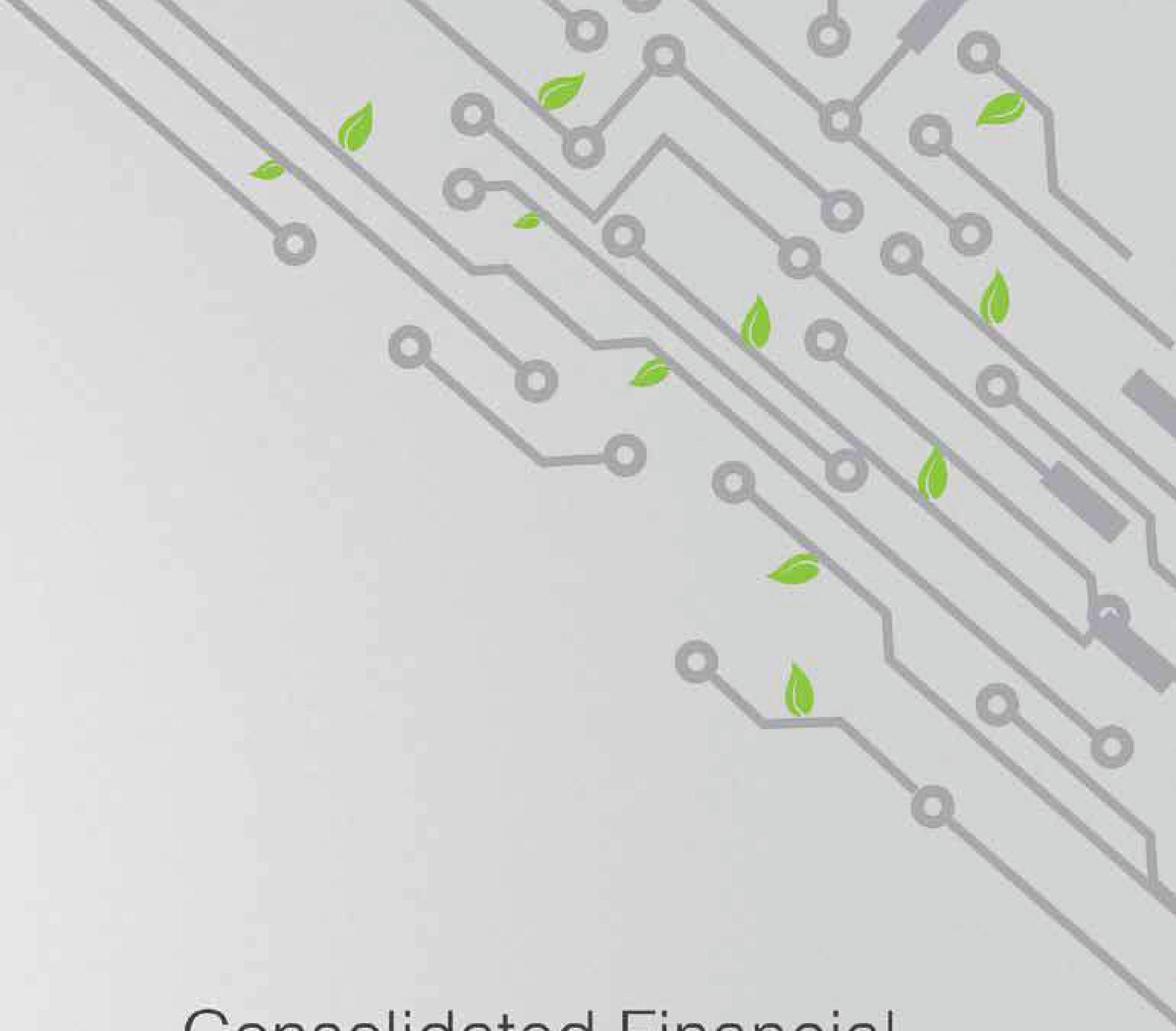
34.3 The Board of Directors of the Company in its meeting held on March 7, 2015 has proposed a cash dividend of Re 1 per share (2013: Re 1 per share) for the year ended December 31, 2014 subject to approval of members at the annual general meeting to be held on April 24, 2015. These financial statements do not recognise the proposed dividend as deduction from unappropriated profit as it has been proposed subsequent to balance sheet date.

34.4 These financial statements have been authorised for issue on March 7, 2015 by the Board of Directors of the Company.

Karachi
March 7, 2014

M. A. Aleem
Director

Samad Dawood
Chief Executive



Consolidated Financial
Statements

pwc

A. F. FERGUSON & CO.

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) as at December 31, 2014 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 company. These consolidated financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on the accompanying consolidated financial statements based on our audit.

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

In our opinion, the consolidated financial statements present fairly the financial position of the Holding Company and its subsidiary company as at December 31, 2014 and the results of their operations for the year then ended.

A.F.Ferguson & Co.

Chartered Accountants
Karachi, March 13, 2015

Audit Engagement Partner: Khurshid Hasan

Consolidated balance sheet

As at December 31, 2014

	Note	2014	2013
		--------(Rupees in '000)--------	
			(Restated)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	1,939,822	2,008,375
Intangible assets	6	3,133	267
Investment in associates	7	36,306,035	34,224,346
		38,248,990	36,232,988
CURRENT ASSETS			
Stores, spares and loose tools	8	728,416	767,782
Stock in trade	9	60,679	72,357
Trade debts	10	146	39,819
Short term loans and advances	11	17,082	13,714
Short term deposits and prepayments	12	15,506	21,125
Other receivables	13	24,577	36,898
Interest accrued on bank deposits and investments		915	-
Taxation - net		389,217	235,798
Short term investments	14	175,000	1,334,515
Cash and bank balances	15	127,870	142,771
		1,539,408	2,664,779
TOTAL ASSETS		39,788,398	38,897,767
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital	16	10,000,000	10,000,000
Issued, subscribed and paid up share capital	16	4,812,871	4,812,871
Revenue reserves	17	26,438,200	23,959,291
		31,251,071	28,772,162
NON-CURRENT LIABILITIES			
Long term financing	18	4,195,185	5,005,668
Deferred taxation	19	1,358,756	1,182,364
Deferred liabilities	20	83,416	91,071
		5,637,357	6,279,103
CURRENT LIABILITIES			
Current portion of long term financing	18	1,327,530	1,996,130
Short term running finance	21	436,011	905,055
Trade and other payables	22	1,080,584	891,782
Accrued mark-up		55,845	53,535
		2,899,970	3,846,502
TOTAL EQUITY AND LIABILITIES		39,788,398	38,897,767
CONTINGENCIES AND COMMITMENTS	23		

The annexed notes 1 to 44 form an integral part of these consolidated financial statements.

Karachi
March 7, 2014

M. A. Aleem
Director

Samad Dawood
Chief Executive

Consolidated profit and loss account

For the year ended December 31, 2014

	Note	2014	2013
		-------(Rupees in '000)-------	
			(Restated)
Net sales	24	3,670,299	4,840,142
Cost of sales	25	(3,396,587)	(4,050,853)
Gross profit		273,712	789,289
Selling and distribution expenses	26	(106,976)	(95,555)
Administrative expenses	27	(613,828)	(640,643)
Other operating expenses	28	(9,007)	(38,955)
Other income	29	86,148	280,046
Operating (loss) / profit		(369,951)	294,182
Finance cost	30	(890,163)	(849,839)
Share of profit of associates		3,941,451	4,449,086
Gain on dilution of share in associate	31	720,515	-
Profit before taxation		3,401,852	3,893,429
Taxation	32	(427,142)	(441,644)
Profit after taxation		2,974,710	3,451,785
Earnings per share (Rupees) – basic and diluted	33	6.18	7.17

The annexed notes 1 to 44 form an integral part of these consolidated financial statements.

Karachi
March 7, 2014

M. A. Aleem
Director

Samad Dawood
Chief Executive

Consolidated statement of total comprehensive income

For the year ended December 31, 2014

	2014	2013
	-------(Rupees in '000)-------	
		(Restated)
Profit after taxation	2,974,710	3,451,785
Other comprehensive income for the year		
Items that will not be reclassified to profit and loss		
Remeasurement of post retirement benefits obligation	1,772	5,825
Impact on taxation	(573)	(1,887)
	1,199	3,938
Items that may be subsequently reclassified to profit and loss		
Share of other comprehensive income of associate	(17,401)	105,063
Impact on taxation	1,688	(10,506)
	(15,713)	94,557
Fair value reserve transferred to profit and loss account on disposal of investments classified as 'available for sale'	-	(1,269)
	(15,713)	93,288
Other comprehensive income for the year	(14,514)	97,226
Total comprehensive income for the year	2,960,196	3,549,011

The annexed notes 1 to 44 form an integral part of these consolidated financial statements.

Karachi
March 7, 2014

M. A. Aleem
Director

Samad Dawood
Chief Executive

Consolidated statement of changes in equity

For the year ended December 31, 2014

	Issued, subscribed and paid up share capital	General reserve	Unappropriated profit	Share of other comprehensive income of associates	Sub-Total	Surplus on revaluation of investments	Total
		---Revenue reserves---					
	---(Rupees in '000)---						
Balance as at January 1, 2013	4,812,871	700,000	20,273,397	(83,099)	20,890,298	1,269	25,704,438
Total comprehensive income							
Profit for the year- restated	-	-	3,451,785	-	3,451,785	-	3,451,785
Other comprehensive income / (loss) - restated	-	-	3,938	94,557	98,495	(1,269)	97,226
Total comprehensive income for the year	-	-	3,455,723	94,557	3,550,280	(1,269)	3,549,011
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 - restated	4,812,871	700,000	23,247,833	11,458	23,959,291	-	28,772,162
Total comprehensive income							
Profit for the year	-	-	2,974,710	-	2,974,710	-	2,974,710
Other comprehensive income / (loss)	-	-	1,199	(15,713)	(14,514)	-	(14,514)
Total comprehensive income for the year	-	-	2,975,909	(15,713)	2,960,196	-	2,960,196
Transactions with owners							
Final cash dividend @ 10% for the year ended December 31, 2013	-	-	(481,287)	-	(481,287)	-	(481,287)
Balance as at December 31, 2014	4,812,871	700,000	25,742,455	(4,255)	26,438,200	-	31,251,071

The annexed notes 1 to 44 form an integral part of these consolidated financial statements.

