Dawood Hercules

Envisioning a **Brighter Future**

Annual Report 2012

Dawood Hercules Corporation Limited

Dawood Hercules Corporation Limited (DH Corp) is an investment holding company with associated business interests which range from information technology and financial services to food, fertilizer, chemicals manufacturing and storage, and energy. We are proud of our heritage and reputation and our identity reflects our abiding commitment to conducting our business as always, with the highest levels of integrity and professionalism. The DH Corp logo is congruent with the emerging reality of our present and our transforming vision for the future.

We believe businesses should develop intellectual as well as financial capital. Our commitment extends to encouraging sustainable business practices to protect our nation's human, natural and cultural resources. Finally and most importantly, it is our unequivocal belief that ethical business conduct is the only way to secure a better future for us all.

Contents

Vision	2
Mission	3
Business ethics and core values	4
Company information	7
Performance highlights	8
Board of Directors	12
Director profiles	14
Committees	16

Operating highlights **20**

- Ten years at a glance 20
- Horizontal analysis (Balance sheet) 22
- Vertical analysis (Balance sheet) 24
- Horizontal analysis (Profit & loss) 26
- Vertical analysis (Profit & loss) 26
- Statement of value addition 28
- Notice of annual general meeting 30

Directors' report **34**

- Economic overview - Pakistan 34
- Agriculture overview 34
- Fertilizer market overview 36
- Business overview 38
- Financial performance 40
- Earnings per share 41
- Auditors 41
- Pattern of shareholding 41
- Market capitalization & book value 41
- Appropriation 41
- Contribution to the national exchequer and economy 41
- Provident & gratuity funds 41
- Board of Directors 42
- Board meetings 42
- Statement of directors' responsibility 42
- Directors training programme 43
- Related party transactions 43
- Future outlook 43
- Acknowledgment 44

Financial statements

- Statement of compliance 48
- Review report on statement of compliance 50
- Auditor's report to the members 51
- Financial statements 52
- Notes to the financial statements 57
- Consolidated financial statements Auditor's report 81
- Consolidated financial statements 82
- Notes to the consolidated financial statements 87
- Pattern of shareholding 122
- Form of proxy

Vision

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

Mission

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

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

Business ethics & core values

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

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

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

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

Core values

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

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

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.

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.

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

DH Fertilizers Plant

Company information

Board of Directors

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

Board Audit Committee

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

Board Compensation Committee

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

Board Investment Committee:

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

Company Secretary

Mr. Shafiq Ahmed

Chief Financial Officer

Mr. Ali Aamir

Registered Office

Dawood Center, M.T. Khan Road
Karachi-75530
Tel: +92 (21) 35686001
Fax: +92 (21) 35693416
Email: shareholders@dawoodhercules.com
Web: www.dawoodhercules.com

Bankers

Bank Al-Habib Limited
Barclays Bank PLC, Pakistan

Auditors

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

Shares Registrar

M/s. FAMCO Associates (Pvt.) Ltd.
1st Floor, State Life Building No. 1-A
I. I. Chundrigar Road, Karachi-74000
Tel.: +92 (21) 32427012, 32425467,
32426597, 32420755
Fax: +92 (21) 32426752, 32428310

Tax Consultants

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

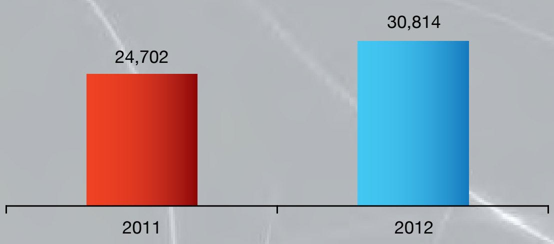
Legal Advisors

Hassan & Hassan (Advocates)
PAAF Building 7-D,
Kashmir / Egerton Road, Lahore
Tel: +92 (42) 36360800-03
Fax: +92 (42) 36360811-12

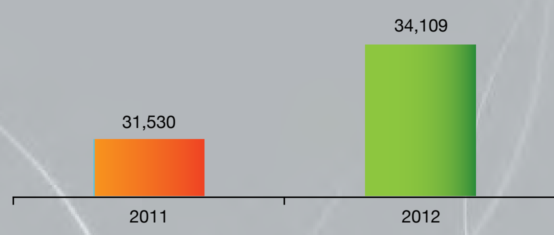
Performance highlights

Key Figures

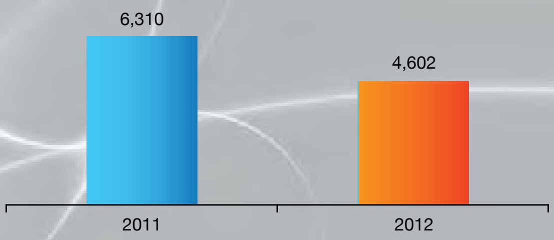
Total investments (In PKR millions)



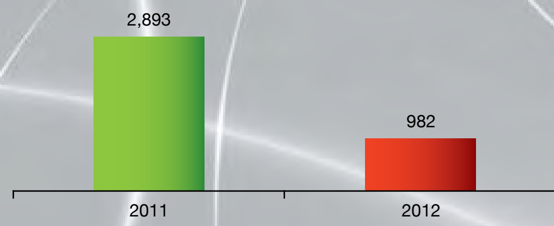
Total assets (In PKR millions)



Sales (In PKR millions)



Net income (In PKR millions)



	2012	2011
Sales revenue (PKR million)	4,602	6,310
Profit after taxation (PKR million)	982	2,893
Weighted numbers of ordinary shares	481,287,116	481,287,116
Earnings per share basic and diluted (PKR)	2.04	6.01
EBITDA (PKR million)	2,229	4,636
Market capitalization (PKR million)	15,661	20,402
Market capitalization (US$ million)	158	227
Total assets	34,109	31,529
Total equity	25,728	25,128
Price earning ratio (times)	15.94	7.05
Return on equity (%)	3.82	11.51

Engro Enven Plant

Committed to
Investing for the
Long Term

Board of Directors

Seated from left to right:

Parvez Ghias | M. Abdul Aleem | Hussain Dawood (Chairman) | Javed Akbar

Standing from left to right:

Saad Raja | Shahzada Dawood | Isar Ahmad

Shahid H. Pracha (Chief Executive) | M. Aliuddin Ansari | A. Samad Dawood

Directors' profiles

Hussain Dawood
Chairman

In Business he is the Chairman of Dawood Hercules Corporation Ltd, Engro Corporation Ltd, The Hub Power Company Ltd, and a Director on the Pakistan Business Council. His Social Responsibilities include Chairmanship of the Karachi School for Business & Leadership, the Pakistan Poverty Alleviation Fund, Membership of the World Economic Forum and its Global Agenda Councils of Anti-Corruption and Education, and the Asia House in London, and Directorship on the Board of the Beaconhouse National University. He is the Patron of the Karachi Chapter of OPEN, a Global Charter Member of The Indus Entrepreneurs (TiE) and the Honorary Consul of Italy in Lahore.

He is an MBA from the Kellogg School of Management, Northwestern University, USA, and is a graduate in Metallurgy from Sheffield University, UK. The Italian Government conferred on him the award "Ufficiale Ordine al Merito della Repubblica Italiana" on 3rd December 2008.

Shahid Hamid Pracha
Chief Executive Officer

Serves as Chief Executive of Dawood Hercules Corporation Limited and Chairman and Chief Executive of DH Fertilizers Limited, Dawood Lawrencepur Limited, and Tenaga Generasi Limited. He is also a Director on the Boards of The Hub Power Company Limited, Cyan Ltd., Engro Powergen Ltd. and Engro Powergen Qadirpur Ltd. He previously served as Chief Executive of the Dawood Foundation, the philanthropic arm of the Dawood Hercules Corporation. Mr. Pracha is a graduate electrical engineer from the University of Salford, UK and prior to joining the Dawood Group, spent a major part of his career with ICI Plc's Pakistan operations in a variety of senior roles including a period of international secondment with the parent company in the UK. He is also a founding member of the Pakistan Society for Human Resource Managers and previously served as the first CEO of the Karachi Education Initiative, the sponsoring entity of the Karachi School for Business & Leadership.

Isar Ahmad
Director

Mr. Ahmad has diversified experience of working in senior management positions in multinational and large Pakistani organizations, having served as Chief Executive of Dawood Hercules Corporation Limited, Chief Executive of DH Fertilizers Limited, Finance Director, Supply Chain Director and Head of Business Unit at Reckitt Benckiser, Managing Director, Haleeb Foods, as well as having been the Financial Advisor at Indus Motor Company Limited. He holds a Masters Degree in Economics and is a Chartered Accountant from the Institute of Chartered Accountants of England & Wales. He also serves as a Director on the Boards of Cyan Limited and Engro Polymer & Chemicals Limited.

Javed Akbar
Director

He has a Masters degree in Chemical Engineering from United Kingdom and has over 35 years 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 analyzing and forecasting petroleum, petrochemical and energy industry trends and providing strategic insight. He also serves on the Board of Directors of DH Fertilizers Limited, Engro Fertilizers Limited, Engro Powergen Limited, Engro Powergen Qadirpur Limited, Engro Vopak Terminal Limited, Javed Akbar Associates (Private) Limited, Pakistan Petroleum Limited and is also on the panel of environmental experts of Sindh Environmental Protection Agency.

M. Abdul Aleem
Director

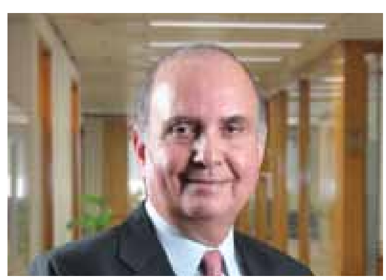
A Fellow Chartered Accountant and a Fellow Cost and Management Accountant, Mr. Aleem has worked for 16 years in senior positions with Engro Corporation Ltd and Esso Singapore. Thereafter, he has worked for 14 years with British American Tobacco Group UK (BAT), in Pakistan and overseas. Since 2004, he has served in senior positions with large Government owned corporations in Pakistan. His last assignment was as the MD, PSO. Currently, he is the Chief Executive and Secretary General of Overseas Investors Chamber of Commerce and Industry. Mr. Aleem is also the Chairman of Faysal Asset Management Company and serves on the Board of Meezan Bank Ltd and Pakistan Institute of Corporate Governance.

Shahzada Dawood
Director

Shahzada Dawood serves as a Director on the Boards of Dawood Hercules Corporation Ltd, Engro Corporation Ltd, DH Fertilizers Ltd, Dawood Corporation (Pvt) Ltd, Engro Foods Ltd, Engro Powergen Ltd, Engro Power Gen Qadirpur Ltd, Engro Vopak Terminal Ltd, Engro Eximp Ltd, Pebbles (Pvt) Ltd, Patek (Pvt) Ltd, Engro Polymer & Chemicals Ltd, Sirius (Pvt) Ltd, Tenaga Generasi Ltd, Dawood Lawrencepur Ltd and Engro Fertilizers Ltd. He is a Trustee of The Dawood Foundation. He serves as a Member of the Board of Governors of the National Management Foundation, the sponsoring body of LUMS. Mr. Dawood 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.

Muhammad Aliuddin Ansari
Director

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



Parvez Ghias
Director

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

A. Samad Dawood
Director

A graduate in Economics from University College London, UK and a Certified Director of Corporate Governance from the Pakistan Institute of Corporate Governance. He is the Chief Executive of Cyan Limited and Dawood Corporation (Pvt.) Limited. He also serves as Director on the Boards of Dawood Lawrencepur Limited, DH Fertilizers Limited, The Hub Power Company Limited, Engro Foods Limited, Engro Eximp Limited, Engro Corporation Limited, Engro Fertilizers Limited, International Industries Limited, Inbox Business Technologies (Pvt.) Limited, Pebbles (Private) Limited, Sui Northern Gas Pipelines Limited, Tenaga Generasi Limited, and WWF Pakistan Limited. Mr. Dawood is a member of Young Presidents' Organization, Pakistan Chapter.

Saad Raja
Director

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. He joined the Board in 2012.

Committees

Board Audit Committee

The Board has set up an audit committee comprising of four Directors. It comprises of two independent and two non executive Directors. The Chairman of the Committee is an independent director. The Committee meets at least once in a quarter or as often as it considers necessary, to review and discuss the financial statements. The Committee also meets with the external auditors at least once a year.

Directors' names:

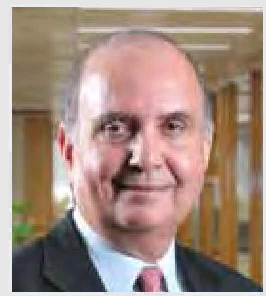
M. Abdul Aleem (Chairman)
Isar Ahmad
Javed Akbar
Parvez Ghias

The Company Secretary acts as Secretary of the Committee.

M. Abdul Aleem
(Chairman)

Isar Ahmad

Javed Akbar



Parvez Ghias

Board Compensation Committee

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

The Board Compensation Committee consists of four non-executive Directors. The Chief Executive Officer attends the meetings by invitation.

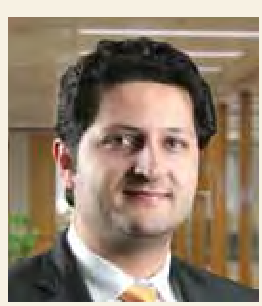
Directors' names

Hussain Dawood (Chairman)
M. Aliuddin Ansari
A. Samad Dawood
Parves Ghias

Director HR & Corporate Affairs acts as the Secretary of the Committee.

Hussain Dawood
(Chairman)

M. Aliuddin Ansari



A. Samad Dawood

Parvez Ghias

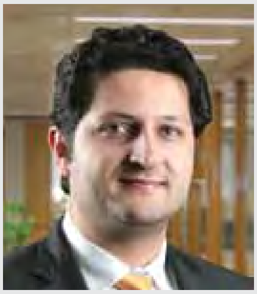
Board Investment Committee

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

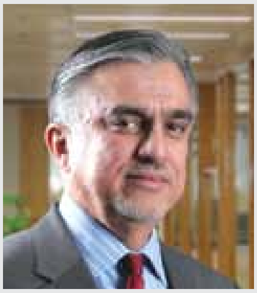
The Board Investment Committee consists of three members, as follows:

A. Samad Dawood (Chairman)
Shahid H. Pracha
Ali Aamir (Chief Financial Officer)

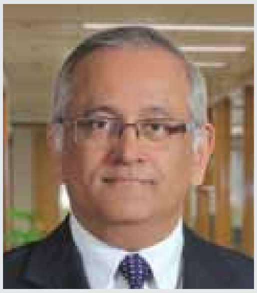
The Chief Financial Officer acts as Secretary of the Committee.



A. Samad Dawood
(Chairman)



Shahid H. Pracha



Ali Aamir

Committed to

Ethics & Good Corporate Governance

Operating highlights

Ten years at a glance

Sr#	Particulars		2003	2004	2005	2006
A)	INCOME STATEMENT					
1	Sales Value	Rs. in Million	2,983	2,699	3,291	3,882
2	Gross Profit	Rs. in Million	1,060	818	1,260	1,312
3	Operating Profit	Rs. in Million	1,721	1,415	2,777	2,052
4	EBITDA	Rs. in Million	1,810	1,532	3,901	3,226
5	Profit Before Taxation	Rs. in Million	1,686	1,332	3,568	2,590
6	Profit After Taxation	Rs. in Million	1,379	1,115	2,868	2,054
B)	DIVIDEND					
1	Cash Dividend	%	100	105	85	80
2	Stock Dividend	%	Nil	Nil	15	Nil
C)	BALANCE SHEET					
1	Fixed capital expenditure	Rs. in Million	409	530	690	1,347
2	Long term investments	Rs. in Million	2,758	2,001	5,733	6,292
3	Current Assets	Rs. in Million	5,875	9,757	6,364	8,510
4	Current Liabilities	Rs. in Million	2,690	4,379	3,345	6,672
5	Paid Up Capital	Rs. in Million	721	721	721	829
6	Reserves	Rs. in Million	5,445	7,114	8,635	8,444
7	No. of Ordinary Shares	Million	72.06	72.06	72.06	82.87
D)	RATIO ANALYSIS					
1	Gross Profit	%	36%	30%	38%	34%
2	Net Profit to Sales	%	46%	41%	87%	53%
3	Operating Profit Margin	%	57.68	52.43	84.38	52.87
4	EBITDA margin	%	60.67	56.77	118.57	83.12
5	Earnings Per Share	Rs.	19.13	15.47	34.61	24.79
6	Inventory Turnover	Time	17.07	21.90	17.46	12.80
7	Age of Inventory	Days	21.38	16.67	20.91	28.52
8	Debtors Turnover	Time	475.93	364.11	499.06	1,222.21
9	Average Collection Period	Days	0.77	1.00	0.73	0.30
10	Operating Cycle	Days	22.14	17.67	21.64	28.82
11	Total Assets Turnover	Time	0.33	0.22	0.26	0.24
12	Fixed Assets Turnover	%	728.57	508.84	476.68	288.10
13	Break-up Value of Share	Rs.	88.34	108.72	129.83	111.90
14	Dividend Yield	%	5.69	5.34	3.32	2.71
15	Dividend Payout Ratio	%	52.26	67.83	21.36	32.27
16	Return on Equity	%	21.66	14.24	30.66	22.15
17	Debt Equity Ratio	Time	0.28	0.46	0.25	0.62
18	Current Ratio	Time	2.18	2.23	1.90	1.28
19	Quick Ratio	Time	1.79	1.95	1.54	1.08
20	Total Debt Ratio	Time	0.20	0.29	0.18	0.37
21	Interest Cover Ratio	Time	51.83	18.51	15.12	5.81
22	Dividend Cover Ratio	Time	1.91	1.47	4.07	3.10
23	Return on capital employed	%	26.85	17.87	29.41	21.62
24	Market Value per Share	Rs.	175.60	196.50	256.00	295.00
25	Market Capitalization	Rs. in Million	12,653	14,159	18,447	24,446
26	Price Earning Ratio	Times	9.18	12.70	7.40	11.90
E)	PRODUCTION					
1	Designed Production (for 12 months)	Thousand M.T.	445.50	445.50	445.50	445.50
2	Actual Production	Thousand M.T.	430.60	351.12	428.78	446.70
3	Capacity Utilization	%	97	79	96	100
4	Sales	Thousand M.T.	436.83	361.20	405.67	437.73
F)	OTHERS					
1	Employees	Nos.	498	481	472	485
2	Capital Expenditure	Rs. in Million	189.81	328.15	235.84	740.65
3	Contribution to the National Exchequer	Rs. in Million	857	724	665	773

For the year ended 31st December 2012

2007	2008	2009 Restated	2010	2011	2012
5,011	7,429	11,040	8,716	6,310	4,602
1,862	3,116	3,960	3,501	2,266	785
10,551	2,952	(560)	3,145	1,462	744
12,003	5,547	921	5,308	4,636	2,229
11,126	4,505	(213)	4,191	3,632	1,105
10,134	3,063	(1,138)	3,248	2,893	982
30	25	40	50	10	10
20	10	10	300	-	-
1,374	1,396	2,075	2,238	2,124	2,094
16,610	19,206	21,543	22,772	24,702	30,814
11,237	5,027	5,987	5,690	4,702	1,200
3,573	1,577	2,983	2,320	680	582
829	1,094	1,094	1,203	4,813	4,813
18,061	16,289	18,789	21,469	20,315	20,915
82.87	109.38	109.38	120.32	481.29	481.29
37%	42%	36%	40%	36%	17%
202%	41%	-10%	37%	46%	21%
210.56	39.73	(5.07)	36.09	23.17	16.16
239.54	74.68	8.34	60.90	73.48	48.44
92.65	28.00	(9.48)	26.99	6.01	2.04
5.70	9.01	81.92	34.83	22.01	37.54
64.04	40.50	4.46	10.48	16.58	9.72
1,383.49	1,095.5	1,171.5	1,433.6	2,619.73	3,053.01
0.26	0.33	0.31	0.25	0.14	0.12
64.30	40.84	4.77	10.73	16.72	9.84
0.17	0.29	0.37	0.28	0.20	0.13
364.69	532.02	532.07	389.40	297.08	219.84
227.95	158.91	181.77	188.43	52.21	53.46
0.76	1.13	2.22	2.52	2.36	3.07
2.45	8.93	(38.44)	18.52	16.64	48.99
53.65	17.62	(5.72)	14.33	11.51	3.82
0.34	0.26	0.28	0.20	0.16	0.21
3.15	3.19	2.01	2.45	6.92	2.06
2.51	2.01	1.23	1.59	5.42	0.07
0.30	0.25	0.25	0.19	0.15	0.21
15.88	6.15	0.94	5.84	5.72	2.44
30.88	11.20	(2.37)	5.40	6.01	-
41.14	12.27	(2.10)	11.08	4.74	2.22
393.80	220.30	179.81	198.36	42.39	32.54
32,633	24,097	19,668	23,867	20,402	15,661
4.25	7.87	(18.97)	7.35	7.05	15.94
445.50	445.50	445.50	445.50	445.50	445.50
497.94	508.05	513.32	456.12	199.90	57.88
112	114	115	102	45	13
508.54	527.86	513.22	441.51	207.24	72.75
474	478	576	564	572	469
149.00	163.26	833.17	393.12	91.64	201.70
857	1,059	1,003	783	1,557	1,145

