Dawood Hercules

Envisioning a **Brighter Future**

Half Yearly Accounts (un-audited)
for the six months period ended June 30, 2013

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

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Chartered Accountants
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Directors' Report

The Directors are pleased to present their report for Q2 2013 together with the unaudited condensed interim financial information of Dawood Hercules Corporation Limited (the Company) for the second quarter and half year ended June 30, 2013.

1. Political & economic overview

Elections to the national and provincial assemblies were held on May 11, 2013 and for the first time in the history of the country a peaceful transition from one elected government to another took place. This was generally acknowledged as a good omen for the future of democracy in Pakistan. As soon as the new government took charge in early June, it began focusing on economic issues with particular emphasis on the power sector. A number of measures in this respect have either already been undertaken on an emergency basis or have been included in the recently launched power/energy policy. We understand that plans for prioritization of various users for allocation of gas currently available in the system and an outline of the government's long term plans to enhance supply of gas in the country and reduce the demand/supply gap, are currently also being worked out on a fast track basis. The Company's initial contacts at the highest levels in the new government indicate that it may be favorably inclined towards continuing the long term gas supply arrangement for the four fertilizer manufacturers (FFMs) on the Sui Northern Gas Company Limited (SNGPL) network which was approved by the Economic Coordination Committee (ECC) of the Government of Pakistan(GoP). Through this arrangement, gas supply to the FFMs on the SNGPL network was allocated and committed by the GoP directly from certain specified gas fields. This decision was progressed into signing of Gas Supply Agreements (GSAs) by the FFMs directly with the concerned field operators. Additionally, Gas Transportation Agreements (GTAs) were initialed by the FFMs with SNGPL and Sui Southern Gas Company Limited (SSGCL), subject to ratification by their respective Boards. After the change of government, the SNGPL Board in its meeting to ratify the GTA decided to refer the matter back to the GoP for a fresh review.

2. Business overview

(a) Fertilizers

As stated in the previous quarter's report, gas was supplied to DH Fertilizer's (DHFL's) plant from March 10, 2013 to April 11, 2013 during which period 36,245 tonnes of urea was produced. This gas was provided to DH Fertilizer as compensation for rota gas not supplied last year and thereafter, no further gas was supplied and the plant remained closed for the remaining 80 days of the quarter producing only 13,470 tonnes of urea during Q2 2013 as compared to 74 days closure and production of 18,967 tonnes in the corresponding quarter last year. While Agritech received gas throughout the quarter from certain active fields in its vicinity and Engro was able to procure gas for about 39 days for its Enven plant, no other plant on the SNGPL network received any more gas during Q2 2013.

DHFL sold 33,951 tonnes of urea and 30,569 tonnes of imported DAP during Q2 2013 as compared to 11,680 tonnes of urea and 20,500 tonnes of DAP during the corresponding quarter last year. Aggregate domestic urea production of 1.16 million tonnes was 4% higher whereas, despite lower prices, sales volume did not recover and the 1.2 million tonnes sold was 12% lower than the same quarter last year. The government imported 0.15 million tonnes of urea during Q2 2013 which was 21% lower than the corresponding quarter last year. DAP production, imports and sales during Q2 2013 of 0.20 million tonnes, 0.11 million tonnes and 0.27 million tonnes were 13%, 22% and 51% higher respectively as compared to Q2 2012.

(b) Energy

Due to severe liquidity constraints arising mainly from the “circular debt” issue, the Narowal plant of The Hub Power Company Limited (HUBCO) operated only partially at an average load factor of 56.6% during Q1 2013. It was fully shut down in the last week of March due to fuel shortage on account of non-payment of dues by the power purchaser. The main plant at Hub, however, continued to operate at an average load factor of 76.7% during the same quarter.

With the new government taking charge in June 2013, one of the first major steps it undertook was to resolve the “circular debt” issue in the power sector. By the end of June 2013, the bulk of the overdue receivables related to Hub’s main and Narowal plants had been settled. As a result, overdue payables to trade creditors were also settled and fuel supplies restored to both plants with a view to achieving maximum generation of electricity in the immediate future.

Commissioning and testing activities continued during Q1 2013 at the 84 MW hydropower project set up by Laraib Energy Limited, HUBCO’s 75% owned subsidiary, and COD was achieved on March 23, 2013. Formal inauguration of the project was performed by the Honorable Prime Minister of Pakistan, Mr. Nawaz Sharif on July 15, 2013.

(c) Other

No gas was supplied during Q1 2013 by SNGPL to the Company’s associated entity Engro Corporation Limited’s (ECL’s) wholly owned subsidiary Engro Fertilizers Limited (EFL). However, gas supply was diverted from its base plant to the new more efficient Enven plant, as a result of which the former remained shut during all of Q1 2013, while the new plant received around 80% to 90% of its contracted quantity of gas. The other business segments of ECL continued to perform reasonably well during the quarter with a marginal decline in revenues and profitability in some segments at Engro Foods.

The first installment of the equity contribution was paid by the Company to e2e Business Enterprises (Private) Limited, in respect of the Rice Bran Oil (RBO) project. The ground breaking is expected to take place in September 2013 while plant commissioning is being targeted for the rice harvesting season in Q3 2014.