Karachi
March 7, 2014

M. A. Aleem
Director

Samad Dawood
Chief Executive

Consolidated cash flow statement

For the year ended December 31, 2014

	Note	2014	2013
		--------(Rupees in '000)--------	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	36	177,997	1,044,797
Finance cost paid		(887,853)	(828,587)
Taxes paid		(403,054)	(278,484)
Staff retirement and other service benefits paid		(32,143)	(85,676)
Long term loans and advances		-	1,383
Net cash utilised in operating activities		(1,145,053)	(146,567)
CASH FLOW FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment - net		(143,091)	(6,418)
Additions to intangibles		(3,723)	(400)
Proceeds from disposal of property, plant and equipment		27,649	16,462
Sale proceeds from disposal of assets classified as held for sale		1,060,316	-
Interest received on bank deposits and investments		16,278	19,040
Short term investments made		(500,000)	(2,300,000)
Short term investments redeemed		1,876,847	1,035,013
Long term investments made in asscoiates		(62,561)	(175,146)
Dividends received		1,461,451	1,318,776
Net cash generated from / (utilised in) investing activities		3,733,166	(92,673)
CASH FLOW FROM FINANCING ACTIVITIES			
Long term financing obtained		26,000	175,500
Long term financing repaid		(1,505,083)	(221,752)
Dividends paid		(479,887)	(480,025)
Net cash utilised in financing activities		(1,958,970)	(526,277)
Net increase / (decrease) in cash and cash equivalents		629,143	(765,517)
Cash and cash equivalents at the beginning of the year		(762,284)	3,233
Cash and cash equivalents at the end of the year	37	(133,141)	(762,284)

The annexed notes 1 to 44 form an integral part of these consolidated financial statements.

Karachi
March 7, 2014

M. A. Aleem
Director

Samad Dawood
Chief Executive

Notes to and forming part of the consolidated financial statements For the year ended December 31, 2014

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 affected 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 (Empress Road), Lahore.

During the year ended December 31, 2012, the Holding Company had signed a Memorandum of Understanding (MoU) with Pakarab Fertilizers Limited (Pakarab) for the disposal of its entire shareholding (100 million ordinary shares of Rs. 10 each) in its wholly owned subsidiary, DH Fertilizers Limited. However, the Board of Directors (the Board) of the Holding Company in its meeting held on December 10, 2012 decided that the Holding Company does not intend to pursue the transaction for commercial reasons. Subsequently, Pakarab filed a suit against the Holding Company in Sindh High Court (the Court) for the enforcement of the said MoU. The single bench of the Court in its interim order dated October 23, 2014 gave an injunction against the Holding Company against which an appeal has been filed by the Holding Company.

However, subsequent to the year end, the Holding Company has recommenced negotiations with Pakarab to reach an out of court settlement for the said suit. The negotiations are currently in progress and it is expected that a definitive solution will be achieved by the end of June 2015.

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, 2014.

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, engaged in fertilizers, PVC resin manufacturing and marketing, food, energy, exploration, LNG and chemical terminal and storage businesses. 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 stations. HUBCO owns an oil-fired power station of 1,200 MW (net) in Balochistan (Hub Plant) and a 214 MW (net) oil-fired power station in Punjab (Narowal Plant). HUBCO also 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 11th Floor, Ocean Tower, G-3, Block-9, Main Clifton Road, 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

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation and statement of compliance

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 that Ordinance, and the requirements of and directives issued under the 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. The consolidated financial statements have been prepared under the historical cost convention except as otherwise stated in the notes below.

2.2 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.

2.2.1 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.

2.2.2 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 loss is 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.

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

2.3.1 New standards, amendments to the published approved accounting standards and interpretations which became effective during the year ended December 31, 2014

There are certain new / revised standards, amendments to the published approved accounting standards and new interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) which became effective during the year ended December 31, 2014, but are considered not to be relevant or do not have any significant effect on the Group's operations and are, therefore, not disclosed in these financial statements.

2.3.2 New standards, amendments to the published approved accounting standards and new interpretations that are not yet effective and have not been early adopted by the Group

There are certain new standards, amendments to the published approved accounting standards and new interpretations that are mandatory for accounting periods beginning on or after January 1, 2015, but are considered not to be relevant or do not have any significant effect on the Group's operations and are, therefore, not disclosed in these financial statements except for IFRS 10, 'Consolidated financial statements'. This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in determination of control where this is difficult to assess. The Group is yet to assess the full impact of the amendments.

2.4 Property, plant and equipment

2.4.1 Operating fixed assets

These are stated at cost less accumulated depreciation and impairment losses, if any, except for freehold 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 5.1.1. 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.

2.4.2 Capital work-in-progress

Capital work-in-progress is stated at cost less any identified impairment loss and represents expenditure incurred on property, plant and equipment during the construction and installation. Cost also includes applicable borrowing costs. Transfers are made to relevant class of property, plant and equipment category as and when assets are available for use in the manner as intended by the Group's management.

2.5 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.

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 Financial instruments

2.6.1 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.

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.

2.6.2 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.

2.6.3 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 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.

2.7 Stock in trade

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

Stock in trade	Basis of valuation
Raw and packing materials	at moving average cost
Materials 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 estimated costs necessary to make sale.

2.8 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.

2.9 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. Bad debts are written off when identified.

2.10 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 in hand, cheques in hand, deposits held with banks and other short-term highly liquid investments with maturities of three months or less. 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.

2.11 Staff retirement and other benefits

2.11.1 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.

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, 2014 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, 2014. All actuarial gains and losses are recognised in 'other comprehensive income' in the period in which they arise.

Unfunded gratuity scheme has been established by the Holding Company for all of the eligible contract employees who have completed minimum service of prescribed period. Provision is recognized for the obligation at each reporting date and the adjustments are recognised in the profit and loss account in the period in which they arise.

2.11.2 Compensated absences

The Holding Company provides for compensated absences for all eligible employees in accordance with the rules of the Holding Company. During the year ended December 31, 2012, the Holding Company changed the employee service rules whereby compensated absences were restricted to 10 days and the remaining balance is encashed at the end of the year. Accordingly, no actuarial valuation was carried out as at December 31, 2013 and 2014 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, 2014 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.

2.11.3 Defined contribution plan

The Holding 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 Holding Company and its employees, to the fund at the rate of fifteen (15) percent of the basic salaries of employees.

The Subsidiary Company also operates approved contributory provident funds for management as well as workers. Equal contribution is made both by employees and the Subsidiary Company. The funds are administrated by the Trustees under a trust deed.

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.

2.12 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.

2.13 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.

2.14 Borrowing costs

The Group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of that asset. All other borrowing costs are recognised in the year in which they are incurred.

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 substantively 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.
- 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 and 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 significant 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 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. 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 20 to the financial statements.

3.2 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.

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 are used in writing down items of stock in trade to their net realisable value (note 9). 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. Any changes in these estimates might affect the carrying amounts of the respective items of stock in trade.

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.

Notes to and forming part of the consolidated financial statements For the year ended December 31, 2014

4. RESTATEMENT OF PRIOR YEAR

During the year, ECL, upon excercise of option on its shares by the International Finance Corporation (IFC) on IFC's loan to ECL's subsidiary company (Engro Fertilizers Limited), has accounted for such options retrospectively and as a result it has restated the earliest prior years in its financial statements. Consequently, while applying the equity method, the Group has also restated the prior year presented in the balance sheet, profit and loss account, statement of comprehensive income and statement of changes in equity in these consolidated financial statements. There is no impact of this restatement on the cash flow statement. Further, the impact of this restatement relates to the period after January 1, 2013 only.

The effects of the above retrospective change have been demonstrated below:

	Balance previously reported	Effect of retrospective restatement	Restated amount
	------------------	(Rupees in '000)	------------------
As at December 31, 2013			
Balance Sheet			
Investment in associates	34,392,814	(168,468)	34,224,346
Revenue reserves	24,110,912	(151,621)	23,959,291
Deferred taxation	1,199,211	(16,847)	1,182,364
For the year ended December 31, 2013			
Profit and Loss Account			
Share of profit of associates	4,618,475	(169,389)	4,449,086
Taxation	458,583	(16,939)	441,644
Statement of Changes in Equity			
Unappropriated profit	23,400,283	(152,450)	23,247,833
Total comprehensive income	3,700,632	(151,621)	3,549,011
Other Comprehensive Income			
Other comprehensive income	96,397	829	97,226

5. PROPERTY, PLANT AND EQUIPMENT

	Note	2014	2013
		--------(Rupees in '000)--------	
Operating fixed assets	5.1	1,568,696	1,725,664
Capital work-in-progress	5.2	149,056	150,560
Major spare parts and stand-by equipment	5.3	222,070	132,151
		1,939,822	2,008,375

Notes to and forming part of the consolidated financial statements For the year ended December 31, 2014

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	Leasehold improvements	Total
	(Rupees in '000)									
At January 1, 2013										
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	250,657	21,832	1,458,116	21,196	5,722	83,233	23	102,589	-	1,943,368
Year ended December 31, 2013										
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	250,657	17,998	1,280,958	18,615	5,671	54,202	-	97,563	-	1,725,664
Year ended December 31, 2014										
Additions	-	-	4,300	6,964	7,540	21,773	-	-	10,406	50,983
Transferred from CWIP	-	-	2,254	-	-	-	-	-	-	2,254
Disposals										
Cost	-	-	-	(943)	(2,347)	(48,050)	-	-	-	(51,340)
Accumulated depreciation	-	-	-	799	1,860	34,734	-	-	-	37,393
Net book value	-	-	-	(144)	(487)	(13,316)	-	-		(13,947)
Write off										
Cost	-	(2,609)	-	(7,877)	(865)	-	-	-	-	(11,351)
Accumulated depreciation	-	2,543	-	7,753	857	-	-	-	-	11,153
Net book value	-	(66)	-	(124)	(8)	-	-	-		(198)
Depreciation charge for the year	-	(3,830)	(161,421)	(4,403)	(3,192)	(19,620)	-	(3,506)	(88)	(196,060)
Net book value as at December 31, 2014	250,657	14,102	1,126,091	20,908	9,524	43,039	-	94,057	10,318	1,568,696
At December 31, 2013										
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	250,657	17,998	1,280,958	18,615	5,671	54,202	-	97,563	-	1,725,664
At December 31, 2014										
Cost	250,657	112,027	3,729,793	76,826	64,516	142,781	-	303,275	10,406	4,690,281
Accumulated depreciation	-	(97,925)	(2,603,702)	(55,918)	(54,992)	(99,742)	-	(209,218)	(88)	(3,121,585)
Net book value	250,657	14,102	1,126,091	20,908	9,524	43,039	-	94,057	10,318	1,568,696
Depreciation rates (%)	-	5	7.5	10 to 12.5	33.33 to 50	20	5	10 to 50	10	

5.1.2 During the year, the Subsidiary Company has identified certain items of operating fixed assets from which further economic benefits are no longer being derived. Therefore, assets having cost of Rs 11.351 million (2013: Rs 141.470 million) and net book value of Rs 0.198 million (2013: Rs 14.568 million) have been retired from active use and have been written off in these financial statements.

5.1.3 Cost of property, plant and equipment that are fully depreciated amounts to Rs 1,904.190 million (2013: Rs 1,750.120 million).