Horizontal analysis

Balance Sheet

Particulars	2007	2008	2009 Restated	2010	2011	2012
	Rs. in Million					
Share Capital and Reserves						
Issued, subscribed and paid up capital	828.66	1,093.83	1,093.83	1,203.22	4,812.87	4,812.87
Revenue reserves	17,841.62	20,415.40	18,784.89	21,332.82	20,315.19	20,913.99
Fair value reserve	219.05	(4,126.57)	3.97	135.77	-	1.27
Share holder's equity with FVR	18,889.33	17,382.66	19,882.69	22,671.81	25,128.06	25,728.13
Non Current Liabilities	6,760.55	6,670.36	6,741.60	5,710.19	5,722.18	7,798.20
Sub Total	**25,649.88**	**24,053.02**	**26,624.29**	**28,382.00**	**30,850.23**	**33,526.33**
Current Liabilities						
Current portion - long term loan	-	-	-	660.50	-	215.90
Short term financing - secured	2,281.43	70.14	1,196.60	45.73	-	32.30
Trade and other payables	512.95	538.13	648.23	694.72	642.26	301.96
Markup payable on secured loans	249.44	275.85	280.27	232.98	8.61	32.28
Provision for taxation	529.00	693.00	858.00	686.00	28.68	-
Sub Total	**3,572.82**	**1,577.12**	**2,983.10**	**2,319.93**	**679.55**	**582.45**
Total	**29,222.70**	**25,630.14**	**29,607.40**	**30,701.92**	**31,529.78**	**34,108.78**

Particulars	2007	2008	2009 Restated	2010	2011	2012
	Rs. in Million					
Assets						
Fixed capital expenditure	1,374.03	1,396.33	2,075.00	2,238.22	2,123.91	2,093.56
Long term investments	16,610.26	19,205.63	21,543.29	22,771.70	24,701.64	30,813.83
Long term loans and advances	1.11	1.26	2.42	1.68	2.20	1.38
Sub Total	**17,985.40**	**20,603.22**	**23,620.71**	**25,011.60**	**26,827.74**	**32,908.77**
Current Assets						
Stores, spares and loose tools	893.25	1,025.76	1,303.30	1,073.54	800.61	811.58
Stock in trade	867.51	89.57	83.28	216.12	151.27	52.10
Trade debts	4.74	8.82	10.03	2.13	2.69	0.33
Loans, advances, deposit, prepayments and other receivables including advance income tax	491.75	735.40	912.63	708.34	65.64	297.84
Short term investments	7,882.22	2,233.42	3,399.31	2,439.93	2,951.09	2.62
Cash and bank balances	1,097.82	933.94	278.15	1,250.26	730.75	35.53
Sub Total	11,237.30	5,026.92	5,986.70	5,690.32	4,702.04	1,200.00
Total Assets Employed	29,222.70	25,630.14	29,607.40	30,701.92	31,529.78	34,108.78

Percentage Change				
08 Over 07	09 Over 08	10 Over 09	11 Over 10	12 Over 11
32%	0%	10%	300%	0%
14%	-8%	14%	-5%	3%
-1984%	-100%	3324%	-100%	-
-8%	14%	14%	11%	2%
-1%	1%	-15%	0%	36%
-6%	**11%**	**7%**	**9%**	**9%**
		-100%		
-97%	1606%	-96%	-100%	
5%	20%	7%	-8%	-53%
11%	2%	-17%	-96%	275%
31%	24%	-20%	-96%	-100%
-56%	**89%**	**-22%**	**-71%**	**-14%**
-12%	**16%**	**4%**	**3%**	**8%**

Percentage Change				
08 Over 07	09 Over 08	10 Over 09	11 Over 10	12 Over 11
2%	49%	8%	-5%	-1%
16%	12%	6%	8%	25%
14%	92%	-31%	31%	-37%
15%	**15%**	**6%**	**7%**	**23%**
15%	27%	-18%	-25%	1%
-90%	-7%	160%	-30%	-66%
86%	14%	-79%	26%	-88%
50%	24%	-22%	-91%	354%
-72%	52%	-28%	21%	-100%
-15%	-70%	350%	-42%	-95%
-55%	19%	-5%	-17%	-74%
-12%	**16%**	**4%**	**3%**	**8%**

Vertical analysis

Balance Sheet

	Rs. in Million					
Particulars	2007	2008	2009 Restated	2010	2011	2012
Share Capital and Reserves						
Issued, subscribed and paid up capital	828.66	1,093.83	1,093.83	1,203.22	4,812.87	4,812.87
Revenue reserves	17,841.62	20,415.40	18,784.89	21,332.82	20,315.19	20,913.99
Fair value reserve	219.05	(4,126.57)	3.97	135.77	-	1.27
Share holder's Equity with FVR	18,889.33	17,382.66	19,882.69	22,671.81	25,128.06	25,728.13
Non Current Liabilities	6,760.55	6,670.36	6,741.60	5,710.19	5,722.18	7,798.20
Sub Total	25,649.88	24,053.02	26,624.29	28,382.00	30,850.23	33,526.33
Current Liabilities						
Current portion - long term loan	-	-	-	660.50	-	215.90
Short term financing - secured	2,281.43	70.14	1,196.60	45.73	-	32.30
Trade and other payables	512.95	538.13	648.23	694.72	642.26	301.96
Markup payable on secured loans	249.44	275.85	280.27	232.98	8.61	32.28
Provision for taxation	529.00	693.00	858.00	686.00	28.68	-
Sub Total	3,572.82	1,577.12	2,983.10	2,319.93	679.55	582.45
Total	29,222.70	25,630.14	29,607.39	30,701.92	31,529.78	34,108.78

	Rs. in Million					
Particulars	2007	2008	2009 Restated	2010	2011	2012
Assets					-	-
Fixed capital expenditure	1,374.03	1,396.33	2,075.00	2,238.22	2,123.91	2,093.56
Long term investments	16,610.26	19,205.63	21,543.29	22,771.70	24,701.64	30,813.83
Long term loans and advances	1.11	1.26	2.42	1.68	2.20	1.38
Sub Total	17,985.40	20,603.22	23,620.71	25,011.60	26,827.74	32,908.77
Current Assets						
Stores, spares and loose tools	893.25	1,025.76	1,303.30	1,073.54	800.61	811.58
Stock in trade	867.51	89.57	83.28	216.12	151.27	52.10
Trade debts	4.74	8.82	10.03	2.13	2.69	0.33
Loans, advances, deposit, prepayments and other receivables including advance income tax	491.75	735.40	912.63	708.34	65.64	297.84
Short term investments	7,882.22	2,233.42	3,399.31	2,439.93	2,951.09	2.62
Cash and bank balances	1,097.82	933.94	278.15	1,250.26	730.75	35.53
Sub Total	11,237.30	5,026.92	5,986.70	5,690.32	4,702.04	1,200.00
Total Assets Employed	29,222.70	25,630.14	29,607.40	30,701.91	31,529.78	34,108.78

Percentage					
2007	2008	2009	2010	2011	2012
3%	4%	4%	4%	15%	14%
61%	80%	63%	69%	64%	61%
1%	-16%	0%	0%	0%	0%
65%	68%	67%	74%	80%	75%
23%	26%	23%	19%	18%	23%
88%	94%	90%	92%	98%	98%
0%	0%	0%	2%	0%	1%
8%	0%	4%	0%	0%	0%
2%	2%	2%	2%	2%	1%
1%	1%	1%	1%	0%	0%
2%	3%	3%	2%	0%	0%
12%	6%	10%	8%	2%	2%
100%	100%	100%	100%	100%	100%

Percentage					
2007	2008	2009	2010	2011	2012
5%	5%	7%	7%	7%	6%
57%	75%	73%	74%	78%	90%
0%	0%	0%	0%	0%	0%
62%	**80%**	**80%**	**81%**	**85%**	**96%**
			-	-	
3%	4%	4%	3%	3%	2%
3%	0%	0%	1%	0%	0%
0%	0%	0%	0%	0%	0%
2%	3%	3%	2%	0%	1%
27%	9%	11%	8%	9%	0%
4%	4%	1%	4%	2%	0%
38%	**20%**	**20%**	**19%**	**15%**	**4%**
100%	**100%**	**100%**	**100%**	**100%**	**100%**

Horizontal analysis

Profit and Loss

Particulars	2007	2008	2009 Restated	2010	2011	2012
	Rs. in Million					
Sales - net	5,011.00	7,428.70	11,040.36	8,715.71	6,309.62	4,602.42
Cost of goods sold	3,148.55	4,312.46	7,080.46	5,214.37	4,043.87	3,817.54
Gross profit	**1,862.45**	**3,116.24**	**3,959.90**	**3,501.34**	**2,265.75**	**784.88**
Distribution expenses	13.07	72.28	392.03	267.72	67.29	76.21
Administrative expenses	277.81	317.57	328.27	432.00	418.11	443.29
Impairment loss	-	100.31	3,791.10	2.39	586.71	-
Other expenses	74.37	183.93	159.51	115.87	82.30	9.31
Other income	9,053.94	509.59	150.97	461.85	350.53	487.60
Result from operating activities	**10,551.14**	**2,951.74**	**(560.04)**	**3,145.21**	**1,461.86**	**743.68**
Finance cost	755.84	901.45	984.75	909.60	810.83	914.56
Share of profit from associate	1,330.77	2,455.12	1,331.31	1,955.58	2,980.63	1,275.49
Profit before tax	**11,126.07**	**4,505.42**	**(213.48)**	**4,191.19**	**3,631.67**	**1,104.61**
Income tax expenses	991.62	1,442.73	924.80	943.21	738.60	122.15
Profit after tax	**10,134.4**	**3,062.7**	**(1,138.3)**	**3,248.0**	**2,893.1**	**982.5**

Vertical analysis

Profit and Loss

Particulars	2007	2008	2009 Restated	2010	2011	2012
	Rs. in Million					
Sales - net	5,011.00	7,428.70	11,040.36	8,715.71	6,309.62	4,602.42
Cost of goods sold	3,148.55	4,312.46	7,080.46	5,214.37	4,043.87	3,817.54
Gross profit	**1,862.45**	**3,116.24**	**3,959.90**	**3,501.34**	**2,265.75**	**784.88**
Distribution expenses	13.07	72.28	392.03	267.72	67.29	76.21
Administrative expenses	277.81	317.57	328.27	432.00	418.11	443.29
Impairment loss	-	100.31	3,791.10	2.39	586.71	-
Other expenses	74.37	183.93	159.51	115.87	82.30	9.31
Other income	9,053.94	509.59	150.97	461.85	350.53	487.60
Result from operating activities	**10,551.14**	**2,951.74**	**(560.04)**	**3,145.21**	**1,461.86**	**743.68**
Finance cost	755.84	901.45	984.75	909.60	810.83	914.56
Share of profit from associate, net of tax	1,330.77	2,455.12	1,331.31	1,955.58	2,980.63	1,275.49
Profit before tax	**11,126.07**	**4,505.42**	**(213.48)**	**4,191.19**	**3,631.67**	**1,104.61**
Income tax expenses	991.62	1,442.73	924.80	943.21	738.60	122.15
Profit after tax	**10,134.45**	**3,062.69**	**(1,138.28)**	**3,247.99**	**2,893.07**	**982.46**

For the year ended 31st December

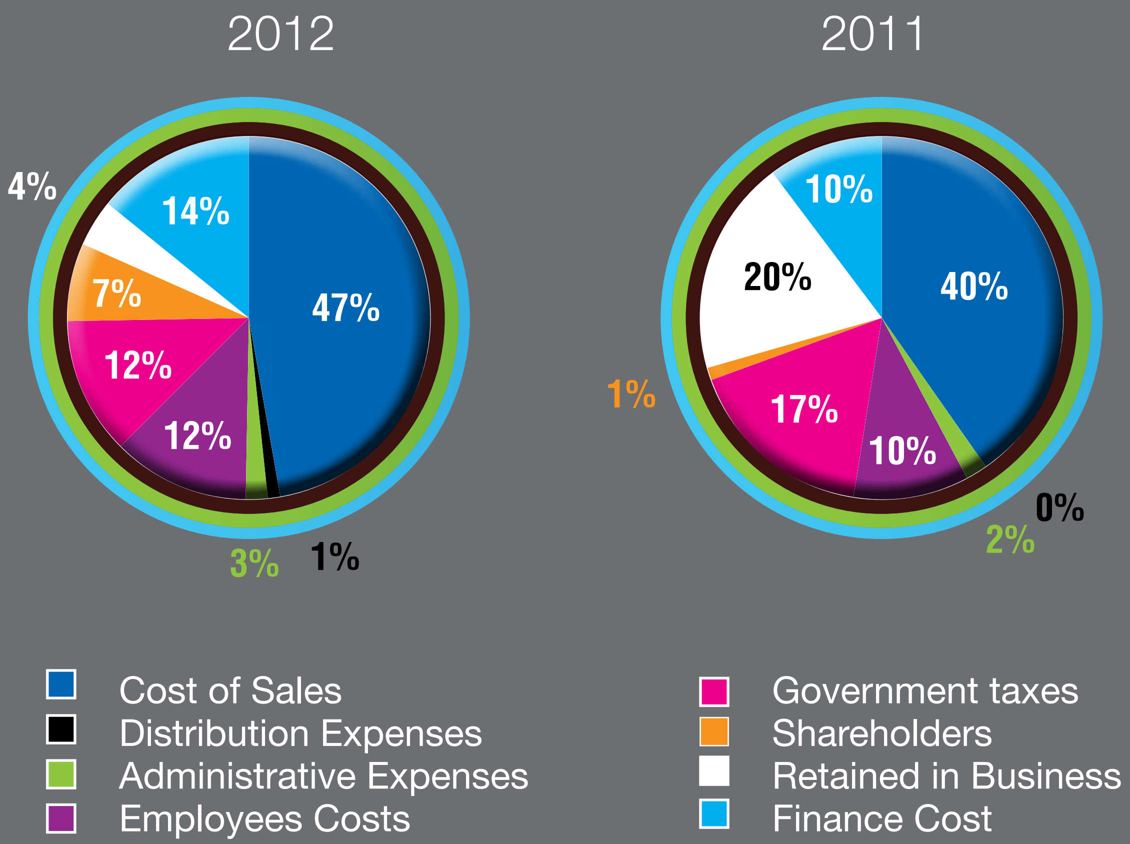
Percentage Change				
08 Over 07	09 Over 08	10 Over 09	11 Over 10	12 Over 11
48%	49%	-21%	-28%	-27%
37%	64%	-26%	-22%	-6%
67%	**27%**	**-12%**	**-35%**	**-65%**
453%	442%	-32%	-75%	13%
14%	3%	32%	-3%	6%
-	3679%	-100%	24449%	-100%
147%	-13%	-27%	-29%	-89%
-94%	-70%	206%	-24%	39%
-72%	**-119%**	**-662%**	**-54%**	**-49%**
19%	9%	-8%	-11%	13%
84%	-46%	47%	52%	-57%
-60%	-105%	-2063%	-13%	-70%
45%	**-36%**	**2%**	**-22%**	**-83%**
-70%	**-137%**	**-385%**	**-11%**	**-66%**

For the year ended 31st December

Percentage Change					
2007	2008	2009	2010	2011	2012
100%	100%	100%	100%	100%	100%
63%	58%	64%	60%	64%	83%
37%	**42%**	**36%**	**40%**	**36%**	**17%**
0%	1%	4%	3%	1%	2%
6%	4%	3%	5%	7%	10%
0%	1%	34%	0%	9%	0%
1%	2%	1%	1%	1%	0%
181%	7%	1%	5%	6%	11%
211%	**40%**	**-5%**	**36%**	**23%**	**16%**
15%	12%	9%	10%	13%	20%
27%	33%	12%	22%	47%	28%
222%	**61%**	**-2%**	**48%**	**58%**	**24%**
20%	19%	8%	11%	12%	3%
202%	**41%**	**-10%**	**37%**	**46%**	**21%**

Statement of value addition

	2012 Rs. in '000	%	2011 Rs. in '000	%
Value Addition				
Gross sales	5,338,806	80.64	7,211,560	85.72
Other income	1,282,096	19.36	1,201,167	14.28
	6,620,902	100.00	8,412,727	100.00
Value distribution				
Cost of sales (excluding employees' cost)	3,126,689	47.22	3,340,466	39.71
Distribution expenses (excluding employees' cost and depreciation)	39,112	0.59	32,609	0.39
Administrative expenses (including other charges and excluding employees' cost & depreciation)	155,629	2.35	155,628	1.85
	194,741	2.94	188,237	2.24
Employees cost				
- Salaries, wages, benefits and staff welfare	806,763	12.19	807,862	9.60
- Workers' profit participation fund	-	0.00	59,163	0.70
	806,763	12.19	867,025	10.31
Government				
- Income taxes	71,900	1.09	525,523	6.25
- Sales tax	736,387	11.12	901,936	10.72
- Workers' welfare fund	8,000	0.12	22,000	0.26
	816,287	12.33	1,449,459	17.23
Shareholders				
- Dividend	481,287	4.24	120,322	1.43
Retained for investment & future growth-depreciation and retained profits	280,579	8.84	1,635,627	19.44
Finance cost	914,556	13.81	811,591	9.65
	6,620,902	100.00	8,412,727	100.00
	-		-	


2012
2011
47%
14%
4%
7%
12%
12%
3%
1%
40%
10%
20%
1%
17%
10%
2%
0%
Cost of Sales
Distribution Expenses
Administrative Expenses
Employees Costs
Government taxes
Shareholders
Retained in Business
Finance Cost

Notice of annual general meeting

Notice is hereby given that the Forty Fifth Annual General Meeting of Dawood Hercules Corporation Limited will be held at Pearl Continental Hotel, Club Road, Karachi, on Friday, 29th March 2013 at 11:30 a.m. to transact the following business:

ORDINARY BUSINESS:

1. To confirm the Minutes of the Forty Fourth Annual General Meeting held on Thursday, 29th March 2012.

2. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended 31st December 2012 together with the Auditors' and Directors' Reports thereon.

3. To consider and, if thought fit, approve payment of final cash dividend at the rate of Rs. 1.00 per share (10%) for the year ended 31st December 2012 as recommended by the Board of Directors.

4. To appoint Auditors for the year ending 31st December 2013 and to fix their remuneration.

By Order of the Board

Karachi
13th February 2013

Shafiq Ahmed
Company Secretary

NOTES:

1. Closure of Share Transfer Books:

   The share transfer books of the Company will remain closed from Tuesday, 22nd March 2013 to Friday, 29th March 2013 (both days inclusive). Transfers received in order at the office of our Shares Registrar, M/s. FAMCO Associates (Pvt.) Limited, First Floor, State Life Building No. 1-A, I.I. Chundrigar Road, Karachi, by the close of business (1700 hours) on Monday, 21st March 2013 will be treated in time for the purpose of above entitlement to the transferees.

2. Participation in the Annual General Meeting:

   All members of the Company are entitled to attend the Meeting and vote thereat in person or through Proxy. A Proxy, duly appointed, shall have such rights as respects speaking and voting at the meeting as are available to a member. The proxies shall produce their original CNICs or original Passports at the time of the Meeting.

3. Proxy:

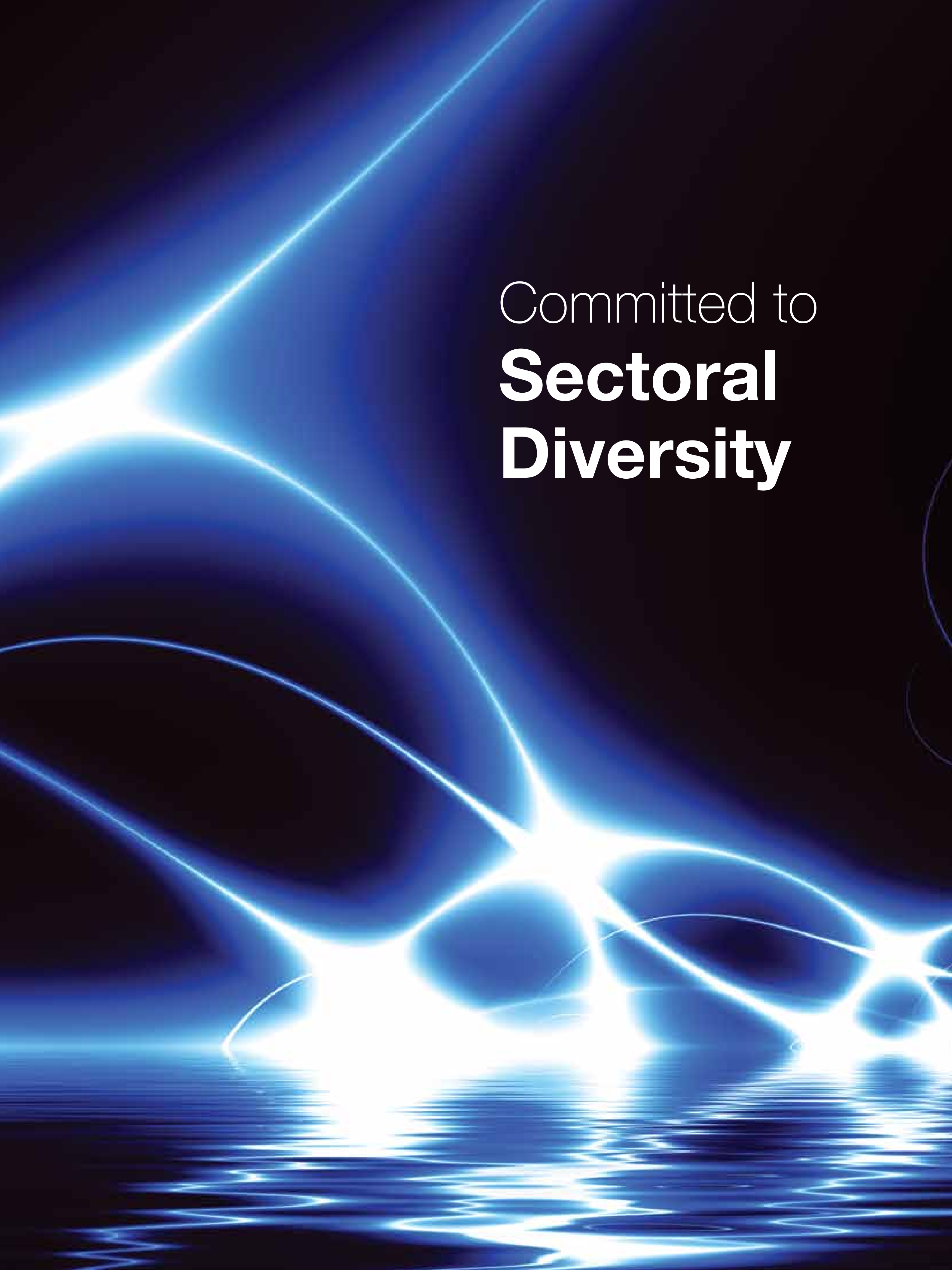
   A member of the Company may appoint another member as his/her Proxy to attend and vote instead of him/her. A Corporation being a member may appoint any person, whether or not a member of the Company as its Proxy. In the case of corporate entities, the Board of Directors' resolution / power of attorney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

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

4. Change of address:

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

Committed to **Sectoral Diversity**



Directors' report

The Directors are pleased to present their report and the audited financial statements of the Company and the audited consolidated financial statements of the Group for the year ended 31 December 2012.