3. Financial performance

The Company's subsidiary, DHFL, delivered an after tax profit of Rs 254 million for Q2 2013 versus a loss of Rs 68 million for the same quarter last year due mainly to DAP and ammonia sales and lower financial costs. ECL declared consolidated profit after tax for Q1 2013 of Rs 2,014 million as compared to a loss of Rs 383 million for the same quarter last year mainly due to the fertilizer business, where the transfer of Mari gas to the new urea plant helped the company post better results. HUBCO continued its robust performance with tariff indexation and Narowal profitability reflected in the higher consolidated profit after tax of Rs 2,728 million versus Rs 2,062 million for the same quarter last year.

After accounting for the consolidated tax charge of Rs 139 million, the Group's consolidated profit after tax for Q2 2013 was Rs 1,273 million as compared to a loss of Rs 214 million for the corresponding quarter last year.

4. Future outlook

The first sixty days of the new government have witnessed major activities on the economic front, particularly in the power sector. With the backlog of "circular debt" having been paid off to a large extent, the government's resolve to rationalize the electricity tariff structure and its focus on reducing the cost of generation, the medium to long term outlook for the business sector as a whole appears to be positive. However, shortage of gas in the country continues to place a drag on businesses dependent on this resource with the government being hard pushed to come up with viable alternatives to increase supplies either through imports or by prospecting for indigenous sources of tight and shale gas reserves. As a consequence, fertilizer plants on the SNGPL network will continue to bear the major brunt of this shortage. Both DHFL and ECL face uncertainty in this respect and maximum effort is being applied by management of both companies through active engagement with the government at all levels to allow early completion of the long term gas supply arrangement for the four fertilizer manufacturers on the SNGPL network, which has already been approved by the ECC. HUBCO's cash position has improved significantly after retirement of its overdue receivables and, with Laraib coming on-stream in Q1 2013, it is expected to continue delivering robust profitability.

Karachi: August 29, 2013

Shahid Hamid Pracha
Chief Executive

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A. F. FERGUSON & CO.

Auditors' Report to the members on review of unconsolidated condensed interim financial information

Introduction

We have reviewed the annexed unconsolidated condensed interim balance sheet of Dawood Hercules Corporation Limited (the Company) as at June 30, 2013 and the related unconsolidated condensed interim profit and loss account, unconsolidated condensed interim statement of comprehensive income, unconsolidated condensed interim statement of changes in equity, unconsolidated condensed interim cash flow statement together with the notes forming part thereof for the six months period then ended (here-in-after referred to as the 'interim financial information'). Management is responsible for the preparation and presentation of the interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures included in the unconsolidated condensed interim profit and loss account and unconsolidated condensed interim statement of comprehensive income for the quarters ended June 30, 2013 and 2012 and the notes forming part thereof have not been reviewed as we are required to review only the cumulative figures for the six months period ended June 30, 2013.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the annexed interim financial information as of and for the six months period ended June 30, 2013 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Chartered Accountants
Karachi: August 29, 2013

Audit Engagement Partner: Khurshid Hasan

Unconsolidated condensed interim balance sheet (unaudited)

As at June 30, 2013

	Note	June 30, 2013 (Unaudited)	December 31, 2012 Audited and restated (Note 3)
		------- (Rupees in '000) -------	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	61,051	65,227
Long term investments	7	20,448,691	19,727,295
Long term prepayments		153	-
		20,509,895	19,792,522
CURRENT ASSETS			
Short term loans and advances		2,172	308
Short term deposits and prepayments		4,548	9,486
Other receivables		886	492
Due from associated undertakings		15,334	-
Short term investments	8	-	2,615
Cash and bank balances		2,860	6,387
		25,800	19,288
TOTAL ASSETS		20,535,695	19,811,810
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital		10,000,000	10,000,000
Issued, subscribed and paid-up capital		4,812,871	4,812,871
Revenue reserves		14,845,299	14,717,716
Surplus on revaluation of investments		-	1,269
		19,658,170	19,531,856
NON-CURRENT LIABILITIES			
Long term financing	9	265,546	169,147
Deferred liabilities	3.2	603	9,026
		266,149	178,173
CURRENT LIABILITIES			
Current portion of long term financing	9	29,504	8,903
Short term running finance	10	529,170	32,299
Trade and other payables	11	32,246	47,802
Accrued mark-up		19,678	12,405
Taxation-net		778	372
		611,376	101,781
TOTAL EQUITY AND LIABILITIES		20,535,695	19,811,810
Contingencies and commitments	12		

The annexed notes 1 to 18 form an integral part of these unconsolidated condensed interim financial statements.