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

Particulars	Mode of disposal	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / (loss)	Particulars of purchasers
		(Rupees in '000)					
Items having net book value of greater than Rs 50,000 each							
Motor vehicles	As per Group Policy	6,245	2,915	3,330	3,981	651	Ali Aamir
	-do-	9,581	4,790	4,791	6,072	1,281	Shahid Hamid Pracha
	-do-	676	484	192	304	112	Ronald Inayat
	-do-	834	667	167	323	156	Beena Tauseef
	-do-	891	535	356	535	179	Zubair Abdullah
	-do-	980	555	425	683	258	M. Dilpazeer Khan
	-do-	1,975	1,547	428	815	387	Nadeem Tariq
	-do-	1,575	1,050	525	853	328	Hamad Raza
	-do-	1,910	796	1,114	1,410	296	Nasir Iqbal
	-do-	1,838	1,532	306	1,002	696	Syed Amin Saleem
	-do-	936	530	406	626	220	Muhammad Javed
	-do-	1,016	423	593	781	188	Shahzad Ayub
	-do-	762	267	495	562	67	Saman Rana
Data processing equipment	-do-	86	14	72	40	(32)	Zubair Abdullah
	Bid	86	14	72	40	(32)	TAU Computers
Items having net book value of less than Rs 50,000 each	Various	21,949	21,274	675	9,622	8,947	Various
2014		51,340	37,393	13,947	27,649	13,702	
2013		9,626	6,832	2,794	16,462	13,668	

	Note	2014	2013
		(Rupees in '000)	
5.1.5 The depreciation charge for the year has been allocated as follows:			
Cost of sales	25	178,132	186,969
Selling and distribution expenses	26	1,359	2,540
Administrative expenses	27	16,569	16,886
		196,060	206,395
5.2 Capital work-in-progress			
Fabrication and installation		11,140	12,644
Steam turbine for plant and machinery		131,810	131,810
Others		6,106	6,106
		149,056	150,560

		Note	2014	2013
			--------(Rupees in '000)--------	
5.2.1	The following is a statement of capital work-in-progress:			
	Balance as at January 1		150,560	150,195
	Capital expenditure incurred during the year		750	1,530
	Capital expenditure adjusted / charged off during the year		-	(1,165)
	Transfers to operating fixed assets	5.1.1	(2,254)	-
	Balance as at December 31		149,056	150,560
5.3	Major spare parts and stand-by equipment			
	Gross carrying value			
	Balance at the beginning of the year		152,928	152,928
	Additions during the year		91,358	-
	Balance at the end of the year		244,286	152,928
	Provision for impairment		(22,216)	(20,777)
	Net carrying value		222,070	132,151
6.	INTANGIBLE ASSETS			
	Computer software			
	Net book value as at January 1		267	-
	Additions during the year	6.1	3,723	400
	Amortisation charge for the year	6.2	(857)	(133)
	Net book value as at December 31		3,133	267
	At December 31			
	Cost		4,123	400
	Accumulated amortisation		(990)	(133)
	Net book value		3,133	267

6.1 During the year, the Subsidiary Company purchased computer software licences which are being amortitsed over their estimated useful life of 3 years.

6.2 Amortisation charge for the year relates to administrative expenses (note 27).

		Note	2014	2013
			--------(Rupees in '000)--------	
				(Restated)
7.	INVESTMENT IN ASSOCIATES			
	Engro Corporation Limited - quoted	7.1	30,430,714	28,482,780
	The Hub Power Company Limited - quoted	7.2	5,643,701	5,566,420
	e2e Business Enterprises (Private) Limited - unquoted	7.3	231,620	175,146
			36,306,035	34,224,346

	Note	2014	2013
		--------(Rupees in '000)--------	
			(Restated)
7.1 Engro Corporation Limited - quoted			
194,972,555 (2013: 194,972,555) ordinary shares of Rs 10 each			
Opening balance as at January 1		28,482,780	25,377,122
Share of post acquisition profits		2,796,651	3,000,595
Share of other comprehensive income		(15,301)	105,063
Gain on dilution of share	7.1.2	720,515	-
Dividend received during the year	7.1.3	(1,553,931)	-
		1,947,934	3,105,658
Closing balance as at December 31		30,430,714	28,482,780
Percentage of holding 37.22% (2013: 38.13%)			

7.1.1 The market value of investment in Engro Corporation Limited (ECL) as at December 31, 2014 was Rs 43,188.340 million (2013: Rs 30,879.265 million).

7.1.2 During the year, ECL increased its paid-up capital through issuance of new shares to International Finance Corporation (IFC) pursuant to IFC's exercise of the conversion options in respect of loan to one of ECL's subsidiary companies. This resulted in decrease by 0.91% holding of the Group in ECL.

7.1.3 During the year, the Group received 19,497,255 shares of Engro Fertilizers Limited from Engro Corporation Limited as 'specie dividend' which amounted to Rs 1,163.986 million. These were measured at lower of carrying amount and fair value less cost to sell and were classified as held for sale in accordance with the requirement of IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'. However, these shares were disposed off during the year at a market value of Rs 1,060.316 million.

7.1.4 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.

7.1.5 The details of shares pledged as security against finance facilities obtained by the Group are as follows:

Bank	As at December 31, 2014			As at December 31, 2013		
	Number of shares pledged	Face value of pledged shares	Market value of pledged shares	Number of shares pledged	Face value of pledged shares	Market value of pledged shares
	(in '000)	-----(Rupees in '000) -----		(in '000)	-----(Rupees in '000) -----	
Holding Company						
Long Term:						
Meezan Bank Limited(note 18.3)	29,000	290,000	6,423,790	-	-	-
Short term:						
Bank Al Habib Limited (note 21.1)	5,540	55,400	1,227,165	5,540	55,400	878,059
United Bank Limied (note 21.1)	1,900	19,000	420,869	-	-	-
Subsidiary Company						
Short term:						
Habib Metropolitan Bank (note 21.2)	19,960	199,600	4,421,340	19,960	199,600	3,161,265

	2014	2013
	--------(Rupees in '000)--------	
7.1.6 Summarised financial information of ECL is as follows:		
Total assets as at September 30	218,907,242	191,232,040
Total liabilities as at September 30	153,208,592	140,451,461
Revenue (12 months period from October 1 to September 30)	169,993,137	149,977,968
Profit after taxation (12 months period from October 1 to September 30) - (restated)	7,365,835	7,868,352
7.2 The Hub Power Company Limited - quoted		
164,847,000 (2013: 164,847,000) ordinary shares of Rs 10 each		
Opening balance as at January 1	5,566,420	5,436,705
Share of post acquisition profits	1,150,887	1,448,491
Share of other comprehensive income	(2,100)	-
Dividend received during the year	(1,071,506)	(1,318,776)
	77,281	129,715
Closing balance as at December 31	5,643,701	5,566,420
Percentage of holding 14.25% (2013: 14.25%)		

7.2.1 Market value of investment in The Hub Power Company Limited (HUBCO) as at December 31, 2014 was Rs 12,917.411 million (2013: Rs 10,009.501 million).

7.2.2 The Group has effectively acquired 14.25% (2013: 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.

7.2.4 The details of shares pledged as security against finance facilities obtained by the Group are as follows:

Bank	As at December 31, 2014			As at December 31, 2013		
	Number of shares pledged	Face value of pledged shares	Market value of pledged shares	Number of shares pledged	Face value of pledged shares	Market value of pledged shares
	(in '000)	-----(Rupees in '000) -----		(in '000)	-----(Rupees in '000) -----	
Holding Company						
Long term:						
Allied Bank Limitednote (18.2)	12,581	125,810	985,847	12,581	125,810	763,858
Short term:						
Bank Al Habib Limited note (21.1)	13,500	135,000	1,057,860	13,500	135,000	819,720
United Bank Limied note (21.1)	10,000	100,000	783,600	-	-	-
Subsidiary Company						
Long term:						
Allied Bank Limited (note 18.4)	74,420	744,200	5,831,551	102,260	1,022,600	6,209,227
Short term:						
Habib Metropolitan Bank (note 21.2)	10,280	102,800	805,541	10,280	102,800	624,202
Habib Bank Limited (note 21.3)	12,600	126,000	987,336	12,600	126,000	765,072

Notes to and forming part of the consolidated financial statements For the year ended December 31, 2014

		Note	2014	2013
			--------(Rupees in '000)--------	
7.2.5	Summarised financial information of HUBCO is as follows:			
	Total assets as at September 30		169,171,051	127,314,240
	Total liabilities as at September 30		132,362,379	95,448,009
	Revenue (12 months period from October 1 to September 30)		173,515,199	157,992,095
	Profit after taxation (12 months period from October 1 to September 30)		8,076,399	10,167,776
7.3	e2e Business Enterprises (Private) Limited - unquoted			
	Opening balance as at January 1 (17,514,633 (2013: Nil) ordinary shares of Rs 10 each)		175,146	-
	Add: 6,256,068 (2013: 17,514,633) ordinary shares received during the year		62,561	175,146
	23,770,701 (2013: 17,514,633) ordinary shares of Rs 10 each		237,707	175,146
	Share of post acquisition losses	7.3.2	(6,087)	-
	Share of other comprehensive income		-	-
	Dividend received during the year		-	-
			(6,087)	-
	Closing balance as at December 31		231,620	175,146
	Percentage of holding 39% (2013: 39%)			

7.3.1 The Holding Company had signed a Shareholders Agreement (SA) with e2e Supply Chain Management (Private) Limited and three other members for the setting up of a Rice Bran Oil (RBO) project in Muridke, Sheikhupura - Punjab which is a greenfield project having annual production capacity of 9,700 tons of RBO during the year ended December 31, 2013. As per the SA, the Holding Company made investment in e2e Business Enterprises (Private) Limited (e2eBE) in four tranches at various stages of the RBO project.

7.3.2 As e2eBE is in the contruction phase of the RBO project, costs are being incurred on an ongoing basis which are expected to be recovered after commencement of commercial production. However, following the equity method of acounting, the share of losses incurred to date has been recognised in these consolidated financial statements.

7.3.3 The financial year end of e2eBE is June 30, however, condensed interim financial statements of e2eBE reflecting financial results as at December 31 have been used for the purpose of application of the equity method.