Economic overview - Pakistan

Pakistan's economic woes continued to weigh down on the business environment in the country. Chronic gas and electricity shortages compounded by circular debt, a lurking balance of payments crisis, lack of credit, growing fiscal deficit, violent crime and terrorism were some of the key factors hampering growth and contributing to the persistent decline in both domestic and foreign investment.

Government borrowing from the central bank in FY 2011-12 was a pressing concern for both the bank as well as the government as this type of financing is inflationary in nature. In FY 2012-13, the Government increased its dependency on the private banking sector to stabilise the reserves of the central bank. The worsening law and order situation further encouraged commercial banks to invest in Government paper instead of extending loans to the private sector. The State Bank of Pakistan has warned in its most recently published report, that the fiscal deficit of 8.5% from FY 2011-12 is not sustainable. The country may be pushed towards a debt trap, as its public debt-to-GDP ratio surpassed 60%.

While the country's GDP grew by 3.7% in FY 2011-12 against a target of 4.2%, the IMF expects Pakistan's GDP to grow at around 3 - 3.5% in FY 2012-13 against the Government's target of 4.3%. This may not be enough to stimulate businesses to grow and provide adequate employment to a rapidly growing population. Although inflation remained in check with the CPI showing an overall decline, the IMF predicts inflation to return to double digits in 2013, which would complicate the task of the central bank as it tries to boost business activity ahead of elections in 2013 amidst the prevailing energy shortage and poor security situation.

Agriculture overview

a. Global

Extreme weather events, that are becoming more frequent, and changing climatic patterns continued to challenge global agricultural output in 2012. Drought in America, Australia and Eastern Europe scorched grain and soya bean harvests. As a result, prices started to ease but not by much, and, particularly grains remained at or near record high levels. Food price inflation at the retail level fell significantly from its peak in 2008 and its contribution to overall inflation was consequently reduced. Nevertheless, food price inflation remained high in many developing countries and is still outpacing overall inflation levels. Price volatility owing to weather-related yield variability remained a pressing concern in the farming sector, but a rebound was witnessed in crop production, and stocks improved somewhat leading to reduced turbulence in the commodity markets in 2012.

Analysts predict that nominal prices of commodities are expected to trend upwards in the medium term whereas prices in real terms (adjusted for inflation) will remain flat or decline from current levels in the short term.

Higher oil, nutrient and plant care product prices are a fundamental factor behind the higher agricultural commodity price projections, heavily impacting cost of production. Despite strong prices, slower production growth is anticipated in the near future. Growth in global agricultural production has been above 2% p.a. over the past several decades, but is projected to slow to 1.7% p.a. over the next decade. Growing resource constraints, environmental pressures, and higher costs for some inputs are anticipated to inhibit supply response in virtually all regions.

World Crop Production Summary					
---------------Million metric tons---------------					
	Wheat	Coarse Grains	Rice Milled	Oilseeds	Cotton
2010/11	652.2	1099.3	449.3	455.7	116.3
2011/12	696.4	1154.4	465.0	441.4	124.1

(Source : USDA)

Global agricultural output needs to be raised manifold to meet the demands of a ballooning population, with climate change, urbanization, environmental degradation and soil depletion all factors working against rising output. Additional production will also be necessary to provide feedstock for expanding bio-fuel production. Increasing agricultural productivity therefore, continues to be central to containment of crop prices in the context of rising resource constraints.

b. Pakistan

Rains during the spring of 2012 not only delayed wheat harvesting, but also made it difficult for farmers to plant cotton early, thus exposing late-planted cotton to the risk of Cotton Leaf Curl Virus (CLCV) disease. Pakistan missed its cotton production target by about 2 million bales against a target of 14.6 million bales for FY 2012-13, as the crop was damaged by heavy rains and floods.

Kharif and other minor crops in certain geographies witnessed a decline due to acute shortage of energy and water in the early season followed by excessive flooding and rains close to harvest in the first quarter of FY 2012-13. Rice, cotton and sugarcane crops during Kharif season 2012 faced considerable production shortfall due to above reasons.

The fertilizer crisis has already taken a toll on wheat production in Rabi 2012-13. Despite the Government announced increase in support price, Punjab continues to lag behind its target acreage by 0.6 million acres principally because the support price announcement was somewhat delayed and farm economics did not support wheat sowing. The sudden drop of temperatures further exacerbated this in the early sowing season, which made germination difficult.

HUBCO Narowal Plant

Fertilizer market overview

a. Global

Overall demand for fertilizers has been rising steadily in recent years to meet the progressively increasing need for higher agricultural output. This trend is expected to continue over the next five years, according to the International Fertilizer Industry Association's (IFA) Medium-Term Fertilizer Outlook 2012-2016. Strong demand will boost trade prospects and create new revenue opportunities for the fertilizer producers. This in turn is going to result in a favourable demand driven business landscape for minerals like potash and phosphates, to the benefit of the non-metallic mineral mining industry.

Grain and oilseed markets are tight, and countries will try to maintain adequate inventory levels to curb volatility and inflation. According to the FAO, global cereal production is now forecast to increase by 3.2%. At this new level, world production would exceed the anticipated utilization in 2012-13. As crop production is incentivized, worldwide demand for fertilizer is expected to increase by about 2-3% during the 2012-13 crop production period leading to an average annual growth rate of 1.3% for nitrogen, 2.1% for phosphate and 2.8% for potash. Fertilizer demand is expected to continue to grow at a CAGR of about 2% through 2016-17. Although sizeable investments are expected to take place in the global fertilizer industry according to IFA, supply may be lagging behind demand growth by a slight margin in the near term mainly due to capacity expansion project delays. This may just prove favourable for the industry in preventing an over-supply situation. Although strong fertilizer demand will continue to originate from Asia, growth is expected to be nominal. Latin America will on the other hand, emerge as the dominant demand driver in the near to medium term.

Demand and production capacity for phosphate, a major input for fertilizers, is expected to grow about 20% by 2015, while potash demand and capacity will increase by 14% and 42%, respectively. Global trade of processed phosphates and potash will also rise significantly, according to the IFA.

b. Urea & DAP in Pakistan

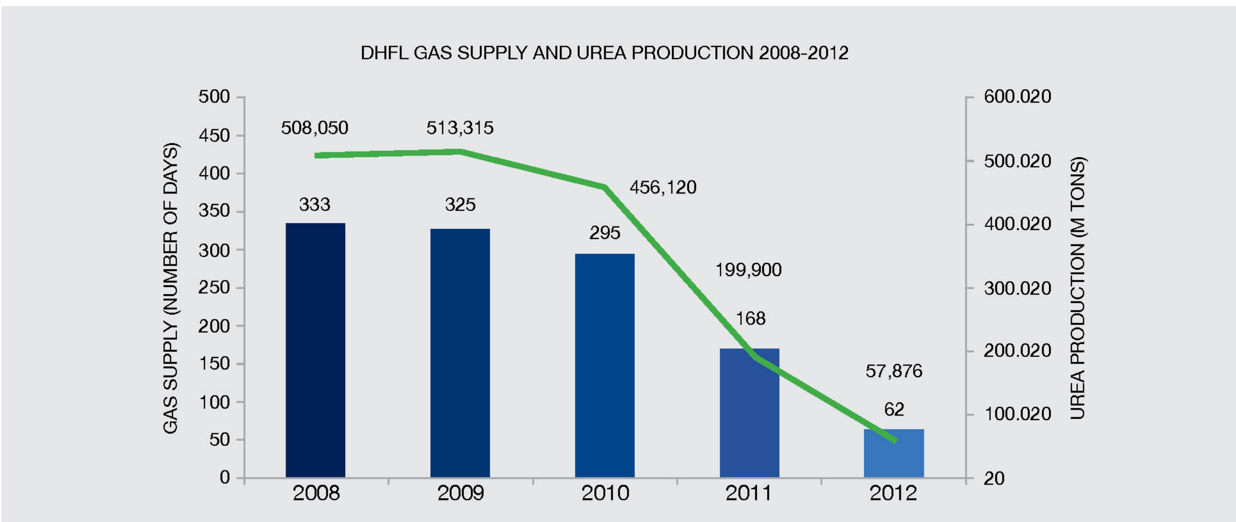
Domestic urea production in Pakistan continued to suffer owing to adoption of ad-hoc and somewhat near-sighted policies by the Government of Pakistan (GoP) in the wake of waning natural gas supplies. Urea production declined by 18% in 2012 over the previous year, while sales totalled 5.720 million tonnes, which is 13% lower than last year. Despite sales pressures on distribution networks of domestic producers stemming from of a threat of oversupply due to imports, demand for urea fell due to increase in prices on account of reduced gas supply to local producers. Domestic urea production in 2012 was 15% lower as compared to 2011, while imports during the year at 1.412 million tonnes indicated that nearly 27% of domestic demand was met through imports. The year 2012 closed with urea inventory of 0.377 million tonnes.

DAP sales of 1.180 million tonnes in 2012 witnessed an increase of nearly 5% over 2011 which indicates that, despite higher prices, farmers gave priority to phosphate application in the shape of DAP vis a vis higher availability of substitute products. Fauji Fertilizer's Bin Qasim plant produced 0.643 million tonnes of DAP during 2012 which was 2.6% lower than last year due to gas shortage. Over 50% of the gap between total domestic production and demand was bridged through private sector imports.

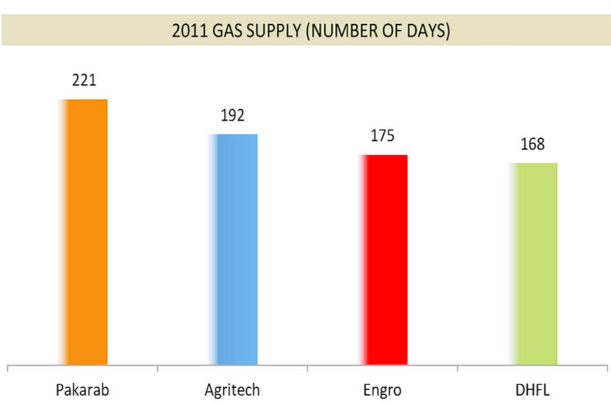
Business overview

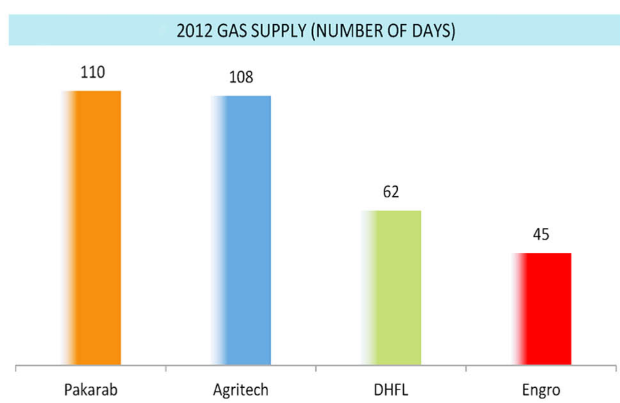
a. Fertilizers

DH Fertilizers Limited's (DHFL's) plant was provided feed gas for only 10 days during Q4 2012, bringing the total number of days for which gas was supplied during FY 2012 to 62. Since the actual gas supplied was limited to 80% of the contracted quantity and that too in sporadic tranches, the plant had to undergo frequent start-ups and shut-downs during the year. Apart from being a serious threat to plant integrity, this phenomenon also adversely affected plant efficiencies and limited actual production to 37 days. The combined effect of all these factors resulted in severely limiting urea production to only 57,876 tonnes or 13% of installed capacity for the full year - the lowest ever in the Company's 45 year history. This was entirely due to the continuing and unprecedented curtailment of supply of feed gas by Sui Northern Gas Pipelines Limited (SNGPL). As compared with 2012, gas was supplied for 168 days in 2011 which enabled DHFL to produce 199,900 tonnes of urea in that year. The following chart depicts the sudden and precipitous fall in gas supply to DHFL's plant over the last 2 to 3 years.



Unfortunately, the discrimination in the matter of gas supply to DHFL by SNGPL, which was evident last year, was exacerbated in 2012 as shown in the following charts.





Despite numerous representations to the Ministry for Petroleum and Natural Resources (MPNR) and SNGPL informing them of the inequitable distribution of gas amongst competing fertilizer customers on the SNGPL network as well as in comparison with the allocation given to industry and other less important sectors of the economy, no remedial supplies were made, and, as a result, the Company has suffered one of the most distressful periods in its operating history. This arose from the unfairly severe gas curtailment experienced by both DHFL as well as its associate's new Enven plant as explained later

Engro Foods' Nara Dairy Farm

in this report. We are constrained to note yet again that this aspect is especially egregious given the GoP's overt commitment to fair competition and clear responsibility to operate a level playing field for all sectors of industry.

As previously informed, DHFL had filed a writ petition in the Lahore High Court against SNGPL earlier in the year and continues to press for its rightful claim to gas. A number of hearings have been held and the Company is hopeful of a favorable decision being announced anytime soon.

DHFL's existing Gas Sale Agreement (GSA) with SNGPL expires and is due for renewal in September 2013. Whereas we remain confident that this will be renewed, uncertainty surrounding gas availability in the country combined with GoP's decision to change its 2005 gas allocation policy by ranking Independent Power Producers (IPPs) higher in priority to fertilizer plants, makes it highly unlikely that the feed gas supply situation for fertilizer plants will be very different in the foreseeable future from that which prevailed in 2012. However, in the short term, we will continue to fight for a more equitable distribution of available supplies and the fertilizer industry's first right to gas as a feed stock.

On a more positive note, however, the GoP has finally moved to seriously address the shortage of gas for fertilizer manufacturers on the SNGPL network on a long term basis. The Economic Coordination Committee (ECC) of the Federal Cabinet in its meeting held on 18 December 2012 has allocated 202 mmcsfd of gas to the four fertilizer plants on this network directly from certain specified fields. This quantity is expected to cater for about 80% of each manufacturer's production capacity and work on the project has commenced on a fast track basis with the expected date of completion and commissioning currently projected by end Q1 2014. The scheme is planned to be implemented via a joint venture of the four fertilizer manufacturers viz: Engro, Pakarab, DHFL and Agritech which will purchase the gas directly from the operators of those fields and transport it to their respective plants through the existing Sui Southern and SNGPL owned pipelines under tolling arrangements. Some augmentation work currently projected to cost around US$ 60-70 million will be required to be carried out on the pipelines to remove bottlenecks within the existing system and to smoothen the flow of gas exclusively for the fertilizer plants. This cost will be borne by the four fertilizer manufacturers in proportion to the volume of gas being supplied to each of their respective plants. DHFL is expected to share approximately 20% or US$ 12-15 million of the total project cost which, in the absence of cash generation from operations, will have to be funded through long term financing from banks and financial institutions.

Hearings in respect of the show cause notices issued by the Competition Commission of Pakistan (CCP) in June 2012 to all the fertilizer manufacturers in Pakistan regarding factors behind the rise in urea prices in 2011 and whether these price increases constitute "collective dominance" of all the fertilizer manufacturers of the urea market, were completed in December 2012. Each company's case was heard separately by the CCP and DHFL is hopeful of a positive outcome in its case from these proceedings.

b. Update on the previously proposed sale of DH Fertilizers Limited

As disclosed in the previous quarter's report of the Directors, the Company had signed a Memorandum of Understanding (MoU) with Pakarab Fertilizers Limited (Pakarab) for the sale of its entire shareholding in DHFL. The consummation of the transaction under the MoU was subject to the Company and Pakarab entering into definitive agreements. Since no binding agreements were entered into by the parties under the terms of the MoU, the Company's Board of Directors decided not to pursue the transaction any further for commercial reasons. The Company informed Pakarab accordingly and refunded the Rs 500 million advance received on signing of the MoU.

c. Investments - energy

As explained in the Company's third quarterly report, DHFL's entire holding of 73.5 million shares in SNGPL was divested in 2012 due to the persistent decline in SNGPL's profitability. Sale proceeds aggregating Rs 1,365 million were realized in Q3 and Q4 2012, the bulk of which were utilized to acquire an additional 22.88 million shares in the Hub Power Company Limited (Hubco). A further 4.227 million shares of Hubco were acquired during Q3 2012 through long term financing obtained by the Company, bringing the Group's aggregate investment in Hubco to 164.847 million shares or 14.25% of the paid up share capital of that company.

d. Investments - other

The Company's associated entity Engro Corporation Limited (ECL) declared a final dividend of Rs 2 per share and 30% bonus issue for the year ended 31 December 2011. However, in 2012, profitability of that company was severely impacted by losses in its fertilizer subsidiary due to gas supply curtailment by SNGPL to its new Enven plant. This was offset to some extent by improving bottom lines in its foods, power generation, and polymers businesses.

The Company's Board of Directors has approved an investment of up to Rs 300 million, or 39% of equity, in a greenfield agriculture related project to extract bran oil from rice husk. The plant for the project is proposed to be set up near Muridke in Punjab which is located in the heart of the rice growing and milling area and will be the first of its kind in Pakistan. It is expected to cost around Rs 1 billion with a 25% debt component. Since one of the most critical aspects of the business model will be constant and speedy delivery of a large quantity of rice bran from the millers to the plant, it is being appropriately sponsored by one of the best known and fastest growing logistics companies of Pakistan. The expected date for commissioning of the plant is Q3 2014 and projected returns on investment are well above the Company's benchmarks.

Financial performance

The consolidated gross profit of the Company declined from Rs 2,266 million in 2011 to Rs 785 million in 2012 mainly due to severe curtailment of feed gas to DHFL's plant throughout the year. Consolidated expenses in aggregate for 2012 were 6.9% lower than the previous year mainly due to lower charges for Workers' Welfare and Workers' Profit Participation Funds on the back of lower operating profit, partially offset by higher selling and distribution and administration expenses. Other operating income for 2012 was higher than the previous year mainly due to a one-off gain of Rs 210 million on the sale of SNGPL shares. Consolidated finance cost of Rs 915 million for 2012 was Rs 104 million higher than 2011 mainly due to financing facilities availed during the year to invest in Hubco shares and manage cash flow constraints at the holding company level.

ECL's consolidated profit after tax of Rs 2,274 million for the year ended 30 September 2012 was substantially lower than Rs 7,817 million for the corresponding period last year mainly due to losses from its fertilizer subsidiary as offset by profits from its foods and power generation businesses. As a result, the Group's share of the consolidated profit after tax of Rs 867 million for 2012 was also considerably lower than Rs 2,981 million for the previous year.

Hubco declared a consolidated profit after tax of Rs 2,213 million for the quarter ended 30 September 2012 (2011: Rs 1,335 million) of which the Group's share amounted to Rs 315 million (2011: Rs Nil). Adding this number to the pro-rated share of consolidated profit after tax for 18 days to 30 June 2012 of Rs 93 million (2011: Rs Nil), gives the total Group share for 2012 of 409 million (2011: Rs Nil). Hubco's substantially higher profitability for the quarter ended 30 September 2012 as compared to the same quarter last year was mainly attributable to indexation and finalization of the tariff for its Narowal plant during the quarter ended 30 June 2012. The major issue, however, continues to be the problem of "circular debt" facing most independent power producers in the country. Although trade debts of Hubco have decreased from a high of Rs 151 billion as at 30 June 2012 to Rs 117 billion as at 30 September 2012, these include Rs 17 billion related to its Narowal plant which continue to strain the company's financing facilities. Despite liquidity constraints, Hubco declared and paid a final dividend of Rs 3 per share for the year ended 30 June 2012.


Employees @ DH Corp

Earnings per share

The unconsolidated earnings per share for the year 2012 were Rs 0.35 per share as compared to Rs 1.17 per share for the year 2011. Consolidated earnings per share for the year were Rs 2.04 (2011: Rs 6.01) per share.

Auditors

The present auditors, 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 31 December 2013 and the Board has endorsed this recommendation.

Pattern of shareholding

The pattern of shareholding of the Company as at 31 December 2012, together with other necessary information, is available at the end of this report along with the proxy form.

Market capitalization and book value

As at the close of the year, the market capitalization of the Company was 15,945 million (2011: 20,402) with a market value of Rs 33.13 per share (2011: Rs 42.39) and a book value of Rs 19,535 million (2011: Rs 19,849) or Rs 40.59 per share (2011: Rs 41.24).

Appropriation

The Board has recommended a final cash dividend of Rs 1.00 per share (10%) for approval by the shareholders in the 45th Annual General Meeting.

Contribution to the national exchequer and economy

During the year, in aggregate, a sum of Rs 1,004 million (2011: 1,422 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 141 million (2011: Rs 135 million).

Provident & gratuity funds

The funded retirement benefits of the employees of the Company are audited once a year and are adequately covered by appropriate investments. The value of the investments of the two provident funds as per the last audited accounts aggregated to Rs 595 million.

Fair value of the assets of the funded defined benefit gratuity plan was Rs 103 million as at 31 December 2012.

Based on the actuarial valuation, the value of assets of defined contribution plan was Rs 43 million as on 31 December 2012.