		2014
		Rupees in '000
7.3.4	Summarised financial information of e2eBE is as follows:	
	Total assets as at December 31	1,011,076
	Total liabilities as at December 31	473,219
	Revenue (12 months period from January 1 to December 31)	-
	Loss after taxation (12 months period from January 1 to December 31)	(15,608)

Notes to and forming part of the consolidated financial statements For the year ended December 31, 2014

		Note	2014	2013
			--------(Rupees in '000)--------	
8.	STORES, SPARES AND LOOSE TOOLS			
	Stores		242,390	249,251
	Spares and loose tools		599,787	614,100
	Stores and spares in transit		4,577	7,488
			846,754	870,839
	Less: Provision for obsolete items	8.1	(118,338)	(103,057)
			728,416	767,782
8.1	Opening provision		103,057	218,084
	Add: Provision charged		15,281	
	Less: Provision charged to capital spares		-	3,196
	Less: Provision written back		-	111,831
	Closing provision		118,338	103,057
9.	STOCK IN TRADE			
	Raw and packing materials		23,776	33,473
	Work in process		36,903	38,884
			60,679	72,357
10.	TRADE DEBTS			
	Considered good			
	- Unsecured		146	54
	- Secured		-	39,765
			146	39,819
	Less: Provision for impairment	10.2	-	-
			146	39,819

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

10.2 As at the year end, trade debts of Rs 0.146 million (2013: Rs 0.054 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	2014	2013
		--------(Rupees in '000)--------	
The ageing analysis of these trade debts is as follows:			
Up to 1 month		-	-
1 to 6 months		140	-
More than 6 months		6	54
		146	54

	Note	2014	2013
		--------(Rupees in '000)--------	
11. SHORT TERM LOANS AND ADVANCES			
Loans to employees - considered good		-	1,524
Advances - considered good			
- Employees and executives	11.1	1,070	3,088
- Suppliers		16,012	9,102
		17,082	12,190
		17,082	13,714

11.1 Short term advances include Rs 0.130 million (2013: Rs 0.980 million) due from key management personnel of the Holding Company. The maximum amounts due at the end of any month during the year from the director and executives were Rs 0.850 million (2013: Rs. 0.600 million) and Rs. 0.070 million (2013: Rs 1.39 million) respectively.

	Note	2014	2013
		--------(Rupees in '000)--------	
12. SHORT TERM DEPOSITS AND PREPAYMENTS			
Deposits	12.1	1,479	1,409
Prepayments	12.2	14,027	19,716
		15,506	21,125
12.1 Deposits			
Considered good		1,479	1,409
Considered doubtful		892	892
		2,371	2,301
Less: Provision for doubtful deposits		(892)	(892)
		1,479	1,409
12.2 Prepayments - considered good			
- Associates		881	663
- Others		13,146	19,053
		14,027	19,716
13. OTHER RECEIVABLES			
Sales tax		-	28,619
Others	13.1 & 13.2	24,577	8,279
		24,577	36,898

13.1 These include receivable from the associates of the Group aggregating to Rs 16.245 million (2013: 7.930 million).

13.2 This includes an aggregate amount of Rs 0.240 million (2013: Rs 0.240 million) receivable from AKD Securities Limited as profit receivable on investment made out of an advance of Rs 100 million against purchase / sale of shares given in 2012.

Notes to and forming part of the consolidated financial statements For the year ended December 31, 2014

		Note	2014	2013
			--------(Rupees in '000)--------	
14.	SHORT TERM INVESTMENTS			
	Held till maturity	14.1	175,000	-
	Financial assets at 'fair value through profit or loss'	14.2	-	1,334,515
			175,000	1,334,515
14.1	Held till maturity			
	Term Deposit Receipts - note 14.1.1			
	- Bank AL Habib Limited (7 days)		25,000	-
	- Bank AL Habib Limited (30 days)		150,000	-
			175,000	-

14.1.1 These carry mark-up rates ranging from 7.5% to 8.6% per annum (2013: Nil).

14.2 Financial assets at 'fair value through profit or loss'

Name of investee company	As at January 1, 2014	Purchased during the year	Bonus	Sales / Redemption during the year	As at December 31, 2014
	---------------------------------Number of units---------------------------------				
NAFA Money Market Fund	31,096,691	29,925,486	1,041,544	(62,063,721)	-
Askari Sovereign Cash Fund	2,053,178	989,799	26,577	(3,069,554)	-
HBL Money Market Fund	3,072,291	-	89,165	(3,161,456)	-
MCB Cash Management Optimizer	2,526,553	-	60,203	(2,586,756)	-
Atlas Money Market Fund	502,949	-	17,492	(520,441)	-
ABL Cash Fund	-	9,986,319	348,794	(10,335,113)	-
					-

		Note	2014	2013
			--------(Rupees in '000)--------	
15.	CASH AND BANK BALANCES			
	Cash in hand		589	518
	Cheques in hand		6,955	9,187
	With banks in:			
	Current accounts		11,411	5,967
	Savings accounts			
	- Local currency	15.1	108,052	126,192
	- Foreign currency		863	907
			108,915	127,099
			127,870	142,771

15.1 These carry mark-up rates ranging from 5% to 9% per annum (2013: 5% to 9%).

Notes to and forming part of the consolidated financial statements For the year ended December 31, 2014

16. SHARE CAPITAL

16.1 Authorised share capital

2014	2013		2014	2013
(Number of shares)			--------(Rupees in '000)--------	
1,000,000,000	1,000,000,000	Ordinary shares of Rs 10 each	10,000,000	10,000,000

16.2 Issued, subscribed and paid up share capital

2014	2013		2014	2013
(Number of shares)				
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
481,287,116	481,287,116		4,812,871	4,812,871

16.3 Shares held by related parties

	2014	2013
	(Number of shares)	
Dawood Lawrencepur Limited Percentage of holding 16.19% (2013: 16.19%)	77,931,896	77,931,896
The Dawood Foundation Percentage of holding 3.95% (2013: 3.95%)	18,991,988	18,991,988
Cyan Limited Percentage of holding 0.165% (2013: 0.165%)	794,380	794,380
Sach International (Private) Limited Percentage of holding 0.001% (2013: 0.001%)	6,996	6,996

	Note	2014	2013
		--------(Rupees in '000)--------	
17. REVENUE RESERVES			(Restated)
General reserve		700,000	700,000
Unappropriated profit		25,742,455	23,247,833
Share of other comprehensive income of associates		(4,255)	11,458
		26,438,200	23,959,291
18. LONG TERM FINANCING			
Long term finance under mark-up arrangement	18.2	242,585	304,918
Musharaka arrangement	18.3	3,021,100	3,200,000
Syndicated term finance	18.4	931,500	1,500,750
		4,195,185	5,005,668

Notes to and forming part of the consolidated financial statements For the year ended December 31, 2014

		Note	2014	2013
			--------(Rupees in '000)--------	
				(Restated)
18.1	Opening balance		7,001,798	7,048,050
	Add: Availed during the year		26,000	175,500
			7,027,798	7,223,550
	Less: Repayments during the year		(1,505,083)	(221,752)
			5,522,715	7,001,798
	Less: Current portion		(1,327,530)	(1,996,130)
			4,195,185	5,005,668

18.2 The Holding Company has availed a long term finance facility under mark-up arrangement from Allied Bank Limited (ABL) aggregating to Rs 380 million (2013: 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 as more fully explained in note 7.2.4 with 50% margin. The facility carries markup at the rate of six months ask side KIBOR plus 200 basis points per annum. The facility is for a period of 5 years and is payable semi annually in arrears with the first principal repayment made on July 5, 2013. The facility will be repaid in full by July 2017.

18.3 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 was for a period of 5 years, inclusive of grace period of 2 years, while the first Musharaka buyout became due and was paid on June 27, 2014. However, in December 2014, the Subsidiary Company entered into an agreement, for the restructuring of Diminishing Musharaka facility of the outstanding amount of Rs 4,000 million whereby tenure of loan has extended to 7.5 years from 5 years.

The profit is payable semi-annually in arrears at the mark-up rate of six months 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. At the time of restructuring, the Holding Company also pledged 29 million shares of ECL in favour of Meezan Bank Limited having face value of Rs 290 million and market value of Rs 6,423.790 million.

18.4 The Subsidiary Company obtained a syndicated term finance facility from a consortium led by Allied Bank Limited during the year 2012. 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 became due and was paid on June 12, 2014. 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 7.2.4 and further ranking hypothecation charge over all present and fixed future assets of the Subsidiary Company.

Notes to and forming part of the consolidated financial statements For the year ended December 31, 2014

		Note	2014	2013
			--------(Rupees in '000)--------	
19.	DEFERRED TAXATION			(Restated)
	Deferred liability arising due to accelerated depreciation allowance		265,303	285,523
	Deferred liability arising due to unrealised profits from associates		1,122,500	922,520
	Deferred asset arising in respect of provision for compensated absences		(29,047)	(25,679)
			1,358,756	1,182,364
20.	DEFERRED LIABILITIES			
	These comprise of:			
	Defined benefit plan (funded)	20.1	23,897	29,515
	Defined benefit plan (unfunded) - obligation		687	-
	Compensated absences	20.2	58,832	61,067
	Defined contributory gratuity scheme for non-management staff	20.3	-	489
			83,416	91,071

20.1 Defined benefit plan (funded)

20.1.1 As stated in note 2.11.1, the Group operates a defined benefit plan i.e. an approved funded gratuity scheme for all of 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, 2014. The disclosures made in notes 20.1.2 to 20.1.15 are based on the information included in that actuarial report.

20.1.2 The actuarial valuation of defined benefit plan was carried out as at December 31, 2014. The 'Projected Unit Credit Method' using the following significant assumptions was used in this valuation:

	2014	2013
	-------% per annum-------	
Discount rate used for charge to profit and loss account	12.50	11.00
Discount rate used for year end obligation	10.50	12.50
Expected rate of return on plan assets - per annum	9.50	11.50

20.1.3 Mortality rate

The rates assumed were based on the SLIC 2001 - 2005 with 1 year setback mortality table.

		Note	2014	2013
			--------(Rupees in '000)--------	
20.1.4	Balance sheet reconciliation			
	Present value of defined benefit obligation	20.1.5	202,014	223,327
	Fair value of plan assets	20.1.6	(178,117)	(193,812)
	Balance sheet liability as at December 31		23,897	29,515
20.1.5	Movement in present value of defined benefit obligation			
	Obligation as at January 1		223,327	142,724
	Current service cost		14,729	15,791
	Past service cost		-	55,826
	Interest cost		24,867	15,700
	Benefits paid		(48,773)	(9,711)
	Remeasurements on obligation		(12,136)	2,997
	Obligation as at December 31		202,014	223,327
20.1.6	Movement in fair value of plan assets			
	Fair value as at January 1		193,812	103,265
	Remeasurements on plan assets		(10,364)	8,822
	Contribution made		19,718	80,077
	Interest income on plan assets		23,724	11,359
	Benefits paid		(48,773)	(9,711)
	Fair value as at December 31		178,117	193,812
20.1.7	Movement in net liability in the balance sheet			
	Opening balance of net liability		29,515	39,459
	Charge for the year		15,872	75,958
	Contribution made during the year		(19,718)	(80,077)
	Net remeasurements for the year		(1,772)	(5,825)
	Closing balance of net liability		23,897	29,515
20.1.8	Amounts recognised in the profit and loss account			
	Current service cost		14,729	15,791
	Past service cost		-	55,826
	Net interest cost		1,143	4,341
			15,872	75,958
20.1.9	Remeasurements recognised in other comprehensive income			
	Loss from changes in demographic assumptions		-	1,570
	Remeasurement (gain) / loss on defined benefit liability			
	- Experience adjustments		(12,136)	1,427
	Remeasurement (gain) / loss on plan assets		10,364	(8,822)
	Net remeasurement (gain) / loss		(1,772)	(5,825)

	Note	2014	2013
		--------(Rupees in '000)--------	
20.1.10 Actual return on plan assets			
Expected return on plan assets		23,724	11,359
Remeasurement gain / (loss) on plan assets		(10,364)	8,822
Actual return on plan assets		13,360	20,181

	2014		2013	
	(Rs in '000)	Percentage	(Rs in '000)	Percentage
20.1.11 Major categories / composition of plan assets				
Cash and cash equivalents	95,657	53.70%	122,263	63.08%
Mutual funds units	82,189	46.15%	71,549	36.92%
Receivable from DHFL Management Staff Gratuity Fund	271	0.15%	-	0.00%
	178,117	100%	193,812	100%

20.1.12 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 is as follows:

	2014	2013	2012	2011	2010
	------------------------------(Rupees in '000)------------------------------				
As at December 31					
Fair value of plan assets	178,117	193,812	103,265	101,138	107,904
Present value of defined benefit obligation	(202,014)	(223,327)	(142,724)	(134,144)	(143,455)
Deficit	(23,897)	(29,515)	(39,459)	(33,006)	(35,551)
Experience adjustments:					
Gain / (loss) on plan assets	(10,364)	8,822	(658)	(1,404)	4,583
Gain / (loss) on obligations	12,136	(2,997)	(3,968)	2,880	(793)

20.1.13 The expected contribution to post employment benefit plan for the year ending December 31, 2015 is Rs 15.112 million (2014: Rs 21.030 million).