Board of Directors

The Board comprises of ten directors as follows:

Independent directors	3
Non-executive directors	6
Executive director	1

During the year Mr. Asad Umar resigned and Mr. Saad Raja was appointed as director to fill the casual vacancy within the statutory period stipulated in the Code. The Board would like to place on record its appreciation for the dedication, commitment and valuable contribution by Mr. Asad Umar as a member of the Board and would also like to welcome Mr. Saad Raja in his place.

Board meetings

Eight meetings of the Board were held during the year 2012, which were 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	
Mr. Hussain Dawood	8/8	
Mr. Shahid Hamid Pracha	8/8	
Mr. Isar Ahmad	6/8	
Mr. Javed Akbar	7/8	
Mr. M. Abdul Aleem	7/8	
Mr. Aliuddin Ansari	8/8	
Mr. A. Samad Dawood	6/8	
Mr. Shahzada Dawood	4/8	
Mr. Parvez Ghias	6/8	
Mr. Asad Umar	2/2	Resigned on 24 April 2012
Mr. Saad Raja	2/4	Appointed on 20 July 2012

Statement of directors’ responsibility

The directors confirm compliance with the 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 results of its operations, cash flows and changes in equity.

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

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

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

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

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

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

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

Directors training programme

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

Related party transactions

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

Future outlook

As explained above, gas supply to fertilizer plants on the SNGPL network is expected to remain erratic and constrained during most of 2013 which will adversely impact both DHFL and ECL’s fertilizer subsidiary. At the same time, given the country’s dwindling foreign currency reserves and pressure on its fiscal deficit, the GoP will also face considerable difficulty in importing and subsidizing large quantities of urea to meet the shortfall in demand if local manufacturers continue to

Brands of Engro Foods

face the same level of gas supply constraints as they did in 2012. The Fertilizers Manufacturers Association of Pakistan had on various occasions during 2012 advised the GoP to re-consider its import policy for urea and allow local fertilizer manufacturers to meet the shortfall by supplying feed gas to their plants.

This would not only have saved precious foreign currency for the country but would also have helped the GoP contain its fiscal deficit.

The same situation, if not worse, will hold true for 2013 if the GoP continues to give priority for supply of gas to other industries over fertilizer manufacturers. This could seriously jeopardize availability of required urea at affordable rates for farmers for the next sowing season which could have a deleterious knock-on effect on the already precarious food security situation in the country. In order to avoid this eventuality, the GoP is strongly advised to reinstate the gas supply priority for at least the short term to fertilizer manufacturers as envisaged in the 2005 gas allocation policy. Assuming that the long term solution proposed by the GoP for fertilizer plants detailed above is implemented as planned, gas supplies can commence on a regular basis from Q2 2014 onwards thereby easing to a very large extent the woes of local urea manufacturers.

While ECL's non-fertilizer businesses are expected to perform better or in line with past trends, its overall financial position will continue to remain strained due to reduced gas supplies to its fertilizer plants in 2013. Hubco's profitability, on the other hand, is expected to remain robust going forward and its total generation capacity is also expected to increase with the commissioning of its 75% owned 84 MW hydel power project downstream of Mangla Dam in Azad Jammu & Kashmir, in Q2 2013. However, liquidity constraints arising mainly from the high trade debt levels at its Narowal operations will continue to place a drag on its cash flows.

Acknowledgment

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.

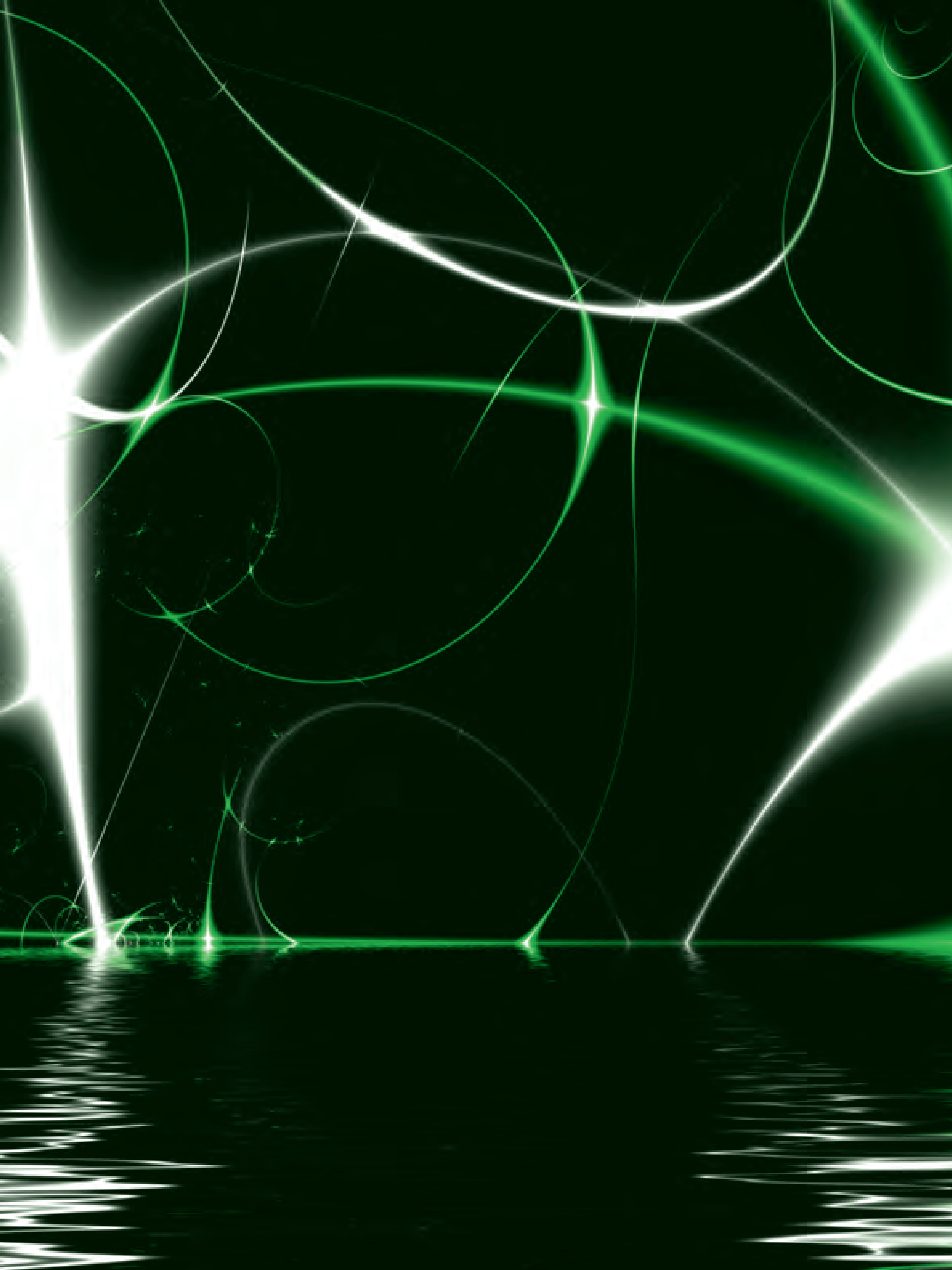
We would also like to thank the management and employees for their sincere contributions in these challenging times.

On behalf of the Board

Hussain Dawood
Chairman

Shahid Hamid Pracha
Chief Executive

HUBCO Plant



Financial Statements

Statement of compliance with the best practices of the code of corporate governance year ended December 31, 2012

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation 35 of Listing Regulations of the Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed Company is managed in compliance with the best practices of corporate governance.

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

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

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

The conditions of clause 1(b) of the CCG will be applicable after election of next Board of Directors of the Company in March 2014.

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

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 April 24, 2012 was filled up by the Directors within 90 days.

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

6. The Board of Directors has developed a vision / mission statement and overall corporate strategy of the Company. Significant policies of the Company have been drafted and are currently in the process of being reviewed and approved by the Board of Directors.

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 of Directors.

8. The meetings of the Board of Directors were presided over by the Chairman and, in his absence, by a Director elected by the Board of Directors for this purpose and the Board met at least once in every quarter. Written notices of the Board of Directors meetings, along with agenda and working papers, were circulated at least seven days before the meetings except for the 191st and 193rd meeting, where the notice period of seven days was waived by the Directors. The minutes of the meetings were appropriately recorded and circulated.

9. All Directors have a minimum of fourteen years of education. The Company is compliant in respect of certification of at least one director during the year 2012. The directors Mr. Parvez Ghias and Mr. A Samad Dawood have certification under Directors’ training program required under the CCG and Mr. Hussain Dawood and Mr. Shahzada Dawood are deemed to be certified as they being director in listed companies for more than 15 years are exempt from certification.

10. The appointment of Company Secretary and Chief Financial Officer (CFO) including their remuneration and terms and conditions of employment, as recommended by the CEO was approved by the Board.

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

12. The financial statements of the Company were duly endorsed by 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 that disclosed in the pattern of shareholding.

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

15. The Board has formed an Audit Committee. It comprises of four members, two of whom are non-executive and two are independent Directors, and the chairman of the committee is an independent Director.

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

17. The Board has formed a Board Compensation Committee. It comprises of four non-executive Directors and 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. However, the Board is in the process of appointing the Head of internal audit to act as a coordinator between the firm of Chartered Accountants and the Board of Directors.

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 ICAP.

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

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

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

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

Karachi	Hussain Dawood	Shahid Hamid Pracha
13 February 2013	Chairman	Chief Executive

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

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

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

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

Further, Sub-Regulation (x) of Listing Regulation No. 35 of Karachi, Lahore and Islamabad Stock Exchanges requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of the above requirements to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the status of the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended December 31, 2012.

As stated in paragraphs 6 and 18 of the annexed statement, the Board of Directors of the Company are currently in the process of:

i. Review and approval of significant policies of the Company; and

ii. Appointing Head of Internal Audit to act as coordinator between the firm of Chartered Accountants and the Board of Directors.

AFerguson & Co

Chartered Accountants
Karachi, February 22, 2012

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A. F. FERGUSON & CO.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Dawood Hercules Corporation Limited (the Company) as at December 31, 2012 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 account and are further in accordance with the 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, 2012 and of the profit, comprehensive income, its changes in equity and cash flows for the year then ended; and

(d) in our opinion zakat deductible at source under the Zakat and Ushr Ordinance, 1980 was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The financial statements for the year ended December 31, 2011 were audited by another firm of Chartered Accountants whose report, dated February 15, 2012, expressed an unmodified opinion on those statements. Our opinion is not qualified in respect of this matter.

Chartered Accountants
Karachi, February 22, 2013

Audit Engagement Partner: Khurshid Hasan

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Balance sheet
As at December 31, 2012

	Note	2012	2011
		-------- (Rupees in '000) --------	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	4	65,227	42,809
Long term investments	5	19,727,295	18,435,618
		19,792,522	18,478,427
CURRENT ASSETS			
Short term loans and advances	6	308	368
Short term deposits and prepayments		9,486	1,573
Other receivables		492	-
Short term investments	7	2,615	971,818
Taxation- net		-	1,618
Cash and bank balances	8	6,387	435,445
		19,288	1,410,822
		19,811,810	19,889,249
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital	9.1	10,000,000	10,000,000
Issued, subscribed and paid up capital	9.2	4,812,871	4,812,871
Revenue reserves		14,721,624	15,036,168
Surplus on revaluation of investments		1,269	-
		19,535,764	19,849,039
NON CURRENT LIABILITIES			
Long term financing	10	169,147	-
Deferred liabilities	11	5,118	6,509
		174,265	6,509
CURRENT LIABILITIES			
Current portion of long term financing	10	8,903	-
Short term running finance	12	32,299	-
Trade and other payables	13	47,802	33,701
Accrued mark-up		12,405	-
Taxation- net		372	-
		101,781	33,701
		19,811,810	19,889,249
CONTINGENCIES	14		

The annexed notes from 1 to 27 form an integral part of these financial statements.

Karachi
13 February 2013

Hussain Dawood
Chairman

Shahid Hamid Pracha
Chief Executive

Profit and loss account
For the year ended December 31, 2012

	Note	2012	2011
		-------- (Rupees in '000) --------	
Dividend income	15	380,679	741,080
Administrative expenses	16	(234,336)	(215,434)
		146,343	525,646
Other operating expenses	17	(320)	(185)
Other operating income	18	80,118	118,897
Impairment on available for sale investments		-	(5,543)
Operating profit		226,141	638,815
Finance cost	19	(20,898)	(17)
Profit before taxation		205,243	638,798
Taxation	20	(38,500)	(78,000)
Profit after taxation		166,743	560,798
		Rupees	
Earnings per share - basic	21	0.35	1.17

The annexed notes from 1 to 27 form an integral part of these financial statements.

Karachi
13 February 2013

Hussain Dawood
Chairman

Shahid Hamid Pracha
Chief Executive

Statement of comprehensive income
For the year ended December 31, 2012

	2012	2011
	-------- (Rupees in '000) --------	
Profit after taxation	166,743	560,798
Other comprehensive income		
Unrealised gain on investments classified as 'available for sale'	1,269	-
Total comprehensive income	168,012	560,798

The annexed notes from 1 to 27 form an integral part of these financial statements.

Karachi
13 February 2013

Hussain Dawood
Chairman

Shahid Hamid Pracha
Chief Executive

Statement of changes in equity
For the year ended December 31, 2012

	Issued, subscribed and paid up capital	General reserve	Unappropriated profit	Total	Surplus on revaluation of investments	Total
		---- Revenue reserves ----				
	---- Rupees in '000 ----					
Balance as at January 1, 2011	1,203,218	700,000	17,505,345	18,205,345	135,765	19,544,328
Transfer of fair value reserve to fertilizer undertaking - note 1.2	-	-	-	-	(135,765)	(135,765)
Total comprehensive income	-	-	560,798	560,798	-	560,798
Transactions with owners						
Final cash dividend @10% for the year ended December 31, 2010	-	-	(120,322)	(120,322)	-	(120,322)
Final stock dividend @300% for the year ended December 31, 2010	3,609,653	-	(3,609,653)	(3,609,653)	-	-
	3,609,653	-	(3,729,975)	(3,729,975)	-	(120,322)
Balance as at December 31, 2011	4,812,871	700,000	14,336,168	15,036,168	-	19,849,039
Total comprehensive income	-	-	166,743	166,743	1,269	168,012
Final cash dividend @10% for the year ended December 31, 2011	-	-	(481,287)	(481,287)	-	(481,287)
Balance as at December 31, 2012	4,812,871	700,000	14,021,624	14,721,624	1,269	19,535,764

The annexed notes from 1 to 27 form an integral part of these financial statements.

Karachi
13 February 2013

Hussain Dawood
Chairman

Shahid Hamid Pracha
Chief Executive

Cash flow statement
For the year ended December 31, 2012

	Note	2012	2011
		-------- (Rupees in '000) --------	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash utilised in operations	24	(212,486)	(191,810)
Finance cost paid		(8,493)	(17)
Taxes paid		(36,510)	(79,618)
Staff retirement and other service benefits paid		(8,274)	(3,430)
Net cash utilised in operating activities		(265,763)	(274,875)
CASH FLOW FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(34,284)	(7,165)
Proceeds from disposal of property, plant and equipment		7,374	3,881
Proceeds from disposal of short term investments		2,519,436	173,408
Income received from short term deposits		16,148	12,482
Investments made		(2,781,710)	(477,000)
Dividends received		380,679	741,080
Net cash generated from investing activities		107,643	446,686
CASH FLOW FROM FINANCING ACTIVITIES			
Short term running finance		32,299	-
Long term financing		178,050	-
Dividends paid		(481,287)	(120,322)
Net cash utilised in financing activities		(270,938)	(120,322)
Net (decrease) / increase in cash and cash equivalents		(429,058)	51,489
Cash and cash equivalents at the beginning of the year		435,445	383,956
Cash and cash equivalents at the end of the year	8	6,387	435,445

The annexed notes from 1 to 27 form an integral part of these financial statements.

Karachi
13 February 2013

Hussain Dawood
Chairman

Shahid Hamid Pracha
Chief Executive

1. THE COMPANY AND ITS OPERATIONS

1.1 Dawood Hercules Corporation Limited (the Company) - formerly Dawood Hercules Chemicals Limited was incorporated in Pakistan on April 17, 1968 as a public limited company under the Companies Act 1013 (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 effected on January 1, 2011 (the effective date) through a Scheme of Arrangement (the Scheme) under Section 284 to 288 of the Ordinance which was duly approved by the Honourable Lahore High Court, whereby:

(a) the fertilizer business was transferred and vested in the subsidiary company against the issuance of ordinary shares of the subsidiary company; and

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

2. SIGNIFICANT ACCOUNTING INFORMATION AND POLICIES

2.1 Accounting convention

These financial statements have been prepared under the historical cost convention, as modified by re-measurement of certain financial assets and financial liabilities at fair value and recognition of certain staff retirement and other benefits at present value.

2.2 Basis of preparation

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

2.3 Standards, amendments to approved accounting standards and interpretations becoming effective during the year ended December 31, 2012:

There are certain new standards, amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations that became effective during the year and are mandatory for accounting periods beginning on or after January 1, 2012 but are considered not to be relevant or have any significant effect on the Company's operations and are, therefore, not disclosed in these financial statements.

Standards, amendments to approved accounting standards and interpretations that are not yet effective and have not been early adopted by the Company:

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting period beginning on or after January 1, 2013 or later periods:

IAS 19, 'Employee benefits' (effective for periods beginning on or after January1, 2013). The impact on the Company will be as follows:

(i) to eliminate the corridor approach and recognise all actuarial gains and losses in other comprehensive income as they occur;

(ii) to immediately recognise all past service costs; and

(iii) to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined liability / (asset).

The Company is yet to assess the full impact of the amendments and intends to adopt IAS 19 not earlier than the accounting period beginning on or after January 1, 2013.

There are some other amendments to the standards and new interpretations that are mandatory for accounting periods beginning on or after January 1, 2013 but are considered not to be relevant or do not have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements.

2.4 Property, plant and equipment

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

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

Depreciation is charged to profit and loss account applying the straight-line method so as to write off the historical cost of the assets over their estimated useful lives at the rates stated in note 4. Depreciation on additions is charged from the following month in which the asset is acquired and on disposals upto 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.

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.

Consistent with prior years, 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 and depreciated in a manner that represents the consummation 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.

2.5 Investment in subsidiaries

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

2.6 Investment in associates

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

Investment in associates are carried at cost. At subsequent reporting dates, the Company determines whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the 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.

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 for maturities for greater than twelve months after the balance sheet date, which are classified as non-current assets. Loans and receivables with less than twelve months maturities are classified as loans and advances, deposits 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 as gains and losses from investment securities. 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.

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.

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 effective interest rate method.

Derecognition

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

Impairment

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

2.7.2 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 comprise cash in hand and cash with banks in current, and saving accounts that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

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, 2012.

The 'projected unit credit method' is based on the following significant assumptions and is used for valuation of the aforementioned scheme:

- Discount rate - 11% (2011: 13%) per annum.
- Expected rate of increase in salary levels - 10% (2011: 12%) per annum.
- Expected rate of return on plan assets - 12.5% (2011: 13%) per annum.

Cumulative unrecognised actuarial gains and losses at the end of the previous year which exceed 10% of the greater of the present value of the Company's defined benefit obligations and the fair value of plan assets are amortised over the expected average remaining working lives of the employees.

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

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 the dividends are approved by the Company's shareholders.

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 0.5 percent of turnover, whichever is higher. It also includes any adjustment to tax payable in respect of prior years, if any.

Deferred

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

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

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

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

2.14 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 Company; or
- there is 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.
- Return on bank deposits are accrued on a time proportion basis by reference to the principal outstanding amount and the applicable rate of return.
- Gains / (losses) arising on sale of investments are included in income currently and are recognised on the date when the transaction takes place.
- 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.

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 gain / loss 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 critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company'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 Company's accounting policies, the management has made the following estimates and judgments which are significant to the financial statements:

3.1 Provision for staff retirement and other benefits

The present value of these obligations depends on a number of factors that are determined on actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of these obligations. The present values of these obligations and the underlying assumptions are disclosed in note 11.

3.2 Current and deferred income taxes

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

3.3 Provisions

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

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) with a corresponding affect on the depreciation charge and impairment.

Estimates and judgements 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 Property, Plant and Equipment

	Land	Building	Plant and machinery	Furniture, fittings and equipment	Data processing equipment	Vehicles	Railway sidings	Catalysts	Total
	Rupees in '000								
At January 1, 2011									
Cost	250,657	114,636	3,472,084	75,155	118,143	171,028	2,314	216,213	4,420,230
Accumulated depreciation	-	(85,120)	(2,040,823)	(46,895)	(103,793)	(84,339)	(2,291)	(185,261)	(2,548,522)
Net book value	250,657	29,516	1,431,261	28,260	14,350	86,689	23	30,952	1,871,708
Year ended December 31, 2011									
Additions	-	-	-	290	1,258	5,617	-	-	7,165
Transfers to fertilizer undertaking- note 1.2	(227,941)	(27,078)	(1,431,261)	(24,273)	(12,635)	(72,508)	(23)	(30,952)	(1,826,671)
Disposals									
Cost	-	-	-	(66)	(535)	(6,650)	-	-	(7,251)
Accumulated depreciation	-	-	-	65	356	4,099	-	-	4,520
Net Book Value	-	-		(1)	(179)	(2,551)	-	-	(2,731)
Depreciation charge for the year	-	(375)	-	(718)	(1,091)	(4,478)	-	-	(6,662)
Net book value as at December 31, 2011	22,716	2,063	-	3,558	1,703	12,769	-	-	42,809
Year ended December 31, 2012									
Additions	-	-	-	160	1,430	32,694	-	-	34,284
Disposals									
Cost	-	-	-	(33)	(1,244)	(11,683)	-	-	(12,960)
Accumulated depreciation	-	-	-	17	1,231	9,377	-	-	10,625
Net book value	-	-		(16)	(13)	(2,306)	-	-	(2,335)
Depreciation charge for the year	-	(376)	-	(710)	(1,060)	(7,385)	-	-	(9,531)
Net book value as at December 31, 2012	22,716	1,687	-	2,992	2,060	35,772	-	-	65,227
At December 31, 2011									
Cost	22,716	7,500	-	9,697	9,821	33,137	-	-	82,871
Accumulated depreciation	-	(5,437)	-	(6,139)	(8,118)	(20,368)	-	-	(40,062)
Net book value	22,716	2,063	-	3,558	1,703	12,769	-	-	42,809
At December 31, 2012									
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
Depreciation rate (%)	-	5	7.5	10 to 12.5	33.33	20	5	10 to 50	

Cost of property, plant and equipment that are fully depreciated amounts to Rs 19.186 million (2011: Rs 19.186 million).

4.2 Details of property, plant and equipment disposed off

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

Particulars	Mode of disposal	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain	Particulars of purchasers / related parties
		------------------------Rupees in '000------------------------					
Vehicles	As per Company policy	4,150	(2,974)	1,176	2,179	1,003	Mr Shahid Hamid Pracha
	-do-	1,897	(823)	1,074	1,279	205	Mr Akram Durrani
Others							
Items having net book value of less than Rs 50,000 each	Auction	6,913	(6,828)	85	3,916	3,831	Various
2012		12,960	(10,625)	2,335	7,374	5,039	
2011		7,251	(4,520)	2,731	3,881	1,150	

	Note	2012	2011
		-------- (Rupees in '000) --------	
5. LONG TERM INVESTMENTS			
Investment in a subsidiary company	5.1	1,615,119	1,615,119
Investment in associates	5.2	18,112,176	16,820,499
		19,727,295	18,435,618

5.1 Investment in a subsidiary company

	2012	2011
DH Fertilizers Limited- unquoted 100,000,000 (2011: 100,000,000) ordinary shares of Rs10 each Percentage of holding 100% (2011:100%)	1,615,119	1,615,119

5.1.1 DH Fertilizers Limited, is a public limited company incorporated under the Ordinance and its principal activity is production, purchase and sale of fertilizers.

5.1.2 The Company signed a Memorandum of Understanding (MoU) with Pakarab Fertilizers Limited (Pakarab) for the sale of its entire holding in a subsidiary company. The MoU was approved by the Board of Directors on September 15, 2012. As per the terms of the MoU, Pakarab paid an advance of Rs 500 million to the Company. However, due to commercial reasons the Company did not pursue the transaction and the advance was subsequently repaid to Pakarab and the same was communicated to all stock exchanges in Pakistan on December 11, 2012.

	Note	2012	2011
		-------- (Rupees in '000) --------	
5.2 Investment in associates			
Engro Corporation Limited - quoted	5.2.1	16,820,499	16,820,499
The Hub Power Company Limited - quoted	5.2.2	1,291,677	-
		18,112,176	16,820,499

5.2.1 Engro Corporation Limited- quoted

	Note	2012	2011
170,012,555 (2011: 130,778,890) ordinary shares of Rs 10 each		16,820,499	19,289,962
Transferred to Fertilizer Undertaking	1.2	-	(2,469,463)
Percentage of holding 33.25% (2011: 33.25%)		16,820,499	16,820,499

5.2.1.1 The Company received 39.23 million bonus shares (2011: 21.79 million) from Engro Corporation Limited (ECL) during the year ended December 31, 2012.

5.2.1.2 The market value of investment in ECL as at December 31, 2012 was Rs 15,648 million (2011: Rs 12,123 million).

	2012	2011
	-------- (Rupees in '000) --------	
5.2.2 The Hub Power Company Limited - quoted 39,707,000 (2011: Nil) ordinary shares of Rs 10 each. Percentage of holding 3.43% (2011: Nil)	1,291,677	-

5.2.2.1 During the year ended December 31, 2012 the Company made investment in 39.707 million shares of The Hub Power Company Limited (HUBCO). Out of 39.707 million shares, 35.480 million shares were purchased from National Power International Holdings BV (NPIH) at an agreed price of Rs 31 per share based on Share Purchase Agreement. However, remaining 4.227 million shares were purchased through open market.

The Company has now effectively acquired 14.25% of the voting power by virtue of investment by its subsidiary company in HUBCO, however due to representation of its directors on the Board of Directors of HUBCO and participation in policy making processes and being the largest private shareholder, it has significant influence over HUBCO.

5.2.2.2 The market value of investment in HUBCO as at December 31, 2012 was Rs 1,796 million (2011: Nil)

	Note	December 31, 2012	December 31, 2011
		-------- (Rupees in '000) --------	
6. SHORT TERM LOANS AND ADVANCES			
Considered good- unsecured			
Loans and advances to:			
- Employees and executives		163	368
- Suppliers		145	-
		308	368
7. SHORT TERM INVESTMENTS			
Available for sale	7.1	2,615	2,536
Financial assets at fair value through profit or loss	7.2	-	969,282
		2,615	971,818
7.1 Available for sale			
Southern Electric Power Company Limited- quoted			
3,622,900 (2011: 3,622,900) ordinary shares at cost		68,431	68,431
Cumulative impairment loss		(65,895)	(60,352)
Balance at the beginning of the year		2,536	8,079
Investment disposed off		(1,190)	-
1,700,000 (2011: Nil) ordinary shares		1,346	8,079
Increase / (decrease) in fair value during the year		1,269	(5,543)
Balance at the end of the year			
1,922,900 (2011: 3,622,900) ordinary shares at			
Percentage of holding 1.40% (2011: 2.65%)		2,615	2,536

	Note	2012	2011
		-------- (Rupees in '000) --------	
7.2 Financial assets at fair value through profit or loss			
ABL Income Fund			
Nil (2011: 18,242,324) units of Rs 10 each		-	166,198
Adjustment arising from measurement to fair value		-	16,561
		-	182,759
Meezan Cash Fund-Growth Units			
Nil (2011: 4,163,996) units of Rs 50 each		-	187,966
Adjustment arising from measurement to fair value		-	20,817
		-	208,783
UBL Liquidity Plus Fund-Class C			
Nil (2011: 2,960,961) units of Rs 100 each			270,202
Adjustment arising from measurement to fair value			27,329
		-	297,531
ABL Cash Fund			
Nil (2011: 27,952,179) units of Rs. 10 each		-	250,502
Adjustment arising from measurement to fair value		-	29,707
		-	280,209
		-	969,282

8. CASH AND BANK BALANCES

	Note	2012	2011
Cash in hand		250	250
Cheques in hand		991	-
With banks on:			
- Current accounts		1,578	-
- Savings accounts	8.1	3,568	435,195
		5,146	435,195
		6,387	435,445

8.1 The range of rates of profit on these savings accounts is between 5% to 8.5% per annum (2011: 5% to 11%).

9. SHARE CAPITAL

9.1 Authorised capital

2012	2011		2012	2011
(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

9.2 Issued, subscribed and paid up capital

2012	2011			
(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

9.3 Reconciliation of issued, subscribed and paid up capital

	2012	2011
	(Number of share)	
Outstanding as at January 1	481,287,116	120,321,779
Bonus shares issued during the year	-	360,965,337
Closing as at December 31	481,287,116	481,287,116

9.4 Shares held by related parties

	2012	2011
Dawood Lawrencepur Limited Percentage of holding 16.19% (2011: 16.19%)	77,931,896	77,931,896
Dawood Corporation (Private) Limited Percentage of holding Nil (2011: 0.02%)	-	101,844
The Dawood Foundation Percentage of holding 3.93% (2011: 3.93%)	18,911,988	18,911,988
Cyan Limited Percentage of holding 0.165% (2011: 1.82%)	794,380	8,780,760
Patek (Private) Limited Percentage of holding Nil (2011: 0.032%)	-	155,284
Sach International (Private) Limited Percentage of holding 0.001% (2011: 0.001%)	6,996	6,996

10. LONG TERM FINANCING

	Note	2012	2011
		-------- (Rupees in '000) --------	
Long term financing		178,050	5,702,500
Current portion		(8,903)	-
Transferred to Fertilizer Undertaking	1.2	-	(5,702,500)
		169,147	-

10.1 Long term finance facility has been obtained under mark-up arrangement with Allied Bank Limited (ABL) amounting to Rs 380 million (2011: Nil). The finance facility is secured by way of hypothecation charge over all assets of the Company with 25% margin and pledge of the HUBCO shares with 50% margin. The facility carries markup at the rate of six months ask side KIBOR plus 200 basis points per annum and is payable semi annually in arrears and the first payment is due on January 4, 2013, whereas repayment of the first installment of principal is due in July 2013. The facility will be repaid in full in July, 2017.

11. DEFERRED LIABILITIES

	Note	2012	2011
		-------- (Rupees in '000) --------	
Defined benefit plan funded- Gratuity Scheme	11.1	5,118	1,288
Employees' compensated absences	11.9	-	5,221
		5,118	6,509

11.1 Balance sheet reconciliation

	Note	2012	2011
Present value of defined benefit obligation	11.2	15,096	7,593
Fair value of plan assets	11.3	(6,070)	(2,711)
Unrecognised actuarial losses		(3,908)	(3,594)
Liability as at December 31		5,118	1,288

11.2 Movement in present value of defined benefit obligation

	Note	2012	2011
		-------- (Rupees in '000) --------	
As at January 1		7,593	143,455
Transferred to Fertilizer undertaking	1.2	-	(112,104)
		7,593	31,351
Current service cost		1,452	2,054
Interest cost		949	4,075
Benefits paid		(15)	(25,920)
Past service cost		4,537	-
Actuarial loss / (gain) on defined benefit obligation		580	(3,967)
As at December 31		15,096	7,593

11.3 Movement in fair value of plan assets

	Note	2012	2011
As at January 1		2,711	107,904
Transferred to Fertilizer undertaking	1.2	-	(84,323)
		2,711	23,581
Expected return on plan assets		339	3,066
Contribution		3,053	2,291
Benefits paid		(15)	(25,920)
Actuarial loss on plan assets		(18)	(307)
As at December 31		6,070	2,711

11.4 Movement in net liability in the balance sheet

	Note	2012	2011
Present value of defined benefit obligation as at 1 January		1,288	-
Expense recognised for the year	11.5	6,883	3,579
Contribution made by the company		(3,053)	(2,291)
		5,118	1,288

11.5 The amounts recognised in the income statement

	Note	2012	2011
Current service cost		1,453	2,054
Interest amount		949	4,075
Expected return on alan assets		(339)	(3,066)
Actuarial losses charge		283	516
Past service cost charge		4,537	-
Expense		6,883	3,579

11.6 Actual return on plan assets

	Note	2012	2011
Expected return on plan assets		339	3,066
Actuarial loss on plan assets		(18)	(307)
Actual return on plan assets		321	2,759

11.7 Major categories / composition of plan assets

	Note	2012	2011
Cash and cash equivalents		101,946	100,525
Funds receivable from Workers Gratuity Fund		1,319	613
Funds payable to DH Fertilizer Limited Gratuity Fund		(97,195)	(98,427)
		6,070	2,711

11.8 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:

	2012	2011	2010	2009	2008
	(Rupees in '000)				
As at December 31					
Fair value of plan assets	6,070	2,711	107,904	106,171	92,608
Present value of defined benefit obligation	(15,096)	(7,593)	(143,455)	(148,767)	(112,044)
Deficit	(9,026)	(4,882)	(35,551)	(42,596)	(19,436)
Experience adjustments:					
(Loss) / gain on plan assets	(18)	(307)	4,583	(7,821)	10,857
Loss / (gain) on obligations	580	(3,967)	793	16,877	2,113

11.9 During the current year the management has decided to encash all cumulative leave balance subject to retention of 10 days leaves. Accordingly, the deferred liability in respect of compensated absences does not arise and the balance payable to employee is accounted for as accrued expenses included in note 13. Compensated absences as at December 31, 2011 aggregating Rs 5.221 million were paid during the year.

	Note	2012	2011
		(Rupees in '000)	
12. SHORT TERM RUNNING FINANCE			
Running finance under mark-up arrangement	12.1	32,299	-

12.1 During the year, the Company obtained a running finance facility of Rs 300 million (2011:Nil) under mark-up arrangement from Bank Al-Habib Limited. The facility carries mark-up at 3 months KIBOR plus 100 basis points and expires on April 30, 2013. The facility is secured against pledge of 5.54 million ordinary shares of ECL with 50% margin.

	December 31, 2012	December 31, 2011
	(Rupees in '000)	
13. TRADE AND OTHER PAYABLES		
Creditors	3,962	-
Accrued expenses	23,014	14,232
Unclaimed dividends	20,804	19,383
Others	22	86
	47,802	33,701

14. CONTINGENCIES

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

	Note	2012	2011
		-------- (Rupees in '000)	--------
15. DIVIDEND INCOME			
Associates			
- Engro Corporation Limited	5.2.1	261,558	741,080
- The Hub Power Company Limited	5.2.2	119,121	-
		380,679	741,080
16. ADMINISTRATIVE EXPENSES			
Salaries, wages and other benefits	16.1	151,486	130,691
Rent, rates and taxes		12,246	11,441
Insurance		2,470	1,883
Repairs and maintenance		5,751	6,570
Communication, stationery and office supplies		12,836	14,465
Subscription and periodicals		7,386	24,137
Travel and conveyance		8,630	10,106
Depreciation		9,531	6,662
Legal and professional charges		17,000	4,794
Donations		-	1,283
Other expenses		7,000	3,402
		234,336	215,434

16.1 Salaries, wages and other benefits include Rs. 3.053 million (2011: Rs. 2.291 million) in respect of contribution to gratuity scheme and Rs 5.49 million (2011: Rs 4.90 million) in respect of staff provident fund.

	2012	2011
	-------- (Rupees in '000)	--------
17. OTHER OPERATING EXPENSES		
Audit fee	150	50
Half year review and other certifications	100	100
Out of pocket expenses	70	35
	320	185
18. OTHER OPERATING INCOME		
18.1 Income from financial assets:		
Profit on savings accounts and term deposit receipts	16,148	12,482
Realised gain on sale of short term investments available for sale	1,752	-
Realised gain on sale of investments at fair value through profit or loss	55,872	10,750
Unrealised gain on remeasurement of investments at fair value through profit or loss	-	94,414
	73,772	117,646

		Note	2012	2011
			-------- (Rupees in '000) --------	
18.2	Income from non-financial assets:			
	Profit on sale of property, plant and equipment	4.2	5,039	1,150
	Other income		1,307	101
			80,118	118,897

19. FINANCE COST

	2012	2011
Mark up on:		
- Long term financing	18,983	-
- Short term running finance	1,792	-
Bank charges	123	17
	20,898	17

20. TAXATION

	2012	2011
Current- for the year	38,500	78,000

20.1 Relationship between tax expense and accounting profit

	%	%
Applicable tax rate	35.0	35.0
Tax effect of amounts that are not deductible for tax purposes	-	7.0
Tax effect of amounts exempt from tax	-	(1.0)
Tax effect of amounts taxed at lower rate	(10.4)	(29.0)
Minimum tax	(5.9)	-
	18.7	12.0

21. EARNINGS PER SHARE

	2012	2011
Profit for the year after taxation	166,743	560,798
	(Number of share)	
Weighted average number of ordinary shares	481,287,116	481,287,116
	------------ (Rupees) ------------	
Earnings per share - basic	0.35	1.17

21.1 There are no dilutive potential ordinary shares outstanding as at December 31, 2012 and 2011.

22. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	-------------2012-------------			-------------2011-------------		
	Chief Executive	Directors	Executives	Chief Executive	Directors	E xecutives
	-----------------------------------Rupees in '000-----------------------------------					
Managerial remuneration	11,475	33,300	36,031	19,182	52,542	38,474
Retirement benefits including ex-gratia	2,142	-	6,398	182	2,696	2,561
Rent and utilities	5,196	14,985	17,877	1,104	969	3,959
Compensated absences	2,608	-	4,453	-	-	-
Medical	-	-	318	919	524	1,543
	21,421	48,285	65,077	21,387	56,731	46,537
Number of persons	1	1	20	1	2	19

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

22.2 Meeting fees aggregating Rs 5.9 million (2011: Rs 5 million) were paid to 8 directors (2011: 6 directors).

23. RELATED PARTY TRANSACTIONS

The related parties comprise subsidiary company, local associated companies, related group companies, directors of the Company, companies in which directors are interested, staff retirement benefits, directors, key management personnel and close members of the 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	2012	2011
		-------- (Rupees in '000)	--------
Subsidiary company			
Purchase of property, plant and equipment		8,045	-
Reimbursement of expenses made to the Company		2,449	5,211
Reimbursement of expenses made by the Company		372	52,262
Guarantee to a syndicate of financial institutions	14	-	-
Associates			
Sale of property, plant and equipment		855	-
Purchase of services		13,821	12,358
Dividend Income		380,679	741,080
Reimbursement of expenses from associates		1,188	948
Reimbursement of expenses to associates		2,274	81
Other related parties			
Gratuity scheme		3,067	2,291
Provident fund		5,513	4,902
Reimbursement of expenses from other related parties		1,515	-
Key management personnel			
Sale of property, plant and equipment		3,491	3,676
Salaries and other benefits	22		

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

24. CASH UTILISED IN OPERATIONS

	Note	2012	2011
		-------- (Rupees in '000) --------	
Profit before taxation		205,243	638,798
Adjustment for non cash expenses and other items:			
Depreciation		9,531	6,662
Finance cost		20,898	17
Profit on sale of property, plant and equipment		(5,039)	(1,150)
Profit on sale of short term investments		(58,931)	(10,750)
Unrealised gain on investments at fair value through profit or loss		-	(94,414)
Impairment loss on available for sale investments		-	5,543
Dividend income		(380,679)	(741,080)
Provision for staff retirement and other service benefits		6,883	6,618
Profit on short term deposits		(16,148)	(12,482)
Working capital changes	24.1	5,756	10,428
Cash utilised in operations		(212,486)	(191,810)

24.1 Working capital changes

	2012	2011
Decrease / (increase) in current assets:		
Loans and advances	60	53
Deposits and short term prepayments	(7,913)	6,877
Other receivables	(492)	427
	(8,345)	7,357
Increase in trade and other payables	14,101	3,071
	5,756	10,428

25. FINANCIAL INSTRUMENTS

25.1 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.

25.2 Market risk

Market risk is the risk that the value of the 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 issuer or the instrument, changes in market sentiments, speculative activities, supply and demand of instruments and liquidity in the market. The Company manages the market risk by monitoring exposure on financial instruments and by following internal risk management policies.

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

25.2.1 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, 2012, 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, 2012, 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 1.052 million (2011: Nil) mainly as a result of finance cost.

25.2.2 Currency risk

Currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies. The company is not exposed to currency risk as receivables and payables do not exist in foreign currency.

25.2.3 Price risk

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

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

	2012	2011
	-------- (Rupees in'000) --------	
Effect on Equity	262	-
Effect on profit and loss account	-	254

25.3 Credit risk and its concentration

Credit risk represents the accounting loss that would be recognised 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 party. To manage exposure to credit risk, management reviews credit ratings, total deposits worthiness, and maturities of the investments made, past experience and other factors.

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

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

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

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

Financial assets	2012	2011
	-------- (Rupees in '000)	--------
Short term loans and advances	308	368
Short term deposits	892	892
Other receivables	492	-
Bank balances	5,146	435,195
	6,838	436,455

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

25.4 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 summarises the Company'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
2012	------------------------------		Rupees in '000		------------------------------
Financial liabilities					
Short term financing	32,299	32,299	-	-	-
Long term financing	178,050	8,903	8,903	39,392	120,852
Trade and other payables	47,802	47,802	-	-	-
Accrued mark-up	12,405	12,405	-	-	-
	270,556	101,409	8,903	39,392	120,852
2011					
Financial liabilities					
Trade and other payables	33,701	33,701	-	-	-

	2012	2011
	-------- (Rupees in '000) --------	

25.5 FINANCIAL INSTRUMENTS BY CATEGORY

	2012	2011
Financial Assets		
Short term investments- fair value through profit or loss	-	969,282
Short term investments- available for sale	2,615	2,536
Short term loans and advances	308	368
Short term deposits	892	892
Other receivables	492	-
Cash and bank balances	6,387	435,445
	10,694	1,408,523
Financial Liabilities		
Long term financing	178,050	-
Trade and other payables	47,802	33,701
Accrued mark-up	12,405	-
Short term running finance	32,299	-
	270,556	33,701

25.6 Capital risk management

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

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

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowing (including 'current and non-current borrowings' as shown in the balance sheet) less cash and bank balances. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

The debt-to-equity ratios as at December 31, 2012 and 2011 were as follows:

	2012	2011
	-------- (Rupees in '000) --------	
Total debt	210,349	-
Cash and Cash equivalents	(6,387)	(435,445)
Net Debt	203,962	(435,445)
Total equity	19,535,764	19,849,039
Debt -to -equity ratio	0.01:1	-

25.7 Fair value of financial instruments

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

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

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

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

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

The Company's financial assets measured at fair value comprise only of level 1 financial assets amounting to Rs 2.615 million (2011: Rs 971.818 million).

26. Corresponding figures

26.1 For better presentation the following reclassifications in the corresponding figures have been made in the balance sheet:

From	To	2012	2011
		-------- (Rupees in '000)	--------
Loans, advances, deposits prepayments and other receivables	Short term loans and advances	368	368
Loans, advances, deposits prepayments and other receivables	Short term deposits and prepayments	1,573	1,573
Provision for income tax	Taxation -net	78,000	78,000
Advance income tax	Taxation -net	79,618	79,618

26.2 For better presentation certain reclassifications on the corresponding figures have been made in the cash flow statements.