20.1.14 The weighted average duration of the defined benefit obligation is 6 to 7 years.

20.1.15 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 assumptions	Increase	Decrease
		-----(Rupees in '000)-----	
Discount rate	1%	(11,648)	12,990
Salary growth rate	1%	13,144	(11,984)

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.

		Note	2014	2013
			--------(Rupees in '000)--------	
20.2	Compensated absences			
	Obligation as at January 1		61,067	52,322
	Expense recognised	20.2.2	6,495	11,742
	Payments made		(8,730)	(2,997)
	Obligation as at December 31		58,832	61,067
20.2.1	Movement in obligation for compensated absences			
	Obligation as at January 1		61,067	52,322
	Current service cost		1,541	1,786
	Interest cost		7,088	5,755
	Benefits paid		(8,730)	(2,997)
	Remeasurements on obligation		(2,134)	4,201
	Obligation as at December 31		58,832	61,067
20.2.2	Charge for the year			
	Current service cost		1,541	1,786
	Interest cost		7,088	5,755
	Remeasurements on obligation		(2,134)	4,201
	Charged to profit and loss account		6,495	11,742

		Note	2014	2013
			--------(Rupees in '000)--------	
20.3	Defined contributory gratuity scheme for non - management staff			
	Liability as at January 1		489	-
	Charge to profit and loss account		3,206	3,091
	Contribution made		(3,695)	(2,602)
	Liability as at December 31		-	489
21.	SHORT TERM RUNNING FINANCES			
	Running finance under mark-up arrangement	21.1	436,011	905,055

21.1 This includes utilised portion of short term running finance facility aggregating to Rs 1,000 million (2013: Rs 1,000 million) obtained under mark-up arrangements from Bank Al-Habib Limited by the Holding Company. The amount which remained unutilised as at December 31, 2014 was Rs 998.900 million (2013: Rs 480.460 million). The facility is secured by way of pledge of ECL and HUBCO shares as more fully explained in note 7.1.5 and 7.2.4 respectively. Rate of mark-up applicable to the facility is three months KIBOR plus 100 basis points (2013: three months KIBOR plus 100 basis points) per annum. The facility will expire on April 30, 2015.

This also includes utilised portion of short term running finance aggregating to Rs 1,000 million (2013: Rs 1,000 million) obtained under mark-up arrangement from United Bank Limited by the Holding Company. The amount which remained unutilised as at December 31, 2014 was Rs 565.090 million (2013: Rs 1,000 million). The facility is secured by way of pledge of ECL and HUBCO shares as more fully explained in note 7.1.5 and 7.2.4 respectively. Rate of mark-up applicable to the facility is one month KIBOR plus 125 basis points (2013: one month KIBOR plus 125 basis points) per annum. The facility will expire on May 02, 2015.

21.2 The Subsidiary Company has obtained short term running finance facility and facility for letters of credit from Habib Metropolitan Bank under mark-up arrangement aggregating to Rs 2,500 million (2013: Rs 2,000 million). The amount which remained unutilised as at December 31, 2014 was Rs 2,500 million (2013: Rs 1,617 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 7.2.4 respectively. Rate of mark-up applicable to the facility ranges between three months KIBOR plus 50 basis points to 75 basis points per annum (2013: three month KIBOR plus 50 basis points to 75 basis points per annum). The above facilities expired on December 31, 2014, however, these have been extended till February 28, 2015 aggregating to Rs 2,000 million.

21.3 The Subsidiary Company has obtained another short term running finance facility from Habib Bank Limited under mark-up arrangements aggregating Rs 398 million (2013: Rs 398 million). Out of the total short term running finance facility of Rs 398 million, amount which remained unavailed as at the year end was Rs 398 million (2013: Rs 395.331 million). The facility has been arranged to meet working capital requirements and is secured by way of pledge of shares of HUBCO as more fully explained in note 7.2.4. 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 (2013: Rs 50 million) and Rs 30 million (2013: Rs 30 million) respectively which remained unutilised as at the year end. These facilities are further secured by way of hypothecation charge over current assets of the Subsidiary Company amounting to Rs 427 million (2013: Rs 427 million). The above facilities expired on December 31, 2014, however, these have been extended till May 31, 2015.

22. TRADE AND OTHER PAYABLES

	Note	2014	2013
		--------(Rupees in '000)--------	
Trade creditors	22.1	12,357	204,518
Advances from customers		45,539	51,793
Unclaimed dividends		23,466	22,066
Workers' profits participation fund	22.2	-	4,132
Sales tax payable		56,591	-
Deposits		9,481	9,601
Accrued expenses	22.3	901,430	546,130
Workers' welfare fund		21,906	43,280
Others		9,814	10,262
		1,080,584	891,782

22.1 Trade creditors do not include any amount payable to related parties at year end. The maximum aggregate amount due to related parties at the end of any month during the year was Rs 16.079 million (2013: Rs 429.118 million).

22.2 Workers' profits participation fund

	2014	2013
	--------(Rupees in '000)--------	
Liablity as at January 1	4,132	-
Allocation for the year	-	4,132
Interest on funds utilised during the year	72	-
	4,204	4,132
Less: Payments	(4,204)	-
Liability as at December 31	-	4,132

22.3 This includes an amount of Rs 658.202 million (2013: Rs 423.124 milion) payable by the Subsidiary Company on account of the levy of Gas Infrastructure Development Cess (GIDC). The Honourable Supreme Court through its judgement dated August 22, 2014 had upheld the decision of the High Court of Peshawar declaring the entire levy of GIDC through GIDC Act, 2011 as unconstitutional and invalid. The Government has filed a review petition against the decision of the Honourable Supreme Court, which is pending. In the meanwhile, the President of Pakistan promulgated the GIDC Ordinance, 2014, on September 25, 2014 seeking to impose GIDC levy since 2011 in complete disregard of the judgement of the Honourable Supreme Court. However, the Subsidiary Company has obtained stay order from Lahore High Court against the payment of GIDC thereby restraining SNGPL from charging and / or recovering GIDC till the pendency of the matter.

23. CONTINGENCIES AND COMMITMENTS

23.1 Contingent liabilities

23.1.1 During the year ended December 31, 2012, the Holding Company had signed a Memorandum of Understanding (MoU) with Pakarab Fertilizers Limited (Pakarab) for the disposal of its entire shareholding (100 million ordinary shares of Rs. 10 each) in its wholly owned subsidiary, DH Fertilizers Limited (DHFL). However, the Board of Directors (the Board) of the Holding Company in its meeting held on December 10, 2012 decided that the Holding Company does not intend to pursue the transaction for commercial reasons. Subsequently, Pakarab filed a suit against the Holding Company in Sindh High Court (the Court) for the enforcement of the said MoU. The single bench of the Court in its interim order dated October 23, 2014 gave an injunction against the Holding Company. The Holding Company has filed an appeal against the interim order. Subsequent to the year end, the Holding Company has recommenced negotiations with Pakarab to reach an out of court settlement for the said suit.

23.1.2 The Holding Company has 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 (2013: Rs 6,400 million) relating to a diminishing Musharaka finance facility of Rs 4,800 million (2013: Rs 4,800 million) availed by the subsidiary company. The corporate guarantee will remain in full force and effect for a period of seven and a half years commencing from December 27, 2011. Further during the year, the Holding Company has pledged 29 million shares of ECL as security for the subject finance facility which was restructured on December 26, 2014 for a further period of two and a half years.

	Note	2014	2013
		--------(Rupees in '000)--------	
23.2 Commitments in respect of:			
Letters of credit for purchase of raw materials and spares		-	8,067
Purchases of stores and spares		-	114,413
Investment in e2e Business Enterprises (Private) Limited		-	102,487
Capital expenditure		-	989
Operating lease	23.2.1		
Not later than one year		2,315	3,651

23.2.1 The Holding Company has signed lease agreement for premises on rent from Dawood Foundation, a related party, which is due to expire in September 2017. The same is revocable by either party through prior notice of at least 3 months.

		Note	2014	2013
			--------(Rupees in '000)--------	
24.	NET SALES			
	Own manufactured		1,967,924	2,578,379
	Less: Sales tax		289,966	366,309
			1,677,958	2,212,070
	Purchased product		2,333,488	3,056,808
	Less: Sales tax		341,147	428,736
			1,992,341	2,628,072
			3,670,299	4,840,142
25.	COST OF SALES			
	Raw and packing materials consumed	25.1	586,511	614,939
	Fuel and power		193,652	171,143
	Catalysts and chemicals		12,291	14,255
	Salaries, wages, benefits and staff welfare	25.2	483,317	519,673
	Stores and spares consumed		39,421	46,925
	Repairs and maintenance		24,624	27,998
	Travelling and conveyance		53,670	56,591
	Rent, rates and taxes	25.3	72,519	67,528
	Insurance		14,540	14,543
	Depreciation	5.1.5	178,132	186,969
	Communication, stationery and office supplies		1,258	1,701
	Health and safety consultancy charges		-	2,526
	Provision for slow moving stores, spares and loose tools		15,281	-
	Provision for impairment in major spare parts & stand by equipment		1,439	-
	Other expenses		3,764	2,137
			1,680,419	1,726,928
	Add: Opening stock of work-in-process		38,884	32,602
	Less: Closing stock of work-in-process		36,903	38,884
	Cost of goods manufactured		1,682,400	1,720,646
	Add: Opening stock of finished goods		-	21
	Cost of sales - Own manufactured		1,682,400	1,720,667
	Cost of sales - Purchased product		1,714,187	2,330,186
			3,396,587	4,050,853
25.1	Raw and packing materials consumed			
	Opening balance		33,473	19,377
	Add: Purchases		576,814	629,035
			610,287	648,412
	Less: Closing stock		(23,776)	(33,473)
			586,511	614,939

25.2 Salaries, wages, benefits and staff welfare include Rs 12.122 million (2013: Rs 55.807 million) in respect of staff gratuity funds and Rs 20.089 million (2013: Rs 20.115 million) in respect of provident funds.