27. DATE OF AUTHORISATION FOR ISSUE

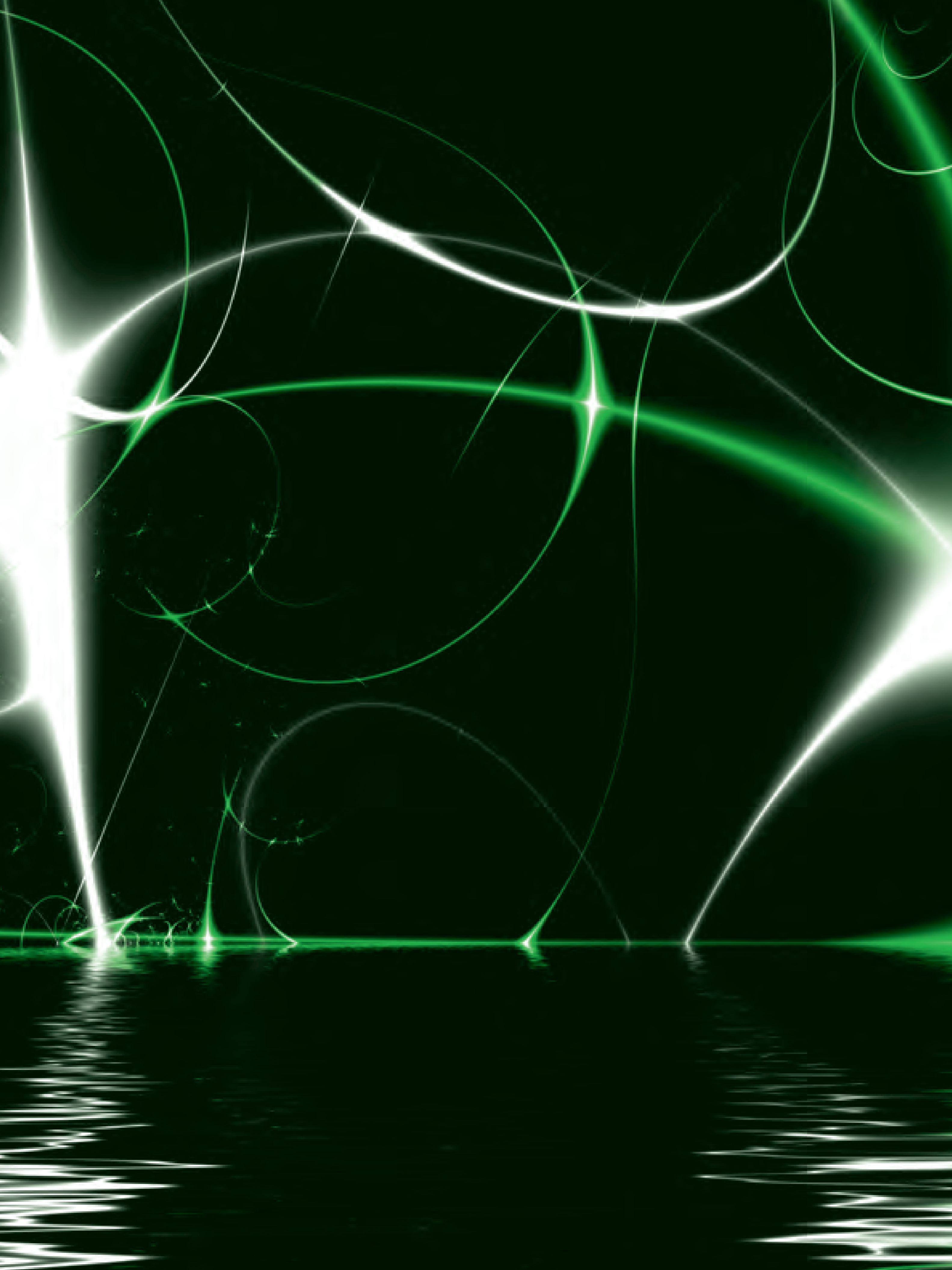
27.1 These financial statements were authorised for issue on 13 February 2013 by the Board of Directors of the Company.

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

Karachi
13 February 2013

Hussain Dawood
Chairman

Shahid Hamid Pracha
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), (collectively referred to as 'the Group') as at December 31, 2012 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of the Holding Company and its subsidiary. These consolidated financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

In our opinion the consolidated financial statements present fairly the financial position of the Holding Company and its subsidiary company as at December 31, 2012 and the results of their operations, comprehensive income, changes in equity and cash flows for the year then ended.

The consolidated financial statements of the Group for the year ended December 31, 2011 were audited by another firm of Chartered Accountants whose report, dated February 15, 2012, expressed an unmodified opinion on those statements. Our opinion is not qualified in respect of this matter.

Chartered Accountants
Karachi, February 22, 2013

Audit Engagement Partner: Khurshid Hasan

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Consolidated balance sheet
As at December 31, 2012

	Note	2012	2011
		----------(Rupees in '000)----------	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	2,093,563	2,123,905
Investment in associates	5	30,813,827	24,701,636
Long term loans and advances	6	1,383	2,200
		32,908,773	26,827,741
CURRENT ASSETS			
Stores, spares and loose tools	7	811,584	800,608
Stock in trade	8	52,100	151,267
Trade debts - considered good		329	2,686
Short term loans and advances	9	118,768	52,105
Short term deposits and prepayments	10	13,638	5,215
Other receivables	11	38,487	8,321
Taxation - net		126,950	-
Short term investments	12	2,615	2,951,088
Cash and bank balances	13	35,532	730,748
		1,200,003	4,702,038
		34,108,776	31,529,779
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital	14.1	10,000,000	10,000,000
Issued, subscribed and paid up capital	14.2	4,812,871	4,812,871
Revenue reserves	15	20,913,988	20,315,185
Surplus on revaluation of investments		1,269	-
		25,728,128	25,128,056
NON-CURRENT LIABILITIES			
Long term finances	16	6,832,147	4,800,000
Deferred taxation	17	908,614	869,117
Deferred liabilities	18	57,440	53,059
		7,798,201	5,722,176
CURRENT LIABILITIES			
Current portion of long term finances	16	215,903	-
Short term running finances	19	32,299	-
Trade and other payables	20	301,962	642,255
Accrued mark-up		32,283	8,614
Taxation - net		-	28,678
		582,447	679,547
		34,108,776	31,529,779
CONTINGENCIES AND COMMITMENTS	21		

The annexed notes from 1 to 39 form an integral part of these consolidated financial statements.

Karachi
13 February 2013

Hussain Dawood
Chairman

Shahid Hamid Pracha
Chief Executive

Consolidated profit and loss account

For the year ended December 31, 2012

	Note	2012	2011
		----------(Rupees in '000)----------	
Net sales	22	4,602,419	6,309,624
Cost of sales	23	(3,817,539)	(4,043,873)
Gross profit		784,880	2,265,751
Selling and distribution expenses	24	(76,209)	(67,291)
Administrative expenses	25	(443,287)	(418,109)
Impairment loss on available for sale investments		-	(586,710)
Other operating expenses	26	(9,306)	(82,302)
Other operating income	27	487,597	350,525
Operating profit		743,675	1,461,864
Finance cost	28	(914,556)	(810,829)
Share of profit of associates		1,275,488	2,980,632
Profit before taxation		1,104,607	3,631,667
Taxation	29	(122,149)	(738,598)
Profit after taxation		982,458	2,893,069
		(Rupees)	
Earnings per share - basic	30	2.04	6.01

The annexed notes from 1 to 39 form an integral part of these consolidated financial statements.

Karachi
13 February 2013

Hussain Dawood
Chairman

Shahid Hamid Pracha
Chief Executive

Consolidated statement of comprehensive income

For the year ended December 31, 2012

	2012	2011
	----------(Rupees in '000)----------	
Profit after taxation	982,458	2,893,069
Other comprehensive income / (loss)		
Unrealised gain / (loss) on investment classified as available for sale	1,269	(135,765)
Share of other comprehensive income of associate - net of tax	97,632	131,495
Other comprehensive income / (loss) for the year	98,901	(4,270)
Total comprehensive income	1,081,359	2,888,799

The annexed notes from 1 to 39 form an integral part of these consolidated financial statements.

Karachi
13 February 2013

Hussain Dawood
Chairman

Shahid Hamid Pracha
Chief Executive

Consolidated statement of changes in equity
For the year ended December 31, 2012

	Issued, subscribed and paid-up capital	General reserve	Unappropriated profit	Total	Share of other comprehensive income of associate	Surplus on revaluation of investments	Total
		----Revenue reserves----					
	(Rupees in '000)						
Balance as at January 1, 2011	1,203,217	700,000	20,632,823	21,332,823	(312,226)	135,765	22,359,579
Total comprehensive income / (loss)	-	-	2,893,069	2,893,069	131,495	(135,765)	2,888,799
Transactions with owners							
Final cash dividend @ 10% for the year ended December 31, 2010	-	-	(120,322)	(120,322)	-	-	(120,322)
Final stock dividend @ 300% for the year ended December 31, 2010	3,609,654	-	(3,609,654)	(3,609,654)	-	-	-
	3,609,654	-	(3,729,976)	(3,729,976)	-	-	(120,322)
Balance as at December 31, 2011	4,812,871	700,000	19,795,916	20,495,916	(180,731)	-	25,128,056
Balance as at January 1, 2012	4,812,871	700,000	19,795,916	20,495,916	(180,731)	-	25,128,056
Total comprehensive income	-	-	982,458	982,458	97,632	1,269	1,081,359
Transactions with owners							
Final cash dividend @ 10% for the year ended December 31, 2011	-	-	(481,287)	(481,287)	-	-	(481,287)
Balance as at December 31, 2012	4,812,871	700,000	20,297,087	20,997,087	(83,099)	1,269	25,728,128

The annexed notes from 1 to 39 form an integral part of these consolidated financial statements.

Karachi
13 February 2013

Hussain Dawood
Chairman

Shahid Hamid Pracha
Chief Executive

Consolidated cash flow statement
For the year ended December 31, 2012

	Note	2012	2011
		----------(Rupees in '000)----------	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	31	272,844	2,260,038
Finance cost paid		(890,887)	(1,034,452)
Taxes paid		(238,280)	(498,175)
Staff retirement and other service benefits paid		(37,748)	(25,621)
Long term loans and advances		817	(520)
Net cash (utilised in) / generated from operating activities		(893,254)	701,270
CASH FLOW FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(201,698)	(91,643)
Proceeds from disposal of property, plant and equipment		40,400	13,986
Proceeds from disposal of short term investments		3,258,733	173,408
Profit on saving accounts and term deposit receipts		39,343	109,415
Investments made		4,732,802	(1,277,266)
Dividends received		-	919,862
Net cash utilised in investing activities		(1,601,024)	(152,238)
CASH FLOW FROM FINANCING ACTIVITIES			
Short term finances		32,299	(45,725)
Long term finances		2,248,050	4,800,000
Repayment of long term loans		-	(5,702,500)
Dividends paid		(481,287)	(120,322)
Net cash generated from / (utilised in) financing activities		1,799,062	(1,068,547)
Net decrease in cash and cash equivalents		(695,216)	(519,515)
Cash and cash equivalents at the beginning of the year		730,748	1,250,263
Cash and cash equivalents at the end of the year	13	35,532	730,748

The annexed notes from 1 to 39 form an integral part of these consolidated financial statements.

Karachi
13 February 2013

Hussain Dawood
Chairman

Shahid Hamid Pracha
Chief Executive

1. THE GROUP AND ITS OPERATIONS

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

Dawood Hercules Corporation Limited

Dawood Hercules Corporation Limited (the Holding Company) - formerly Dawood Hercules Chemicals 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 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 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 company, DH Fertilizers Limited. In this regard a wholly owned subsidiary named DH Fertilizers Limited was incorporated on August 2, 2010. The division was effected on January 1, 2011 (the effective date) through a Scheme of Arrangement (the Scheme) under Section 284 to 288 of the Ordinance, which was duly approved by the Honourable Lahore High Court, whereby:

(a) the fertilizer business was transferred and vested in the subsidiary company against the issuance of ordinary shares of the subsidiary company; and

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

Subsidiary

DH Fertilizers Limited (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-Adbul Hameed Bin Badees, Lahore.

The Subsidiary Company has been consolidated in these consolidated financial statements on the basis of its audited financial statements for the year ended December 31, 2012.

The Holding Company signed a Memorandum of Understanding (MOU) with Pakarab Fertilizers Limited (Pakarab) for the sale of its entire holding in the Subsidiary Company. The MoU was approved by the Board of Directors on September 15, 2012. As per the terms of the MoU, Pakarab paid an advance of Rs 500 million to the Holding Company. However, due to commercial reasons the Holding Company did not pursue the transaction and the advance was subsequently repaid to Pakarab and the same was communicated to all the stock exchanges in Pakistan on December 11, 2012.

Associates

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

The Hub Power Company Limited (Hubco) was incorporated in Pakistan on August 1, 1991 as a public limited company under the Ordinance. The shares of Hubco are quoted on Karachi, Lahore and Islamabad Stock Exchanges and its Global Depository Receipts are quoted on Luxembourg Stock Exchange. The principal activities of Hubco are to develop, own, operate and maintain power stations. Hubco has a 75% controlling interest in Laraib Energy Limited, a subsidiary company which owns an under construction hydel power project of 84 MW. The registered office of Hubco is situated at C/o Famco Associates (Pvt) Ltd, Capital Shopping Centre, G-11 Markaz, Islamabad.

2. SIGNIFICANT ACCOUNTING INFORMATION AND POLICIES

2.1 Accounting convention

These consolidated financial statements have been prepared under the historical cost convention, as modified by re-measurement of certain financial assets and financial liabilities at fair value and recognition of certain staff retirement and other benefits at present value.

2.2 Basis of preparation

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

2.3 Basis of Consolidation

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

2.3.1 Subsidiary

A subsidiary is an entity over which the Holding Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights of the Subsidiary. 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. The Subsidiary Company 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 the Subsidiary Company have been changed to ensure consistency with the policies adopted by the Holding Company.

2.3.2 Associates

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

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

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

2.4 Standards, amendments to approved accounting standards and interpretations becoming effective during the year ended December 31, 2012:

There are certain new standards, amendments and International Financial Reporting Interpretations Committee's (IFRIC's) interpretations that became effective during the year and are mandatory for accounting periods beginning on or after January 1, 2012 but are considered not to be relevant or have any significant effect on the the Group's operations and are, therefore, not disclosed in these financial statements.

Standards, amendments to approved accounting standards and interpretations that are not yet effective and have not been early adopted by the Group:

The following standards, ammendments and interpretations to existing standards have been published and are mandatory for the Group's accounting period beginning on or after January 1, 2013 or later periods:

IAS 19, 'Employee benefits' (effective for periods beginning on or after January 1, 2013). The impact on the Group will be as follows:

(i) to eliminate the corridor approach and recognise all actuarial gains and losses in other comprehensive income as they occur;

(ii) to immediately recognise all past service costs; and

(iii) to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined liability / (asset).

The amendment is not expected to have a material impact on the Group's financial statements.

There are some other amendments to the standards and new interpretations that are mandatory for accounting periods beginning on or after January 1, 2013 but are considered not to be relevant or do not have any significant effect on the Group's operations and are therefore not detailed in these consolidated financial statements.

2.5 Property, plant and equipment

2.5.1 Operating fixed assets

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

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

Depreciation is charged to profit and loss account applying the straight-line method so as to write off the historical cost of the assets over their estimated useful lives at the rates stated in note 4. Depreciation on additions is charged from the following month in which the asset is acquired and on disposals upto 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.

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.

Consistent with prior years, 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 represents the consummation 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.

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

2.5.2 Capital work-in-progress

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

2.6 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 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. Investments at fair value through profit or loss 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. These are included in current assets, except for maturities greater than twelve months after the balance sheet date, which are classified as non-current assets. The Group's loans and receivables comprise of loans and advances, trade debt, deposits and other receivables.

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. These 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 Other Comprehensive Income (OCI). When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised directly in OCI are reclassified in the profit and loss account. Dividends on available for sale equity intruments 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. Regular way purchases and sales of financial assets are recognised on the trade date (the date on which the Group commits to purchase or sell the financial assets).

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 charged to the profit and loss account.

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 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 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 OCI 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 interest rate 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 Offsetting of financial assets and liabilities

A financial asset and a financial liability is set off and the net amount is reported in the balance sheet if the Group has a legally enforceable right to set off the recognised amounts and 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 lower of cost and net realisable value. Cost is determined as follows:

Raw and packing materials	at moving average cost
Material in process	at average cost
Finished goods	at average cost

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

2.8 Stores, spares and loose tools

Consistent with prior years, these are valued at moving average cost. The Group reviews the carrying amount of stores, spares and loose tools on a regular basis and provision is made for obsolescence, if there is any change in usage pattern and physical form of related stores, spares and loose tools. Stores, spares and loose tools 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. Trade 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 comprise cash in hand and cash with banks in current and savings accounts that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

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. 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, 2012.

The Subsidiary Company operates a funded defined benefit gratuity scheme for management staff who have completed prescribed period of service.

Provisions are made in the Group financial statements to cover obligations on the basis of actuarial valuations carried out annually. The latest actuarial valuation was carried out on December 31, 2012 using the "Projected Unit Credit Method".

Cumulative unrecognised actuarial gains and losses at the end of the previous year which exceed 10% of the greater of the present value of the Group's defined benefit obligations and the fair value of plan assets are amortised over the expected average remaining working lives of the employees.

2.11.2 Employee compensated absences

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

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, 2012 using the "Projected Unit Credit Method".

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

2.11.3 Defined contribution plan

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

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

2.12 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 obligation as a result of past events, it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimates can be made of the amount of obligation.

2.14 Taxation

Current

Provision for current tax is based on the taxable income for the year at the current rates of taxation after taking into account tax credits and rebates available, if any, or 0.5 percent of turnover, whichever is higher. It also includes any adjustment to tax payable in respect of prior years, if any.

Deferred

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

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

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

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

2.15 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 with sufficient reliability.

2.16 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 gain / loss 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 Group operates. The financial statements are presented in Pakistan Rupees, which is the Group's functional and presentation currency.

2.18 Revenue recognition

- Revenue from sale of goods is recognised when the significant risk 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 amount and the applicable rate of return.

- Gains / (losses) arising on sale of investments are included in profit and loss account currently and are recognised on the date when the transaction takes place.

- Unrealised gains / (losses) arising on revaluation of securities classified as 'available for sale' and ' fair value through profit or loss' are included in OCI and in profit and loss account in the period in which they arise respectively.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

3.1 Current and deferred income taxes

In making the estimates for income taxes payable by the Group, management considers current income tax 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.

3.2 Provision for staff retirement and other benefits

The present value of these obligations depends on a number of factors that are determined on actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of these obligations. The present values of these obligations and the underlying assumptions are disclosed in note 18.

3.3 Property, plant and equipment

Estimates with respect to residual values and useful lives and pattern flow of economic benefit are based on the recommendation and assesment of management of the Group. 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 value 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.

3.4 Stock in trade

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. The net realisable values of stock in trade are disclosed in note 8.

3.5 Provisions

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

4. PROPERTY, PLANT AND EQUIPMENT

	Note	2012	2011
		----------(Rupees in '000)----------	
Operating fixed assets	4.1	1,943,368	2,093,015
Capital work-in-progress	4.2	150,195	30,890
		2,093,563	2,123,905

4.1 Operating fixed assets

4.1.1 The following is a statement of operating fixed assets:

	Land	Building	Plant and machinery	Furniture, fittings and equipment	Data processing equipment	Motor Vehicles	Railway siding	Catalysts	Total
	-----------	-----------	-----------	-----------	Rupees in '000	-----------	-----------	-----------	-----------
At January 1, 2011									
Cost	250,657	114,636	3,472,084	75,155	118,143	171,028	2,314	216,213	4,420,230
Accumulated depreciation	-	(85,120)	(2,040,823)	(46,895)	(103,793)	(84,339)	(2,291)	(185,261)	(2,548,522)
Net book value	250,657	29,516	1,431,261	28,260	14,350	86,689	23	30,952	1,871,708
Year ended December 31, 2011									
Additions	-	-	318,264	1,679	2,753	24,780	-	87,062	434,538
Disposals									
Cost	-	-	(10,446)	(66)	(535)	(19,797)	-	-	(30,844)
Accumulated depreciation	-	-	1,959	65	356	9,080	-	-	11,460
Net book value	-	-	(8,487)	(1)	(179)	(10,717)	-	-	(19,384)
Depreciation charge for the year	-	(3,841)	(141,114)	(4,500)	(7,711)	(25,836)	-	(10,845)	(193,847)
Net book value as at December 31, 2011	250,657	25,675	1,599,924	25,438	9,213	74,916	23	107,169	2,093,015
Year ended December 31, 2012									
Additions	-	-	916	445	2,394	59,228	-	-	62,983
Transfers from CWIP	-	-	19,410	-	-	-	-	-	19,410
Disposals									
Cost	-	-	(46)	(440)	(2,536)	(58,517)	-	-	(61,539)
Accumulated depreciation	-	-	45	242	2,398	36,962	-	-	39,647
Net book value	-	-	(1)	(198)	(138)	(21,555)	-	-	(21,892)
Depreciation charge for the year	-	(3,843)	(162,133)	(4,489)	(5,747)	(29,356)	-	(4,580)	(210,148)
Net book value as at December 31, 2012	250,657	21,832	1,458,116	21,196	5,722	83,233	23	102,589	1,943,368
At December 31, 2011									
Cost	250,657	114,636	3,779,902	76,768	120,361	176,011	2,314	303,275	4,823,924
Accumulated depreciation	-	(88,961)	(2,179,978)	(51,330)	(111,148)	(101,095)	(2,291)	(196,106)	(2,730,909)
Net book value	250,657	25,675	1,599,924	25,438	9,213	74,916	23	107,169	2,093,015
At December 31, 2012									
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
Depreciation rates (%)		5	7.5	10 to 12.5	33.33	20	5	10 to 50	

Cost of property, plant and equipment that is fully depreciated amounts to Rs 1,843.186 million (2011: Rs 1,818.186 million).