25.3 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 35.343 million have now been reclassified to 'Rent, rates and taxes'.

26. SELLING AND DISTRIBUTION EXPENSES

	Note	2014	2013
		--------(Rupees in '000)--------	
Product transportation and handling cost		3,458	12,033
Salaries, wages, benefits and staff welfare	26.1	30,161	37,149
Communication, stationery and office supplies		350	482
Rent, rates and taxes		8,248	2,897
Travelling and conveyance		1,273	3,124
Repairs and maintenance		265	189
Depreciation	5.1.5	1,359	2,540
Insurance		340	132
Sales promotion, advertising and market development		61,146	36,575
Other expenses		376	434
		106,976	95,555

26.1 Salaries, wages, benefits and staff welfare include Rs 1.069 million (2013: Rs 2.141 million) in respect of staff gratuity funds and Rs 1.550 million (2013: Rs 2.006 million) in respect of provident funds.

27. ADMINISTRATIVE EXPENSES

	Note	2014	2013
		--------(Rupees in '000)--------	
Salaries, wages, benefits and staff welfare	27.1	293,432	263,271
Communication, stationery and office supplies		34,038	24,858
Rent, rates and taxes		42,401	40,783
Travelling and conveyance		25,215	21,227
Repairs and maintenance		12,191	12,096
Depreciation	5.1.5	16,569	16,886
Amortisation	6	857	133
Legal and professional charges		145,159	223,817
Insurance		4,085	3,669
Donations	27.2	2,056	3,619
Subscription and periodicals		14,276	13,051
Other expenses	27.3	23,549	17,233
		613,828	640,643

27.1 Salaries, wages and other benefits include Rs 6.574 million (2013: Rs 21.101 million) in respect of staff gratuity funds and Rs 10.192 million (2013: Rs 9.966 million) in respect of provident funds.

27.2 Donations include the following in which certain directors are interested:

Name and address of Donee	Name of Director	Interest in Donee	Purpose of Donation	2014	2013
				--------(Rupees in '000)--------	
Karachi Education Initiative National Stadium Road opp. Liaquat National Hospital, Karachi-74800	Mr. Hussain Dawood	Chairman of the Board	Promotion of Education		
	Mr. Hasan Reza Ur Rahim	Chief Executive Officer		487	-
The Dawood Foundation 10th Floor, Dawood Centre, M.T. Khan Road, Karachi	Mr. Hussain Dawood	Chairman of the Board and his Spouse is the trustee	For earthquake affectees of Awaran District Balochistan		
	Mr. Shahzada Dawood	Trustee		-	50

27.3 This includes an aggregate amount of Rs 11.090 million (2013: Rs 1.020 million) in respect of advertisment.

		Note	2014	2013
			--------(Rupees in '000)--------	
28.	OTHER OPERATING EXPENSES			
	Workers' profits participation fund		-	4,132
	Workers' welfare fund		6,754	18,638
	Auditors' remuneration	28.1	2,055	1,617
	Property, plant and equipment written off		198	14,568
			9,007	38,955
28.1	Auditors' remuneration			
	Audit fee		920	785
	Half yearly review and other certification fees		627	480
	Out of pocket expenses		508	352
			2,055	1,617
29.	OTHER INCOME			
	(Loss) / income from financial instruments	29.1	(29,529)	103,046
	Income from non-financial instruments	29.2	115,677	177,000
			86,148	280,046
29.1	(Loss) / income from financial instruments:			
	Realised gain on sale of short term investments available for sale		-	4,862
	Realised gain on sale of investments at 'fair value through profit or loss'		42,332	30,167
	Loss on disposal of assets classified as held for sale		(103,670)	-
	Unrealised gain due to fair value adjustment of investment at 'fair value through profit or loss'		-	33,153
	Profit on savings accounts and term deposit receipts		17,193	19,040
	Unrealised exchange gain		-	2,636
	Long outstanding balances written back		14,616	13,188
			(29,529)	103,046

		Note	2014	2013
			--------(Rupees in '000)--------	
29.2	Income from non-financial assets:			
	Sale of scrap		3,544	-
	Profit on disposal of property, plant and equipment		13,702	13,668
	Reversal of provision against obsolete stores and spares		-	111,831
	Reversal of provision against Worker's welfare fund		28,128	-
	Other income	29.3	70,303	51,501
			115,677	177,000

29.3 This includes rental income of Subsidiary Company from a related party in respect of plant and machinery aggregating Rs 14.400 million (2013: Rs 14.400 million).

		Note	2014	2013
			--------(Rupees in '000)--------	
30.	FINANCE COST			
	Mark-up on			
	- Long term financing		740,339	736,396
	- Short term running finance		149,502	113,054
	Interest on workers' profits participation fund		72	-
	Bank charges		250	389
			890,163	849,839
31.	GAIN ON DILUTION OF SHARE IN ASSOCIATE			
	Gain on dilution of share in associate	31.1	720,515	-

31.1 During the year, ECL issued new shares to IFC (note 7.1.2) which diluted the Group's holding in ECL from 38.13% to 37.22%. Consequently, a dilution gain of Rs 720.515 million has been recognised.

		2014	2013
		--------(Rupees in '000)--------	
			(Restated)
32.	TAXATION		
	Tax charge for :		
	- current year	289,635	169,636
	- prior year	(40,000)	-
	Deferred	177,507	272,008
		427,142	441,644

32.1 Numerical reconciliation between the average effective tax rate and the applicable tax rate.

	2014 %	2013 % (Restated)
Applicable tax rate	33.00	34.00
Tax effect of expense not admissible for calculation of taxable profit	5.15	1.29
Tax effect of lower rates on dividend income	(8.34)	(5.53)
Tax effect of income exempt from tax	(7.96)	0.96
Tax effect of share of profit of associates	(13.83)	(19.38)
Minimum tax	4.54	-
	12.56	11.34

	2014	2013
	--------(Rupees in '000)--------	
33. EARNINGS PER SHARE		(Restated)
Profit after taxation	2,974,710	3,451,785
	2014	**2013**
	-------(Number of shares)-------	
Weighted average number of ordinary shares	481,287,116	481,287,116
	2014	**2013**
	--------(Rupees in '000)--------	
		(Restated)
Earnings per share (Rupees) – basic and diluted	6.18	7.17

33.1 There were no dilutive potential ordinary shares outstanding as at December 31, 2014 and 2013.

34. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	2014			2013		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	--------	--------	--------(Rupees in '000)--------	--------	--------	--------
Managerial remuneration	29,517	49,951	217,675	24,644	33,300	216,069
Retirement benefits including ex-gratia	1,794	662	29,654	2,199	-	30,965
Rent and utilities	5,690	22,498	80,716	5,276	14,985	82,299
Leave fare assistance	697	-	2,998	1,581	-	-
Medical	1,243	6,965	9,537	893	3	10,584
	38,941	80,076	340,580	34,593	48,288	339,917
Number of persons	2	2	125	2	1	128

34.1 During the year, Mr. Abdul Samad Dawood was appointed as Chief Executive Officer (CEO) of the Holding Company. The above amounts relate to the outgoing CEO only, as a waiver was granted by the Securities and Exchange Commission of Pakistan with respect to the remuneration disclosure of newly appointed CEO for the year ended December 31, 2014.

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

34.3 Meeting fees aggregating Rs 5.400 million (2013: Rs 4.850 million) were paid to 11 directors (2013: 9 directors).

34.4 During the year, consulting professional fees of Rs 3 million (2013: 13.500 million) have been paid to a director by the Subsidiary Company.

35. RELATED PARTY TRANSACTIONS

The related parties comprise local 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:

	2014	2013
	--------(Rupees in '000)--------	
Associated companies		
Sale of property, plant and equipment	11,581	-
Purchase of goods and services	16,703	13,174
Dividend income	2,625,437	1,318,776
Principal Repayment of Musharaka loan- Meezan Bank Limited	484,970	-
Markup on Musharaka loan - Meezan Bank Limited	216,680	218,172
Reimbursement of expenses from associated companies	12,011	3,618
Reimbursement of expenses to associated companies	2,313	2,890
Advertisements and entertainment	-	654
Investment in e2e Business Enterprises (Private) Limited	62,561	175,146
Commitment of investment in e2e Business Enterprises (Private) Limited	-	102,487
Commitment in respect of operating lease	2,315	3,651
Membership fee and other subscriptions	1,928	1,459
Sale of goods and services	10,599	15,203
Donations	487	50
Rental income	15,607	14,400
Other related parties		
Gratuity funds	23,413	82,679
Provident funds	31,831	32,137
Purchase of goods and services	-	462,787
Reimbursement of expenses from other related parties	10,786	2,616
Key management personnel		
Sale of property, plant and equipment	11,335	-
Salaries and other short term employee benefits	427,487	389,634
Post retirement benefit plans	32,110	33,164
Consulting professional fees	3,000	13,500

The Group 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.

	Note	2014	2013
		--------(Rupees in '000)--------	
			(Restated)
36. CASH GENERATED FROM OPERATIONS			
Profit before taxation		3,401,852	3,893,429
Adjustment for non cash expenses and other items:			
Depreciation		196,060	206,395
Amortisation		857	133
Finance costs		890,163	849,839
Profit on disposal of property, plant and equipment		(13,702)	(13,668)
Profit on bank deposits		(17,193)	(19,040)
Realised gain on sale of available for sale investments		-	(4,862)
Realised gain on disposal of investments at 'fair value through profit or loss'		(42,332)	(30,167)
Unrealised gain on investments at 'fair value through profit or loss'		-	(33,153)
Loss on sale of assets classified as held for sale		103,670	-
Share of profit of associates		(3,941,451)	(4,449,086)
Gain on dilution of share in associate		(720,515)	-
Long outstanding balances written back		(14,616)	(13,188)
Provision for doubtful deposits		-	892
Reversal of provision against obsolete stores and spares		-	(111,831)
Reversal of provision against Worker's welfare fund		(28,128)	-
Provision for impairment in major spare parts & stand-by equipment		1,439	-
Provision for slow moving stores, spares and loose tools		15,281	-
Unrealised exchange gain		-	(2,636)
Provision for staff retirement and other service benefits		26,260	90,791
Property, plant and equipment written off		198	14,568
Working capital changes	36.1	320,154	666,381
		(3,223,855)	(2,848,632)
Cash generated from operations		177,997	1,044,797

36.1 Working capital changes

	2014	2013
Decrease / (increase) in current assets		
Stores, spares and loose tools	24,085	23,482
Stock in trade	11,678	(20,257)
Trade debts	39,673	(39,490)
Short term loans and advances	(3,368)	105,054
Short term deposits and prepayments	5,619	(8,379)
Other receivables	12,321	1,589
	90,008	61,999
Increase in trade and other payables	230,146	604,382
	320,154	666,381