4.1.2 Details of the property, plant and equipment disposed off

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

Particulars	Mode of disposal	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain	Particulars of purchasers / Related parties
		-----------------------Rupees in '000				--------------------------	
Motor vehicles	Negotiation	8,925	1,190	7,735	8,000	265	Dawood Hercules Corporation Limited
	As per Group Policy	4,150	2,974	1,176	2,179	1,003	Shahid Hamid Pracha
	-do-	1,897	823	1,074	1,279	205	Akram Durrani
	-do-	1,829	213	1,616	1,743	127	Ms. Insia Batool Shah
	-do-	1,962	425	1,537	1,643	106	M. Adeel Anwer
	-do-	1,914	925	989	1,220	231	Arshad Mehmood
	-do-	1,823	942	881	1,117	236	Aftab Ahmed Qaiser
	-do-	951	79	872	903	31	Zia Ullah Khan
	-do-	951	95	856	892	36	Shahid Saleem Butt
	-do-	921	92	829	863	34	M.Tauseef Basit
	-do-	980	163	817	890	73	Muhammad Omer
	-do-	1,290	559	731	1,016	285	Ashfaq Ahmad
	-do-	1,849	1,171	678	971	293	Gulzar Saleem
	-do-	890	519	371	511	140	Umer Khaliq
	-do-	889	578	311	478	167	Tariq Munum Khan
	-do-	891	713	178	590	412	Riaz Mehmood
	-do-	1,036	863	173	444	271	Rana M. Saleem
	-do-	1,034	862	172	444	272	Shafique Ahmad
	-do-	1,034	879	155	432	277	Jawadullah Khan
	-do-	1,035	914	121	432	311	Nasir Iqbal Toor
	-do-	893	832	61	540	479	Muhammad Imran
Computer and accessories	-do-	93	46	47	47	-	Gulzar Saleem
Others							
Items having net book value of less than Rs 50,000 each	Auction	24,302	23,790	512	13,766	13,254	Various
2012		61,539	39,647	21,892	40,400	18,508	
2011		20,398	9,501	10,897	13,986	3,089	

	Note	2012	2011
		----------(Rupees in '000)----------	
4.1.3 The depreciation charge for the year has been allocated as follows:			
Cost of sales	23	188,887	173,669
Selling and distribution expenses	24	3,059	3,188
Administrative expenses	25	18,202	16,990
		210,148	193,847

4.2 Capital work-in-progress

	2012	2011
Fabrication and installation	11,014	22,214
Urea steam traps	-	1,405
Advance against purchase of plant and machinery	130,639	-
Others	8,542	7,271
	150,195	30,890

	Note	2012	2011
		----------(Rupees in '000)----------	
5. INVESTMENT IN ASSOCIATES			
Engro Corporation Limited - quoted	5.1	25,377,122	24,701,636
The Hub Power Company Limited - quoted	5.2	5,436,705	-
		30,813,827	24,701,636

5.1 Engro Corporation Limited - quoted
194,972,555 (2011: 149,979,890)
ordinary shares of Rs 10 each
Percentage of holding 38.13% (2011: 38.13%)

	2012	2011
Opening balance as at January 1	24,701,636	22,424,778
Share of post acquisition profits	866,964	2,980,632
Share of other comprehensive income	108,480	146,106
Dividend received during the year	(299,958)	(849,880)
	675,486	2,276,858
Closing balance as at December 31	25,377,122	24,701,636

5.1.1 Market value of investment in Engro Corporation Limited (ECL) as at December 31, 2012 was Rs 17,945 million (2011: Rs 13,903 million).

5.1.2 The Group received 44.99 million (2011: 24.996 million) bonus shares from ECL during the year ended December 31, 2012.

5.1.3 The financial year end of ECL is December 31, however, due to non-availability of the financial statements of ECL at the time of preparation of these consolidated financial statements, the financial results as at September 30 are used for the purpose of application of equity method.

5.1.4 Summarised financial information of ECL is as follows:

	2012	2011
	----------(Rupees in '000)----------	
Total assets as at September 30	179,722,068	180,487,952
Total liabilities as at September 30	138,411,887	140,378,532
Revenue (12 months period from October 1 to September 30)	118,725,294	105,230,487
Profit after taxation (12 months period from October 1 to September 30)	2,273,408	7,816,003

5.2 The Hub Power Company Limited - quoted

164,847,000 (2011: Nil) ordinary shares of Rs 10 each
Percentage of holding 14.25% (2011: Nil)

	2012	2011
	5,522,722	-
Share of post acquisition profits	408,524	-
Dividend received during the year	(494,541)	-
	(86,017)	-
Closing balance as at December 31	5,436,705	-

5.2.1 Market value of investment in The Hub Power Company Limited (Hubco) as at December 31, 2012 was Rs 7,458 million (2011: Rs Nil).

5.2.2 During the year ended December 31, 2012 the Group acquired 164.847 million shares of Hubco. Out of 164.847 million shares, 137.740 million shares were purchased from National Power International Holdings BV (NPIH) at an agreed price of Rs 31 per share based on a Share Purchase Agreement, while the remaining 27.107 million shares were bought from the open market.

5.2.3 The Group has now effectively acquired 14.25% of the voting power in Hubco. However, due to representation of its nominees on the Board of Directors of Hubco and participation in policy making processes and being the largest private shareholder, it has significant influence over Hubco.

5.2.4 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, 2012 are used for the purpose of application of the equity method.

5.2.5 Summarised financial information of Hubco is as follows:

	Note	2012	2011
		----------(Rupees in '000)----------	
Total assets as at September 30		191,372,003	-
Total liabilities as at September 30		160,416,313	-
Revenue (12 months period from October 1 to September 30)		87,045,951	-
Profit after taxation (12 months period from October 1 to September 30)		4,080,502	-

6. LONG TERM LOANS AND ADVANCES

	Note	2012	2011
Loan to employees - considered good			
- Executives	6.1	9,180	11,251
- Others	6.2	4,632	21,447
		13,812	32,698
Receivable within one year			
- Executives		8,281	9,921
- Others		4,148	20,577
		12,429	30,498
		1,383	2,200

6.1 Loans to executives are provided interest free as temporary financial assistance and are repayable in 18 equal monthly installments.

6.2 These represent interest free loans given to both supervisors and workers as temporary financial assistance. These are repayable in 18 and 24 equal monthly installments respectively. Loans to workers are provided under agreement with the union.

6.3 Reconciliation of carrying amounts of loans to executives

	2012	2011
	----------(Rupees in '000)----------	
Opening balance	11,251	7,649
Disbursement during the year	10,956	12,610
Promotion of non-executive employees as executives	2,438	2,383
Loans recovered during the year	(15,465)	(11,391)
Closing balance	9,180	11,251
Current portion shown under current assets	(8,281)	(9,921)
	899	1,330

6.4 None of the loans are outstanding for periods exceeding three years and the maximum amount due from executives at any month end during the year was Rs 11.372 million (2011: Rs 12.380 million).

	Note	2012	2011
		----------(Rupees in '000)----------	
7. STORES, SPARES AND LOOSE TOOLS			
Stores		273,344	245,283
Spares and loose tools		761,503	755,653
Stores and spares in transit		12,402	35,337
		1,047,249	1,036,273
Provision for obsolete items		(235,665)	(235,665)
		811,584	800,608
8. STOCK IN TRADE			
Raw and packing materials		19,377	18,357
Material in process		32,602	9,612
Finished goods			
- Own manufactured - Urea		21	122,140
- Trading goods - Diammonium Phosphate (DAP)		100	1,158
		121	123,298
		52,100	151,267
9. SHORT TERM LOANS AND ADVANCES			
Loans to employees - considered good		12,266	30,498
Advances - considered good			
- to employees	9.1	1,080	1,420
- to suppliers	9.2	105,422	20,187
		106,502	21,607
		118,768	52,105

9.1 The Chief Executive Officer and directors have not taken any loan / advance from the Group (2011: Nil).

9.2 This includes an aggregate amount of Rs 100 million (2011: Nil) paid to AKD Securities Limited as advance against purchase / sale of shares.

	Note	2012	2011
		----------(Rupees in '000)----------	
10. SHORT TERM DEPOSITS AND PREPAYMENTS			
Deposits		2,301	2,181
Prepayments		11,337	3,034
		13,638	5,215
11. OTHER RECEIVABLES			
Sales tax		35,459	-
Others		3,028	8,321
		38,487	8,321

		Note	2012	2011
			----------(Rupees in '000)----------	
12.	SHORT TERM INVESTMENTS			
	Available for sale	12.1	2,615	1,156,926
	Financial assets at fair value through profit or loss	12.2	-	1,794,162
			2,615	2,951,088
12.1	Available for sale			
12.1.1	Sui Northern Gas Pipelines Limited - quoted			
	73,481,262 (2011: 73,481,262) ordinary shares at cost		4,376,964	4,376,964
	Cumulative impairment loss	12.1.1	(3,222,574)	(3,222,574)
			1,154,390	1,154,390
	Disposed off during the year		(1,154,390)	-
			-	1,154,390
12.1.1	Cumulative fair value gain			
	As at January 1		-	135,765
	Fair value adjustments during the year		-	(135,765)
	As at December 31, 2012		-	-
12.1.2	Cumulative impairment losses recognised			
	As at January 1		3,222,574	2,641,407
	(Derecognised) / recognised during the year		(3,222,574)	581,167
	As at December 31, 2012		-	3,222,574
12.1.3	Southern Electric Power Company Limited - quoted			
	3,622,900 (2011: 3,622,900) ordinary shares at cost		68,431	68,431
	Cumulative impairment loss		(65,895)	(60,352)
	Balance at the beginning of the year		2,536	8,079
	Investment disposed off		(1,190)	-
	1,700,000 (2011: Nil) ordinary shares		1,346	8,079
	Increase / (decrease) in fair value during the year		1,269	(5,543)
	Balance at the end of the year			
	1,922,900 (2011: 3,622,900) ordinary shares at fair value			
	Percentage of holding 1.40% (2011 : 2.65%)		2,615	2,536

	Note	2012	2011
		----------(Rupees in '000)----------	

12.2 Financial assets at fair value through profit or loss

		2012	2011
ABL Income Fund			
Nil (2011: 18,242,324) units of Rs 10 each		-	166,198
Adjustment arising from measurement to fair value		-	16,561
		-	182,759
Meezan Cash Fund-Growth Units			
Nil (2011: 4,163,996) units of Rs 50 each		-	187,966
Adjustment arising from measurement to fair value		-	20,817
		-	208,783
UBL Liquidity Plus Fund-Class C			
Nil (2011: 6,039,840) units of Rs 100 each		-	570,234
Adjustment arising from measurement to fair value		-	36,678
		-	606,912
ABL Cash Fund			
Nil (2011: 58,847,709) units of Rs 10 each		-	550,724
Adjustment arising from measurement to fair value		-	39,021
		-	589,745
HBL Money Market Fund			
Nil (2011: 1,996,129) units of Rs 10 each		-	200,012
Adjustment arising from measurement to fair value		-	5,951
		-	205,963
		-	1,794,162

13. CASH AND BANK BALANCES

	Note	2012	2011
Cash in hand		970	941
Cheques in hand		991	-
With banks on:			
Current accounts		15,387	5,420
Savings accounts			
-local		17,364	723,634
-foreign		820	753
	13.1	18,184	724,387
		35,532	730,748

13.1 The range of rates of profit on these savings accounts is between 5% to 9.5% per annum (2011: 5% to 11%).

14. SHARE CAPITAL

14.1 Authorised capital

2012 (Number of shares)	2011 (Number of shares)		2012 (Rupees in '000)	2011 (Rupees in '000)
1,000,000,000	1,000,000,000	Ordinary shares of Rs 10 each	10,000,000	10,000,000

14.2 Issued, subscribed and paid up capital

2012 (Number of shares)	2011 (Number of shares)		2012	2011
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

14.3 Reconciliation of issued, subscribed and paid up capital

	2012 (Number of shares)	2011 (Number of shares)
Opening as at January 1	481,287,116	120,321,779
Bonus shares issued during the year	-	360,965,337
Closing as at December 31	481,287,116	481,287,116

14.4 Shares held by related parties

	2012	2011
Dawood Lawrencepur Limited Percentage of holding 16.19% (2011: 16.19%)	77,931,896	77,931,896
Dawood Corporation (Private) Limited Percentage of holding Nil (2011: 0.02%)	-	101,844
The Dawood Foundation Percentage of holding 3.93% (2011: 3.93%)	18,911,988	18,911,988
Cyan Limited Percentage of holding 0.165% (2011: 1.82%)	794,380	8,780,760
Patek (Private) Limited Percentage of holding Nil (2011: 0.032%)	-	155,284
Sach International (Private) Limited Percentage of holding 0.001% (2011: 0.001%)	6,996	6,996

	2012	2011
	----------(Rupees in '000)----------	
15. REVENUE RESERVES		
- General reserve	700,000	700,000
- Unappropriated profit	20,297,087	19,795,916
- Share of other comprehensive income of associate	(83,099)	(180,731)
	20,913,988	20,315,185

16. LONG TERM FINANCES - SECURED

	2012	2011
Opening balance	4,800,000	5,702,500
Additions during the year	2,248,050	4,800,000
	7,048,050	10,502,500
Repayments during the year	-	(5,702,500)
	7,048,050	4,800,000
Current portion	(215,903)	-
	6,832,147	4,800,000

16.1 The Musharaka arrangement of Rs 5,702 million was transferred to the Subsidiary Company on transfer of fertilizer business to the Subsidiary Company as explained in Note 1. The Subsidiary Company then entered into a Musharaka agreement for long term financing facility of Rs 4,800 million based on Diminishing Musharaka with Meezan Bank Limited acting as Investment Agent. The facility was utilised towards redemption of Musharaka arrangement under participatory redeemable capital (Islamic Sukuks). The facility is for a period of 5 years, inclusive of grace period of 2 years, the first Musharaka buyout will be due at the end of the 30 month from the date of first drawdown. The profit is payable semi annually in arrears at six months KIBOR plus 110 basis points per annum. This 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.

16.2 During the year ended December 31, 2012, the Subsidiary Company entered into a syndicated term finance facility of Rs 2,070 million with a consortium of banks led by Allied Bank Limited (ABL). This facility was utilised towards making an investment in the shares of Hubco. The facility is for a period of 5 years and the first repayment is due at the end of the 12th month from the date of the first drawdown. The profit is payable semi annually in arrears at six months KIBOR plus 100 basis points. The loan is secured against pledge of shares of Hubco with 50% margin and a ranking hypothecation charge over present and future movable fixed assets of the Subsidiary Company with 25% margin.

16.3 The Holding Company obtained a long term finance facility under mark-up arrangement from Allied Bank Limited (ABL) aggregating Rs 380 million (2011: Nil) of which Rs 178 million (2011:Nil) was utilised during the year. The finance facility is secured by way of hypothecation charge over all present and future fixed assets of the Holding Company with 25% margin and pledge of Hubco shares with 50% margin. The facility carries markup at the rate of six months ask side KIBOR plus 200 basis points per annum and is payable semi annually in arrears.The first payment of markup is due on January 4, 2013 and repayment of the first installment of principal is due in July 2013. The facility will be repaid in full by July 2017.

	Note	2012	2011
		----------(Rupees in '000)----------	

17. DEFERRED TAXATION

	Note	2012	2011
Deferred liability arising due to accelerated depreciation allowance		324,702	344,279
Deferred liability arising due to unrealised profits from associates		602,227	541,130
Deferred asset arising in respect of provision for compensated absences		(18,315)	(16,292)
		908,614	869,117

18. DEFERRED LIABILITIES

	Note	2012	2011
Defined benefit plan funded- Gratuity Scheme	18.1	5,118	1,288
Employees' compensated absences	18.2	52,322	51,771
Defined contributory gratuity scheme for non-management staff	18.3	-	-
		57,440	53,059

18.1 Balance sheet reconciliation

	Note	2012	2011
Present value of defined benefit obligation	18.1.1	142,724	134,144
Fair value of plan assets	18.1.2	(103,265)	(101,138)
Unrecognised actuarial losses		(34,341)	(31,718)
Liability as at December 31		5,118	1,288

18.1.1 Movement in present value of defined benefit obligation

	2012	2011
As at January 1	134,144	143,455
Current service cost	14,216	13,749
Interest cost	16,768	18,649
Benefits paid	(30,908)	(38,829)
Past service cost	4,537	-
Actuarial loss / (gain) on defined benefit obligation	3,967	(2,880)
As at December 31	142,724	134,144

18.1.2 Movement in fair value of plan assets

	2012	2011
As at January 1	101,138	107,904
Expected return on plan assets	12,642	14,028
Contribution	21,051	19,439
Benefits paid	(30,908)	(38,829)
Actuarial loss on plan assets	(658)	(1,404)
As at December 31	103,265	101,138

18.1.3 Unrecognised actuarial losses

	2012	2011
Unrecognised actuarial losses as at January 1	(31,718)	(35,551)
Actuarial losses arising during the year	(4,625)	1,477
Actuarial losses charged to profit during the year	2,002	2,356
Unrecognised actuarial losses as at December 31	(34,341)	(31,718)

	2012	2011
	----------(Rupees in '000)----------	

18.1.4 Movement in net liability in the balance sheet

	2012	2011
Present value of defined benefit obligation as at January 1	1,288	-
Expense recognised for the year	24,881	20,727
Contributions made by the Group	(21,051)	19,439
	5,118	40,166

18.1.5 Amounts recognised in the profit and loss account

	2012	2011
Current service cost	14,216	13,749
Interest amount	16,768	18,649
Expected return on plan assets	(12,642)	(14,028)
Actuarial loss	2,002	2,357
Past service cost	4,537	-
Expense	24,881	20,727

18.1.6 Actual return on plan assets

	2012	2011
Expected return on plan assets	12,642	14,028
Actuarial loss on plan assets	(658)	(1,404)
Actual return on plan assets	11,984	12,624

18.1.7 Major categories / composition of plan assets

	2012	2011
Cash and cash equivalents	101,946	100,525
Funds receivable from Workers Gratuity Fund	1,319	613
	103,265	101,138

18.1.8 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:

	2012	2011	2010	2009	2008
	--------(Rupees in '000)--------				
As at December 31,					
Fair value of plan assets	103,265	101,138	107,904	106,171	92,608
Present value of defined benefit obligation	(142,724)	(134,144)	(143,455)	(148,767)	(112,044)
Deficit	(39,459)	(33,006)	(35,551)	(42,596)	(19,436)
Experience adjustments:					
(Loss) / gain on plan assets	(658)	(1,404)	4,583	(7,821)	10,857
Loss / (gain) on obligations	3,967	(2,880)	793	16,877	2,113

		Note	2012	2011
18.2	Compensated absences		----------(Rupees in '000)----------	
	Obligation as at January 1		51,771	51,590
	Expense recognised		14,539	3,711
	Payments made		(13,988)	(3,530)
	Obligation as at December 31		52,322	51,771
18.2.1	Movement in the defined benefit obligation			
	Obligation as at January 1		51,771	51,590
	Current service cost		6,891	4,623
	Interest cost		5,819	6,705
	Benefits paid		(13,988)	(3,530)
	Actuarial loss / (gain)		1,829	(7,617)
	Obligation as at December 31		52,322	51,771
18.2.2	Charge for the year			
	Current service cost		6,891	4,623
	Interest cost		5,819	6,705
	Actuarial loss / (gain) recognised		1,829	(7,617)
	Charged to profit and loss account		14,539	3,711
18.3	Defined contributory gratuity scheme for non - management staff			
	Liability as at January 1		-	-
	Charge to profit and loss account		2,709	2,652
	Contribution made by the Company		(2,709)	(2,652)
	Liability as at December 31		-	-
19.	SHORT TERM RUNNING FINANCES			
	Running finance under mark-up arrangement	19.1	32,299	-

19.1 During the year, the Holding Company obtained a running finance facility of Rs 300 million (2011:Nil) under mark-up arrangement from Bank Al-Habib Limited. The facility carries markup at 3 months KIBOR plus 100 basis points and expires on April 30, 2013. The facility is secured against pledge of 5.54 million ordinary shares of ECL with 50% margin.

The Subsidiary Comapny obtaine short-term running finance facilities under mark-up arrangements with Bank amounting Rs 2,000 million (2011: Rs 2,398 million) and expiring on December 31, 2013. These facilities have been arranged to meet working capital requirements and are secured by way of pledge of 24.96 million shares of ECL (2011: 20 million shares of SNGPL and 14.1 million shares of ECL), having face value of Rs 249.6 million (2011: Rs 200 million of SNGPL and Rs 141 million of ECL) and market value of Rs 2,297 million (2011: Rs 314 million of SNGPL and Rs 1,307 million of ECL). Rates of mark-up applicable to these facilities ranges between 3 months KIBOR plus 50 basis points to 100 basis points.(2011: 3 months KIBOR plus 50 basis points to 100 basis points).

20. TRADE AND OTHER PAYABLES

	Note	2012	2011
		----------(Rupees in '000)----------	
Trade creditors			
Related parties	20.1 & 20.2	699	909
Others		20,065	18,618
		20,764	19,527
Advances from customers		46,044	235,935
Unclaimed dividends		20,804	19,383
Accrued expenses	20.3	162,348	174,864
Sales tax payable		-	65,902
Deposits		11,978	10,263
Workers' profits participation fund	20.4	-	59,909
Workers' welfare fund		28,128	40,911
Others		11,896	15,561
		301,962	642,255

20.1 The amount includes outstanding balance from the following related parties:

	2012	2011
Avanceon Limited	675	500
International Industries Limited	24	-
Javed Akbar Associates (Private) Limited	-	409
	699	909

20.2 The maximum aggregate amount due to related parties at the end of any month during the year was Rs 348.04 million (2011 : Rs 178.06 million).

20.3 This includes an amount due to Sui Northern Gas Pipelines Limited, a related party, amounting to Rs 16.037 million (2011: Rs 15.203 million).

20.4 Workers' profits participation fund

	2012	2011
	----------(Rupees in '000)----------	
Liablity as at January 1	59,909	95,310
Allocation for the year	-	59,163
Interest on funds utilised	209	746
	60,118	155,219
Payments	(60,118)	(95,310)
Liability as at December 31	-	59,909

21. CONTINGENCIES AND COMMITMENTS

21.1 Contingencies

There are no contingencies as on the reporting date.

	Note	2012	2011
		----------(Rupees in '000)----------	
21.2 Commitments			
Purchases of stores and spares		-	246

22. NET SALES

	2012	2011
Own manufactured	2,718,411	5,340,294
Sales tax	(374,953)	(643,831)
	2,343,458	4,696,463
Purchased product	2,620,395	1,871,266
Sales tax	(361,434)	(258,105)
	2,258,961	1,613,161
	4,602,419	6,309,624

23. COST OF SALES

	Note	2012	2011
Raw and packing materials consumed	23.1	596,039	679,015
Fuel and power		226,735	468,726
Catalysts and chemicals		17,182	53,546
Salaries, wages and other benefits	23.2	501,963	529,738
Stores and spares consumed		59,540	380,524
Repairs and maintenance		24,055	38,719
Travelling and conveyance		65,608	63,905
Rent, rates and taxes		1,834	260
Insurance		12,274	15,822
Depreciation		188,887	173,669
Communication, stationery and office supplies		2,860	3,576
Health and safety consultancy charges		19,538	24,921
Other expenses		4,793	5,768
		1,721,308	2,438,189
Opening stock of work-in-process		9,612	7,657
Closing stock of work-in-process		(32,602)	(9,612)
Cost of goods manufactured		1,698,318	2,436,234
Opening stock of finished goods		122,140	198,382
Closing stock of finished goods		(21)	(122,140)
Cost of sales - Own manufactured		1,820,437	2,512,476
Cost of sales - Purchased product		1,997,102	1,531,397
		3,817,539	4,043,873

	2012	2011
	----------(Rupees in '000)----------	

23.1 Raw and packing materials consumed

	2012	2011
Opening balance / transferred from Holding Company	18,357	10,078
Purchases	597,059	687,294
	615,416	697,372
Closing stock	(19,377)	(18,357)
	596,039	679,015

23.2 Salaries, wages and other benefits include Rs 14.848 million (2011: Rs 15.090 million) in respect of contribution to staff gratuity funds and Rs 20.161 million (2011: Rs 19.580 million) in respect of provident fund.

24. SELLING AND DISTRIBUTION EXPENSES

	Note	2012	2011
		----------(Rupees in '000)----------	
Product transportation and handling cost		10,305	24,525
Salaries, wages and other benefits	24.1	34,038	31,494
Communication, stationery and office supplies		669	1,087
Rent, rates and taxes		2,892	1,391
Travel and conveyance		2,476	1,019
Repairs and maintenance		235	386
Depreciation		3,059	3,188
Insurance		184	241
Sales promotion, advertising and market development		20,670	3,689
Legal and professional charges		55	20
Other expenses		1,626	251
		76,209	67,291

24.1 Salaries, wages and other benefits include Rs 1.802 million (2011: Rs 0.990 million) in respect of gratuity fund and Rs 1.935 million (2011: Rs 1.480 million) in respect of provident fund.

25. ADMINISTRATIVE EXPENSES

	Note	2012	2011
		----------(Rupees in '000)----------	
Salaries, wages and other benefits	25.1	270,762	246,630
Communication, stationery and office supplies		21,014	27,515
Rent, rates and taxes		36,199	30,024
Travel and conveyance		18,515	21,525
Repairs and maintenance		19,618	24,683
Depreciation		18,202	16,990
Legal and professional charges		28,358	11,898
Insurance		3,130	2,433
Donations	25.2	204	1,433
Subscription and periodicals		7,386	24,137
Other expenses		19,899	10,841
		443,287	418,109

25.1 Salaries, wages and other benefits include Rs 7.110 million (2011: Rs 6.011 million) in respect of contribution to staff gratuity funds and Rs 10.432 million (2011: Rs 9.640 million) in respect of provident funds.

25.2 None of the Directors of the Group or any of their spouses have any interest in or are otherwise associated with any of the recipients of donations made by the Group during the year.

26. OTHER OPERATING EXPENSES

	Note	2012	2011
		(Rupees in '000)	
Workers' profit participation fund	26.1	-	59,163
Workers' welfare fund		8,000	22,000
Auditors' remuneration:			
Audit fee, half yearly review and other certifications		1,100	1,050
Out of pocket expenses		206	89
		9,306	82,302

26.1 Provision for Workers' Profit Participation Fund is based on profits earned from business and trade and excludes other income as per legal advice obtained by the Subsidiary Company.

27. OTHER OPERATING INCOME

	Note	2012	2011
		(Rupees in '000)	
Income from financial assets:			
Realised gain on sale of available for sale investments		212,348	-
Realised gain on sale of investments at fair value through profit or loss		97,912	10,750
Unrealized gain due to fair value adjustment		-	119,028
Profit on saving accounts and term deposits receipts		39,343	109,415
Other Income from related parties		6,049	69,982
		355,652	309,175
Income from non-financial assets:			
Sale of scrap		45,902	14,334
Profit on sale of property, plant and equipment		18,508	3,089
Other income	27.1	67,535	23,927
		131,945	41,350
		487,597	350,525

27.1 This includes rental income in respect of plant and machinery aggregating Rs 14.40 million (2011: 14.40 million) and stores and spares written back aggregating Rs 36.141 million (2011: Nil).

28. FINANCE COST

	Note	2012	2011
		(Rupees in '000)	
Mark up on			
- Short term running finances	19	70,368	19
- Long term finances	16	843,856	810,047
Interest on workers' profit participation fund		209	746
Bank charges		123	17
		914,556	810,829

	2012	2011
	----------(Rupees in '000)----------	

29. TAXATION

	2012	2011
Current	93,500	466,000
Deferred	28,649	272,598
	122,149	738,598

29.1 Relationship between tax expense and accounting profit.

	2012 %	2011 %
Applicable tax rate	35.00	35.00
Tax effect of expense not admissible for calculation of taxable profit	7.46	7.58
Tax effect of lower rates on dividend income	(12.14)	-
Tax effect of income exempt from tax	(8.00)	(1.25)
Tax effect of associates	(10.69)	-
Minimum tax	(0.58)	(20.52)
Others	0.01	(0.48)
	11.06	20.33

30. EARNINGS PER SHARE

	2012	2011
	----------(Rupees in '000)----------	
Profit for the year after taxation	982,458	2,893,069
	(Number of shares)	
Weighted average number of ordinary shares	481,287,116	481,287,116
	(Rupees)	
Earnings per share - basic	2.04	6.01

30.1 There are no dilutive potential ordinary shares outstanding as at December 31, 2012 and 2011.

31. CASH GENERATED FROM OPERATIONS

	Note	2012	2011
		----------(Rupees in '000)----------	
Profit before taxation		1,104,607	3,631,667
Adjustment for non cash expenses and other items:			
Depreciation		210,148	193,847
Finance costs		914,556	810,829
Profit on sale of property, plant and equipment		(18,508)	(3,089)
Realised gain on sale of avaliable for sale investments		(310,260)	-
Profit on sale of short term investments		-	(10,750)
Unrealised gain on investments at fair value through profit or loss		-	(119,028)
Impairment loss on available for sale investments		-	586,710
Share of profit from associates		(1,275,488)	(2,980,632)
Dividend income		-	(69,982)
Provision for staff retirement and other service benefits		42,129	27,090
Profit on short term deposits		(39,343)	(109,415)
Other non cash items		-	8,488
Working capital changes	31.1	(354,997)	294,303
Cash generated from operations		272,844	2,260,038

31.1 Working capital changes

	2012	2011
Decrease / (increase) in current assets		
Stores and spares	(10,976)	272,936
Stocks	99,167	64,850
Trade debts	2,357	(555)
Short term loans and advances	(66,663)	(9,657)
Short term deposits and prepayment	(8,423)	37
Other receivables	(30,166)	21,126
	(14,704)	348,737
Decrease in trade and other payables	(340,293)	(54,434)
	(354,997)	294,303

32. OPERATING SEGMENTS

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

32.2 Sales from fertilizer products represent 100% (2011: 100%) of total revenue of the Subsidiary Comapny.

32.3 All sales are made by the Subsidiary Comapny in Pakistan.

33. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	2012			2011		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	Rupees in '000					
Managerial remuneration	18,225	35,105	240,203	19,182	59,332	200,313
Retirement benefits including ex-gratia	2,142	-	30,783	182	2,696	23,461
Rent and utilities	8,166	15,343	80,628	1,104	2,666	57,542
Compensated absences	2,608	-	4,453	-	-	-
Medical	-	143	6,853	919	1,203	7,509
	31,141	50,591	362,920	21,387	65,897	288,825
Number of persons	2	3	130	2	4	117

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

33.2 Meeting fees aggregating Rs 6.45 million (2011: Rs 5.45 million) were paid to 9 Directors (2011: 8 Directors).

34. FINANCIAL INSTRUMENTS BY CATEGORY

	2012	2011
	(Rupees in '000)	
Financial assets at 'fair value through profit or loss'	-	1,794,162
Available for sale investments	2,615	1,156,926
Loans and receivables:		
Long term loans and advances	1,383	2,200
Trade debts - considered good	329	2,686
Short term loans and advances	118,768	52,105
Short term deposits	2,301	2,181
Other receivables	3,028	8,321
Cash and bank balances	35,532	730,748
	161,341	798,241
Financial liabilities at amortised cost:		
Long-term finances	6,832,147	4,800,000
Trade and other payables	227,790	239,598
Short term running finance	32,299	-
Accrued mark-up	32,283	8,614
	7,124,519	5,048,212

35. FINANCIAL RISK MANAGEMENT

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.

35.1 Market risk

Market risk is the risk that the value of a 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 issuer or the instrument, 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.

a) 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, 2012, the impact of increase / decrease in fixed interest rates by 100 basis points will not have a material impact on the profit after tax of the Group.
- Future cash flow risk - Presently, future cash flow risk to the Group arises from short term running finances and long term finances which are based on floating interest rates (i.e. KIBOR based). As at December 31, 2012, 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 68.842 million (2011: Rs 48 million) mainly as a result of lower / higher finance costs.

b) Currency risk

Currency risk arises mainly where receivables and payables exist due to transactions conducted in foreign currencies. The Group primarily has foreign currency exposures in US Dollars, cash and cash equivalents, and trade creditors 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 US Dollars can be passed on to the customers to some extent through increase in prices.

At December 31, 2012, if the Group's functional currency had weakened / strengthened by 10% against the US Dollar with all other variables held constant, profit after taxation for the year would have been lower / higher by Rs 0.082 million (2011: Rs 0.051 million), mainly as a result of foreign exchange losses / gains on translation of foreign currency savings bank accounts in US Dollars.

c) Price risk

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

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

	2012	2011
	----------(Rupees in '000)----------	
Effect on equity	262	-
Effect on profit and loss account	-	254

35.2 Credit risk and its concentration

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

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

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

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

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

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
Habib bank Limited	JCR - VIS	A1+	AA+
Bank Al- Habib Limited	PACRA	A1+	AA+
Barclays Bank PLc	Standard & Poors	A-1+	AA-
Allied Bank Limited	PACRA	A1+	AA
Habib Metropolitan Bank Limited	PACRA	A1+	AA+

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

	2012	2011
	----------(Rupees in '000)----------	
Short term loans and advances	118,768	52,105
Short term deposits	2,301	2,181
Other receivables	3,028	8,321
Bank balances	34,562	729,807
	158,659	792,414

35.3 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)---------------------------				
2012					
Non derivative financial liabilities:					
Short term running finanes	32,299	32,299	-	-	-
Long term finances	7,048,050	453,305	531,655	2,767,854	5,534,805
Trade and other payables	301,962	301,962	-	-	-
Accrued mark-up	32,283	32,283	-	-	-
	7,414,594	819,849	531,655	2,767,854	5,534,805
2011					
Non derivative financial liabilities:					
Long term finances	4,800,000	315,261	315,261	628,800	5,900,544
Trade and other payables	228,105	228,105	-	-	-
Accrued markup	8,614	8,614	-	-	-
	5,036,719	551,980	315,261	628,800	5,900,544

35.4 Capital risk management

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

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total long term borrowing less cash and bank balances. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

The debt-to-equity ratios as at December 31, 2012 and 2011 were as follows:

	Note	2012	2011
		----------(Rupees in '000)----------	
Total debt	16	6,832,147	4,800,000
Cash and cash equivalents	13	(35,532)	(730,748)
Net debt		6,796,615	4,069,252
Total equity		25,728,128	25,128,056
Debt -to -equity ratio		0.26 : 1	0.16 : 1

The reason for increase in debt-to-equity ratio in the current year has resulted primarily due to financing obtained for purchase of Hubco shares.

35.5 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: Valutation 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 Group's financial assets measured at fair value comprise only of level 1 financial assets amounting to Rs 2,615 million (2011: level 1 Rs 1,157 million and level 2 Rs: 1,794 million).

36. RELATED PARTY TRANSACTIONS

The related parties comprise associated companies, related Group companies, directors of the Group companies, companies in which directors are interested, staff retirement benefits, key management personnel and close family members of the 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:

	Note	2012	2011
		----------(Rupees in '000)----------	
Associated companies			
Sale of fixed assets		855	-
Purchase of goods and services		13,821	12,358
Dividend income		794,499	849,880
Reimbursement of expenses from associated companies		1,188	948
Reimbursement of expenses to associated companies		2,274	81
Related parties			
Gratuity funds		23,760	22,091
Provident funds		32,528	30,702
Sale of goods and services		5,196	1,842
Sale of fixed assets		595	-
Markup / musharaka loan - Meezan Bank Limited		275,437	1,320,237
Purchase of goods and services		1,061,798	1,185,098
Dividend income		-	69,982
Rental income		14,400	14,400
Reimbursement of expenses from other related parties		3,467	2,536
Reimbursement of expenses to other related parties		-	109
Others		6,049	-
Key management personnel			
Sale of property, plant and equipment		22,693	13,781
Salaries and other benefits	33		

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

37. PLANT CAPACITY AND ACTUAL PRODUCTION

	2012	2011
	(Tonnes)	
Operational capacity at year end	445,500	445,500
Operational capacity available during the year	445,500	445,500
Production	57,876	199,900

38. CORRESPONDING FIGURES

For better presentation the following reclassifications in the corresponding figures have been made in the balance sheet:

From	To	2012	2011
		-----(Rupees in '000)-----	
Other receivables	Capital work-in-progress	7,271	7,271
Trade and other payables	Other receivables	1,230	1,230
Short term loans, advances, deposits, prepayments and other receivables	i) Short term loans and advances	52,105	52,105
	ii) Short term deposits and prepayments	5,215	5,215
	iii) Other receivables	8,321	8,321
Trade creditors	Accrued expenses	15,203	15,203
Capital work-in-progress	Property, plant and equipment	30,890	30,890
i) Provision for income tax ii) Advance income tax	Taxation -net	157,618	157,618

In addition to the above, certain related party transactions have been reclassified from associates to related parties.

For better presentation certain reclassifications on the corresponding figures have been made in the cash flow statements.

As the aforementioned reclassifications do not have any impact on the balance sheet, therefore, the Group has not presented the balance sheet as at the beginning of the earliest comparative period (i.e. January 1, 2010).

39. DATE OF AUTHORISATION FOR ISSUE

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

39.2 These financial statements were authorised for issue on 13 February 2013 by the Board of Directors of the Holding Company.

Karachi
13 February 2013

Hussain Dawood
Chairman

Shahid Hamid Pracha
Chief Executive

Pattern of shareholding

As at 31 December 2012
Disclosure Requirement under the Code of Corporate Governance

Details of holding on 31.12.2012

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 AKD Index Tracker Fund	40,046
	CDC - Trustee Crosby Dragon Fund	128,100
	CDC - Trustee Faysal Asset Allocation Fund	1,360,500
	CDC - Trustee KASB Asset Allocation Fund	147,372
	MC FSL - Trustee JS KSE-30 Index Fund	7,265
3	**Directors & CEO (including holding of their spouses & minor children)**	
	Mr. Hussain Dawood - Chairman	38,273,516
	Mr. Shahzada Dawood	5,111,616
	Mr. A. Samad Dawood	4,761,616
	Mr. Isar Ahmad	10,000
	Mr. Shahid Hamid Pracha - CEO	100
4	**Executives**	500
5	**Public Sector Companies and Corporations**	-
6	**Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful, Modaraba & Pension Funds**	34,444,120
7	**Shareholders holding five percent or more Voting Rights in the Listing Company**	
	Dawood Lawrencepur Limited	77,931,896
	Faisal Private Bank (Switzerland) SA	66,653,068
	Hercules Enterprises Limited	43,281,216
	Zincali Limited	38,376,008
	Alzarat Limited	38,376,008
	Palmrush Investments Limited	36,240,796
	Persica Limited	36,240,796
	Mr. Hussain Dawood	28,273,516

8 **Details of purchase/sale of shares by Directors/Company Secretary/Chief Financial Officer and their spouses/minor children during the year**

Mr. Shahid Hamid Pracha purchased 100 shares on 25 February 2012 @ Rs. 40.83 per share
Mr. A. Samad Dawood sold 350,000 shares on 20.09.2012 @ Rs. 40.0765

Pattern of shareholding

As at 31 December 2012
Category-Wise

Categories of Shareholders	Number of Shareholders	Total Shares Held	Percentage
Individuals	4,984	82,738,533	17.20
Joint Stock Companies	51	276,866,978	57.54
Financial Institutions	11	19,365,760	4.02
Insurance Companies	4	14,811,980	3.08
Investment Companies	3	66,680,802	13.85
Educational/Charitable Institutions	6	19,062,988	3.96
Modarabas and Mutual Funds	6	1,695,303	0.35
Leasing Companies	1	4,180	-
The Administrator, Abandoned Properties, Government of Pakistan	1	60,580	-
Securities & Exchange Commission of Pakistan	1	12	-
Total:	5,068	481,287,116	100.00

Pattern of shareholding

As at 31 December 2012

No. of Shareholders	Shareholdings		Total shares held
479	1	100	21,373
931	101	500	337,001
670	501	1,000	598,029
2151	1,001	5,000	4,883,184
392	5,001	10,000	2,954,321
146	10,001	15,000	1,809,118
71	15,001	20,000	1,269,286
37	20,001	25,000	850,468
16	25,001	30,000	445,881
24	30,001	35,000	801,389
16	35,001	40,000	613,904
11	40,001	45,000	467,206
19	45,001	50,000	925,557
4	50,001	55,000	209,432
8	55,001	60,000	467,120
10	60,001	65,000	635,094
8	65,001	70,000	541,540
1	70,001	75,000	70,400
2	75,001	80,000	151,800
1	80,001	85,000	81,000
3	85,001	90,000	263,000
2	90,001	95,000	186,615
8	95,001	100,000	787,940
5	100,001	105,000	509,082
1	105,001	110,000	105,600
1	110,001	115,000	113,500
3	115,001	120,000	356,661
1	120,001	125,000	120,596
2	125,001	130,000	255,100
2	130,001	135,000	265,500
3	145,001	150,000	446,372
1	155,001	160,000	155,533
2	170,001	175,000	347,616
2	190,001	195,000	386,200
1	195,001	200,000	197,352
1	200,001	205,000	201,000
1	215,001	220,000	218,532
1	220,001	225,000	224,200
1	235,001	240,000	240,000
1	280,001	285,000	285,000
1	305,001	310,000	306,500
2	315,001	320,000	637,216
1	350,001	355,000	353,996
1	760,001	765,000	760,888
1	790,001	795,000	794,380
1	810,001	815,000	811,064
1	815,001	820,000	815,600
1	1,360,001	1,365,000	1,360,500
1	1,505,001	1,510,000	1,506,592
1	2,120,001	2,125,000	2,120,896
1	2,475,001	2,480,000	2,479,000
1	4,760,001	4,765,000	4,761,616
3	5,110,001	5,115,000	15,334,844
1	7,185,001	7,190,000	7,189,992
1	9,995,001	10,000,000	10,000,000
1	11,685,001	11,690,000	11,685,450
1	12,200,001	12,205,000	12,204,788
1	18,990,001	18,995,000	18,991,988
1	28,270,001	28,275,000	28,273,516
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
5,068	TOTAL:=		481,287,116

Dawood Hercules

Form of Proxy

I/We ____

of ________________ being a member of Dawood Hercules Corporation Limited and holder of ________________ Ordinary Shares, as per:

Share Register Folio No. ________________ and/or

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

hereby appoint Mr./Ms. ____ of ________________ another member of the Company* (or failing him

Mr./Ms. ________________________________ of ____________ , another member of the Company*) as my/our proxy to attend, speak and vote for me/us and on my/our behalf, at the Fourty Fifth Annual General Meeting of the Company to be held on Friday, 29th March 2013 at Pearl Continental Hotel, Club Road, Karachi, and at any adjournment thereof.

Signed this ________________ day of ________________ 2013.

WITNESSES:

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

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

Signature on
Revenue Stamps
of Rupees Five

Signature should agree with the specimen signature with the Company.

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

IMPORTANT:

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

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

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

AFFIX
CORRECT
POSTAGE

The Company Secretary
Dawood Hercules Corporation Limited

Dawood Center, 11th Floor M.T. Khan Road, Karachi - 75530
Tel: +92-21-35686001 Fax: +92-21-35693416
www.dawoodhercules.com

DH Corp. HQ

Dawood Hercules Corporation Limited

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