	Note	2014	2013
		--------(Rupees in '000)--------	
			(Restated)
37. CASH AND CASH EQUIVALENTS			
Cash and bank balances	15	127,870	142,771
Short term investments having maturity of three months or less	14.1	175,000	-
Short term running finances	21	(436,011)	(905,055)
		(133,141)	(762,284)

38. OPERATING SEGMENTS

38.1 The financial information has been prepared on the basis of a single reportable segment.

38.2 Sales from fertilizer products represent 100% (2013: 100%) of total revenue of the Subsidiary Company.

38.3 All sales made by the Subsidiary Company are in Pakistan.

	2014	2013
	--------(Rupees in '000)--------	
39. FINANCIAL INSTRUMENTS BY CATEGORY		
Financial assets		
a) Financial assets at 'fair value through profit or loss'	-	1,334,515
b) Held to maturity	175,000	-
c) Loans and receivables at amortised cost:		
Trade debts - considered good	146	39,819
Short term loans and advances	17,082	13,714
Short term deposits	1,479	1,409
Other receivables	24,577	8,279
Interest accrued on bank deposits and investments	915	-
Cash and bank balances	127,870	142,771
	172,069	205,992
	347,069	1,540,507
Financial liabilities at amortised cost:		
Long term financing	5,522,715	7,001,798
Trade and other payables	956,548	792,577
Accrued mark-up	55,845	53,535
Short term running finance	436,011	905,055
	6,971,119	8,752,965

40. FINANCIAL RISK MANAGEMENT

40.1 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.

40.2 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.

40.2.1 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 Group arises from 'balances with banks' which are based on fixed interest rates. As at December 31, 2014, 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 financing which are based on floating interest rates (i.e. KIBOR based). As at December 31, 2014, 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 56.789 million (2013: Rs 56.237 million) mainly as a result of finance cost.

40.2.2 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 15) and trade creditors (note 22) 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, 2014, if the Group's functional currency had weakened / strengthened by 5% against the US Dollar with all other variables held constant, profit before taxation for the year would have been higher / lower by Rs 6.204 million (2013: Rs 9.608 million), mainly as a result of foreign exchange gains / (losses) on translation of foreign currency bank accounts in USD.

40.2.3 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 the unit prices at year end would have increased / decreased the unrealised gain on investments at 'fair value through profit or loss' in the profit and loss account by Nil (2013: Rs 133.452 million).

40.3 Credit risk and its concentration

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

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. Furthermore, the Group deals with its customers against sale on advance cash basis.

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.

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+
Bank of Punjab	PACRA	A1+	AA-
Bank of Khyber	PACRA	A1+	A
Meezan Bank Limited	JCR-VIS	A-1+	AA
MCB Bank Limited	PACRA	A1+	AAA

	2014	2013
	--------(Rupees in '000)--------	
The maximum exposure to credit risk at the reporting date is set forth below:		
Trade debts - considered good	146	39,819
Short term loan and advances	17,082	13,714
Interest accrued on bank deposits and investments	915	-
Short term deposits	1,479	1,409
Other receivables	24,577	8,279
Short term investments	175,000	1,334,515
Cash and bank balances	120,326	133,066
	339,525	1,530,802

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

40.4 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 group 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)	-----------	---------------
2014					
Short term running finances	436,011	436,011	-	-	-
Long term finances	5,522,715	884,454	946,442	1,861,382	3,118,361
Trade and other payables	956,548	956,548	-	-	-
Accrued mark-up	55,845	55,845	-	-	-
	6,971,119	2,332,858	946,442	1,861,382	3,118,361
2013					
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	-	-	-
	8,752,965	3,049,933	1,396,628	2,712,347	2,975,736

40.5 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 cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

The gearing ratios as at December 31, 2014 and 2013 were as follows:

	Note	2014	2013
		--------(Rupees in '000)--------	
Total debt	18	5,522,715	7,001,798
Less: Cash and cash equivalent	37	(133,141)	(762,284)
Net debt		5,655,856	7,764,082
Total capital		36,906,927	36,536,244
Gearing ratio		15.32%	21.25%

40.6 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.

The estimated fair value of all financial instruments is considered not significantly different from book value.

41. PLANT CAPACITY AND ACTUAL PRODUCTION

	2014	2013
	-------------(Tones)-------------	
Operational capacity at year end	445,500	445,500
Operational capacity available during the year	445,500	445,500
Production	41,933	60,770

As against the annual production capacity of 445,500 tons of urea fertilizer the plant produced 41,933 tons (2013: 60,770 tons) which was 9% (2013: 14%) 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, 2014

42. PROVIDENT FUND RELATED DISCLOSURES

The following information is based on un-audited financial statements of the Provident Funds (the Funds) as at December 31, 2014.

	Note	2014	2013
		--------(Rupees in '000)--------	
Size of the funds - total assets		849,495	841,499
Cost of investment made		755,696	781,229
Percentage of investment made		89%	93%
Fair value of investments	42.1	833,223	823,384

42.1 The break up of fair value of investment is as follows:

	--------------2014--------------		---------------2013---------------	
	(Rupees in '000)	Percentage	(Rupees in '000)	Percentage
Bank balances	12,053	1%	14,662	2%
Term deposit receipts	435,093	52%	497,734	60%
Government securities	22,632	3%	41,170	5%
Debt securities	-	-	61,639	8%
Mutual funds units	363,445	44%	208,179	25%
	833,223	100%	823,384	100%

42.2 The investments of the Funds have been made in accordance with the provision of Section 227 of the Companies Ordinance, 1984 and the rules formulated for the purpose.

43. NUMBER OF EMPLOYEES

The total average number of employees during the year and as at December 31, 2014 and 2013 respectively are as follows:

	2014	2013
	--------No. of employees--------	
Average number of employees during the year	433	465
Number of employees as at December 31	420	465

44. GENERAL

44.1 All financial information except as otherwise stated has been rounded to the nearest thousand rupees.

44.2 As more fully explained in note 1 to these consolidated financial statements, the negotiations with Pakarab, which recommenced subsequent to the year end are in progress and it is expected that a definitive solution will be achieved by the end of June 2015. These consolidated financial statements do not recognise the impact of this event as it has taken place subsequent to the balance sheet date.

44.3 The Board of Directors of the Holding Company in its meeting held on March 7, 2015 has proposed a cash dividend of Re 1 per share (2013: Re 1 per share) for the year ended December 31, 2014 subject to approval of members at the annual general meeting to be held on April 24, 2015. These consolidated financial statements do not recognise the proposed dividend as deduction from unappropriated profit as it has been proposed subsequent to balance sheet date.

44.4 These financial statements have been authorised for issue on March 7, 2015 by the Board of Directors of the Holding Company.

Karachi
March 7, 2014

M. A. Aleem
Director

Samad Dawood
Chief Executive

Pattern of Shareholding

As at December 31, 2014

Disclosure requirement under the Code of Corporate Governance

		Number of share held
1.	**Associated Companies, Undertakings and Related Parties**	
	Dawood Lawrencepur Limited	77,931,896
	Dawood Foundation	18,991,988
	Cyan Limited	794,380
	Sach International (Pvt.) Limited.	6,996
2.	**Mutual Funds**	
	CDC - Trustee National Investment (Unit) Trust	1,780,396
	CDC - Trustee Pakistan Stock Market Fund	999,500
	CDC - Trustee Al-Ameen Shariah Stock Fund	929,500
	CDC - Trustee Pakistan Capital Market Fund	150,000
	CDC - Trustee Pakistan Pension Fund - Equity Sub Fund	110,000
	CDC - Trustee Mcb Dynamic Allocation Fund	100,500
	CDC - Trustee Akd Index Tracker Fund	76,846
	MC FSL - Trustee Js Kse-30 Index Fund	13,884
	CDC - Trustee Nafa Multi Asset Fund	9,000
	CDC - Trustee Faysal Savings Growth Fund - Mt	1,500
3.	**Directors, CEO and Their Spouse(s) and minor children**	
	Hussain Dawood - Chairman	29,286,516
	Kulsum Dawood (w/o Hussain Dawood)	10,000,000
	Shahzada Dawood	5,111,616
	Sabrina Dawood	5,111,616
	Samad Dawood	3,916,616
	Shahid Hamid Pracha	100
4.	**Executives**	-
5.	**Public Sector Companies and Corporations**	12,204,788
6.	**Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful, Modaraba and Pension Funds**	5,778,651
7.	**Shareholders Holding five percent or more Voting Rights in the Listed Company**	
	Dawood Lawrencepur Limited	77,931,896
	Faisal Private Bureau (Switzerland) Sa	66,653,068
	Hercules Enterprises Limited	43,281,216
	Zincali Limited	38,376,008
	Alzarat Limited	38,376,008
	Persica Limited	36,240,796
	Palmrush Investments Limited	36,240,796
	Hussain Dawood	29,286,516

Pattern of Shareholding

As at December 31, 2014

Disclosure requirement under the Code of Corporate Governance

8. **Trades in the shares of the Company by Directors, Executives, their spouses and minor children**

Following trades in the share of the Company were made by the directors and there spouses

Name	Date	Purchased	Sold /Gift*	Rate / per share
Mr. Hussain Dawood	6-Feb-14	300,000	-	74.59
Mrs. Kulsum Dawood (W/o Mr. Hussain Dawood)	6-Feb-14	100,000	-	74.59
Mr. Samad Dawood	8-Apr-14	-	19,500	91.00
Mr. Samad Dawood	8-Apr-14	-	10,500	91.01
Mr. Samad Dawood	8-Apr-14	-	500	91.02
Mr. Samad Dawood	8-Apr-14	-	1,000	91.05
Mr. Samad Dawood	8-Apr-14	-	5,000	91.06
Mr. Samad Dawood	8-Apr-14	-	500	91.07
Mr. Samad Dawood	8-Apr-14	-	12,000	91.10
Mr. Samad Dawood	8-Apr-14	-	500	91.11
Mr. Samad Dawood	8-Apr-14	-	2,500	91.13
Mr. Samad Dawood	8-Apr-14	-	14,500	91.15
Mr. Samad Dawood	8-Apr-14	-	8,500	91.16
Mr. Samad Dawood	8-Apr-14	-	1,000	91.17
Mr. Samad Dawood	8-Apr-14	-	3,500	91.20
Mr. Samad Dawood	8-Apr-14	-	10,500	91.21
Mr. Samad Dawood	8-Apr-14	-	500	91.22
Mr. Samad Dawood	8-Apr-14	-	500	91.23
Mr. Samad Dawood	8-Apr-14	-	1,500	91.25
Mr. Samad Dawood	8-Apr-14	-	500	91.27
Mr. Samad Dawood	8-Apr-14	-	8,000	91.30
Mr. Samad Dawood	8-Apr-14	-	500	91.31
Mr. Samad Dawood	8-Apr-14	-	500	91.32
Mr. Samad Dawood	8-Apr-14	-	2,500	91.35
Mr. Samad Dawood	8-Apr-14	-	500	91.40
Mr. Samad Dawood	8-Apr-14	-	19,000	91.50
Mr. Samad Dawood	8-Apr-14	-	1,000	91.51
Mr. Samad Dawood	8-Apr-14	-	500	91.55
Mr. Samad Dawood	8-Apr-14	-	2,000	91.60
Mr. Samad Dawood	8-Apr-14	-	500	91.61
Mr. Samad Dawood	8-Apr-14	-	500	91.66
Mr. Samad Dawood	8-Apr-14	-	2,500	91.70
Mr. Samad Dawood	8-Apr-14	-	5,000	91.71
Mr. Samad Dawood	8-Apr-14	-	4,000	91.72
Mr. Samad Dawood	8-Apr-14	-	27,500	92.00
Mr. Samad Dawood	8-Apr-14	-	8,500	92.01
Mr. Samad Dawood	8-Apr-14	-	3,000	92.02
Mr. Samad Dawood	8-Apr-14	-	2,000	92.03
Mr. Samad Dawood	8-Apr-14	-	6,500	92.05
Mr. Samad Dawood	8-Apr-14	-	5,500	92.10
Mr. Samad Dawood	8-Apr-14	-	3,000	92.11
Mr. Samad Dawood	8-Apr-14	-	3,000	92.12
Mr. Samad Dawood	8-Apr-14	-	500	92.15
Mr. Samad Dawood	8-Apr-14	-	2,000	92.20
Mr. Samad Dawood	8-Apr-14	-	1,000	92.21
Mr. Samad Dawood	8-Apr-14	-	1,000	92.25
Mr. Samad Dawood	8-Apr-14	-	2,500	92.26
Mr. Samad Dawood	8-Apr-14	-	1,000	92.37
Mr. Samad Dawood	8-Apr-14	-	24,000	92.50
Mr. Samad Dawood	8-Apr-14	-	5,500	92.51
Mr. Samad Dawood	8-Apr-14	-	500	92.52

Name	Date	Purchased	Sold /Gift*	Rate / per share
Mr. Samad Dawood	8-Apr-14	-	2,000	92.53
Mr. Samad Dawood	8-Apr-14	-	500	92.55
Mr. Samad Dawood	8-Apr-14	-	1,500	92.60
Mr. Samad Dawood	8-Apr-14	-	2,000	92.70
Mr. Samad Dawood	8-Apr-14	-	2,500	92.80
Mr. Samad Dawood	8-Apr-14	-	1,000	92.85
Mr. Samad Dawood	8-Apr-14	-	500	92.90
Mr. Samad Dawood	8-Apr-14	-	96,500	93.00
Mr. Samad Dawood	8-Apr-14	-	41,500	93.01
Mr. Samad Dawood	8-Apr-14	-	12,000	93.02
Mr. Samad Dawood	8-Apr-14	-	6,500	93.05
Mr. Samad Dawood	8-Apr-14	-	5,000	93.06
Mr. Samad Dawood	8-Apr-14	-	4,500	93.08
Mr. Samad Dawood	8-Apr-14	-	62,000	93.10
Mr. Samad Dawood	8-Apr-14	-	10,500	93.11
Mr. Samad Dawood	8-Apr-14	-	2,000	93.12
Mr. Samad Dawood	8-Apr-14	-	5,000	93.13
Mr. Samad Dawood	8-Apr-14	-	14,500	93.15
Mr. Samad Dawood	8-Apr-14	-	1,500	93.16
Mr. Samad Dawood	8-Apr-14	-	1,000	93.17
Mr. Samad Dawood	8-Apr-14	-	3,000	93.20
Mr. Samad Dawood	8-Apr-14	-	2,000	93.25
Mr. Samad Dawood	8-Apr-14	-	1,000	93.45
Mr. Samad Dawood	8-Apr-14	-	96,500	93.50
Mr. Samad Dawood	8-Apr-14	-	11,500	93.51
Mr. Samad Dawood	8-Apr-14	-	5,500	93.55
Mr. Samad Dawood	8-Apr-14	-	1,000	93.60
Mr. Samad Dawood	8-Apr-14	-	22,000	93.70
Mr. Samad Dawood	8-Apr-14	-	3,000	93.71
Mr. Samad Dawood	8-Apr-14	-	1,500	93.75
Mr. Samad Dawood	8-Apr-14	-	3,000	93.80
Mr. Samad Dawood	8-Apr-14	-	3,500	93.90
Mr. Samad Dawood	8-Apr-14	-	1,000	93.98
Mr. Samad Dawood	8-Apr-14	-	17,500	94.00
Mr. Samad Dawood	8-Apr-14	-	500	94.05
Mr. Samad Dawood	8-Apr-14	-	2,000	94.11
Mr. Samad Dawood	8-Apr-14	-	1,000	94.15
Mr. Samad Dawood	9-Apr-14	-	11,000	89.50
Mr. Samad Dawood	9-Apr-14	-	2,000	89.60
Mr. Samad Dawood	9-Apr-14	-	500	89.70
Mr. Samad Dawood	9-Apr-14	-	52,000	90.00
Mr. Samad Dawood	9-Apr-14	-	5,500	90.01
Mr. Samad Dawood	9-Apr-14	-	5,500	90.02
Mr. Samad Dawood	9-Apr-14	-	500	90.04
Mr. Samad Dawood	9-Apr-14	-	3,500	90.05
Mr. Samad Dawood	9-Apr-14	-	16,000	90.10
Mr. Samad Dawood	9-Apr-14	-	1,000	90.11
Mr. Samad Dawood	9-Apr-14	-	2,500	90.20
Mr. Samad Dawood	9-Apr-14	-	3,000	90.22
Mr. Samad Dawood	9-Apr-14	-	7,000	90.30
Mr. Samad Dawood	9-Apr-14	-	500	90.31
Mr. Samad Dawood	9-Apr-14	-	3,500	90.35
Mr. Samad Dawood	9-Apr-14	-	24,000	90.40
Mr. Samad Dawood	9-Apr-14	-	3,500	90.45
Mr. Samad Dawood	9-Apr-14	-	15,000	90.50
Mr. Samad Dawood	9-Apr-14	-	1,000	90.51
Mr. Samad Dawood	9-Apr-14	-	500	90.70
Mr. Samad Dawood	9-Apr-14	-	2,000	90.75
Mr. Hussain Dawood	4-Jun-14	1,013,000	-	71.57
Mr. Hussain Dawood	10-Nov-14	-	*300000	-
Mrs. Kulsum Dawood (w/o Mr. Hussain Dawood)	26-Nov-14	-	*100000	-

* Shares gifted to Ms. Sabrina Dawood (Director)

Pattern of Shareholding

As at December 31, 2014

Category - Wise

Shareholders Category	No. of Shareholder	Total Shares Held	Percentage %
Directors, Chief Executive Officer, and their spouse and minor children.	6	53,426,464	11.10
Associated Companies, undertakings and related parties.	4	97,725,260	20.30
NIT & ICP	-	-	-
Banks Development Financial Institutions, Non Banking Financial Institutions.	13	5,725,037	1.19
Insurance Companies	2	12,214,788	2.54
Modarabas and Mutual Funds	10	4,171,126	0.87
Share holders holding 10%	2	144,584,964	30.04
General Public :			
a. Local	3,018	17,146,652	3.56
b. Foreign	15	278,074,692	57.78
Others	37	12,803,097	2.66
Total (excluding : share holders holding 10%)	3,105	481,287,116	100.00

Pattern of Shareholding

As at December 31, 2014

No. of Shareholders	Shareholding		Total Shares Held
446	1	100	13,797
549	101	500	189,873
272	501	1,000	232,097
1,390	1,001	5,000	2,983,748
196	5,001	10,000	1,408,706
78	10,001	15,000	983,083
42	15,001	20,000	729,416
20	20,001	25,000	441,264
6	25,001	30,000	167,772
13	30,001	35,000	435,098
6	35,001	40,000	231,404
5	40,001	45,000	214,642
4	45,001	50,000	193,576
4	50,001	55,000	209,385
4	55,001	60,000	233,156
1	60,001	65,000	64,816
7	65,001	70,000	482,012
6	70,001	75,000	436,901
1	75,001	80,000	76,846
1	90,001	95,000	95,000
6	95,001	100,000	584,040
2	100,001	105,000	202,500
1	105,001	110,000	110,000
1	115,001	120,000	117,540
1	120,001	125,000	120,596
1	125,001	130,000	127,500
1	140,001	145,000	142,200
1	145,001	150,000	150,000
1	155,001	160,000	160,000
1	170,001	175,000	173,116
1	190,001	195,000	191,000
1	195,001	200,000	197,352
1	215,001	220,000	218,532
1	235,001	240,000	240,000
1	280,001	285,000	284,300
1	295,001	300,000	300,000
1	315,001	320,000	317,228
1	445,001	450,000	450,000
1	675,001	680,000	679,200
1	680,001	685,000	681,312
1	695,001	700,000	700,000
1	740,001	745,000	743,000
1	790,001	795,000	794,380
1	925,001	930,000	929,500
2	995,001	1,000,000	1,999,500
1	1,780,001	1,785,000	1,780,396
1	2,870,001	2,875,000	2,872,500
1	3,915,001	3,920,000	3,916,616
1	4,635,001	4,640,000	4,637,992
3	5,110,001	5,115,000	15,334,844
1	5,270,001	5,275,000	5,273,500
1	5,300,001	5,305,000	5,303,000
1	5,805,001	5,810,000	5,809,500
1	8,340,001	8,345,000	8,340,300
1	9,995,001	10,000,000	10,000,000
1	12,200,001	12,205,000	12,204,788
1	18,990,001	18,995,000	18,991,988
1	29,285,001	29,290,000	29,286,516
2	36,240,001	36,245,000	72,481,592
2	38,375,001	38,380,000	76,752,016
1	43,280,001	43,285,000	43,281,216
1	66,650,001	66,655,000	66,653,068
1	77,930,001	77,935,000	77,931,896
3,105	TOTAL		481,287,116

Proxy Form

Dawood Hercules

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
______________________ or failing him/her
Mr./Ms.___________________________________ of _________________, as my/our proxy to attend, speak and vote for me/us and on my/our behalf, at the Forty Seventh Annual General Meeting of the Company to be held at Pearl Continental Hotel, Club Road, Karachi on Friday, April 24, 2015 at 11 :30 a.m and at any adjournment thereof.

Signed this ____________ day of ____________ 2015.

WITNESSES:

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

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

Signature on Revenue Stamps of Rupees Five

Signature should agree with the specimen signature with the Company.

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

Dawood Hercules Corporation Limited
Dawood Centre, M.T. Khan Road, Karachi - 75530
Tel: +92-21-35686001 Fax: +92-21-35633972
www.dawoodhercules.com

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