Karachi: August 29, 2013

M. A. Aleem
Director

Shahid Hamid Pracha
Chief Executive

Unconsolidated condensed interim profit and loss account (unaudited)

For the quarter and six months period ended June 30, 2013

	Note	Quarter ended June 30, 2013	Quarter ended June 30, 2012	Six months period ended June 30, 2013	Six months period ended June 30, 2012
		(Rupees in '000)			
Dividend income	13	-	-	743,725	261,558
Administrative expenses		(50,844)	(54,783)	(114,641)	(113,168)
Operating (loss) / profit		(50,844)	(54,783)	629,084	148,390
Other income		4,767	29,641	13,029	68,464
Finance costs		(15,139)	(377)	(21,909)	(426)
(Loss) / profit before taxation		(61,216)	(25,519)	620,204	216,428
Taxation		-	-	(10,892)	(27,000)
(Loss) / profit after taxation		(61,216)	(25,519)	609,312	189,428
(Loss) / earnings per share - (Rupees)		(0.13)	(0.05)	1.27	0.39

The annexed notes 1 to 18 form an integral part of these unconsolidated condensed interim financial statements.

Karachi: August 29, 2013

M. A. Aleem
Director

Shahid Hamid Pracha
Chief Executive

Unconsolidated condensed interim statement of comprehensive income (unaudited)

For the quarter and six months period ended June 30, 2013

	Quarter ended		Six months period ended	
	June 30, 2013	June 30, 2012 Restated (Note 3)	June 30, 2013	June 30, 2012 Restated (Note 3)
	---------------------- (Rupees in '000) ----------------------			
(Loss) / profit after taxation	(61,216)	(25,519)	609,312	189,428
Item that will not be reclassified to profit or loss - Remeasurements of staff retirement benefits (note 3.2)	(221)	(217)	(442)	(434)
Item that may be reclassified subsequently to profit or loss - Changes in value of available for sale financial assets	-	(2,459)	-	1,019
Other comprehensive income for the period	(221)	(2,676)	(442)	585
Total comprehensive (loss) / income	(61,437)	(28,195)	608,870	190,013

The annexed notes 1 to 18 form an integral part of these unconsolidated condensed interim financial statements.

Karachi: August 29, 2013

M. A. Aleem
Director

Shahid Hamid Pracha
Chief Executive

Unconsolidated condensed interim statement of changes in equity (unaudited)

For the six months period ended June 30, 2013

	Issued, subscribed and paid-up capital	Revenue reserves			Surplus on revaluation of investments	Total
		General reserve	Un-appropriated Profit	Sub-total		
	(Rupees in ,000)					
Balance as at January 1, 2012 (restated)	4,812,871	700,000	14,333,128	15,033,128	-	19,845,999
Comprehensive income						
Profit after taxation	-	-	189,428	189,428	1,019	190,447
Other comprehensive income					-	-
Remeasurements of staff retirement benefits (note 3.2)	-	-	(434)	(434)		(434)
Total comprehensive income for the period	-	-	188,994	188,994	1,019	190,013
Final cash dividend for the year ended December 31, 2011 (Rs 1 per ordinary share)	-	-	(481,287)	(481,287)	-	(481,287)
Balance as at June 30, 2012 (restated)	4,812,871	700,000	14,040,835	14,740,835	1,019	19,554,725
Balance as at January 1, 2013 (restated)	4,812,871	700,000	14,017,716	14,717,716	1,269	19,531,856
Comprehensive income						
Profit after taxation	-	-	609,312	609,312	(1,269)	608,043
Other comprehensive income					-	-
Remeasurements of staff retirement benefits (note 3.2)	-	-	(442)	(442)	-	(442)
Total comprehensive income for the period	-	-	608,870	608,870	(1,269)	607,601
Final cash dividend for the year ended December 31, 2012 (Rs 1 per ordinary share)	-	-	(481,287)	(481,287)	-	(481,287)
Balance as at June 30, 2013	4,812,871	700,000	14,145,299	14,845,299	-	19,658,170

The annexed notes 1 to 18 form an integral part of these unconsolidated condensed interim financial statements.

Karachi: August 29, 2013

M. A. Aleem
Director

Shahid Hamid Pracha
Chief Executive

Unconsolidated condensed interim cash flow statement (unaudited)

For the six months period ended June 30, 2013

	Note	Six months period ended June 30, 2013	June 30, 2012
		------- (Rupees in '000) ------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash utilised in operations	14	(129,783)	(38,680)
Finance cost paid		(14,636)	(105)
Taxes paid		(10,486)	(27,110)
Long term prepayments		(153)	-
Employees retirement and other service benefits paid		(11,069)	(8,219)
Net cash utilised in operating activities		(166,127)	(74,114)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(1,609)	(25,505)
Investment in associates		(116,646)	-
Proceeds from disposal of property, plant and equipment		945	5,188
Income received from bank deposits		148	-
Proceeds from disposal of short term investments		6,209	2,083,025
Short term investments made		-	(2,224,435)
Dividends received		138,975	261,558
Net cash generated from investing activities		28,022	99,831
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing		117,000	-
Short term running finance		496,871	23,825
Dividends paid		(479,293)	(479,680)
Net cash generated / (utilised) in financing activities		134,578	(455,855)
Net decrease in cash and cash equivalents		(3,527)	(430,138)
Cash and cash equivalents at the beginning of the period		6,387	435,445
Cash and cash equivalents at the end of the period		2,860	5,307

The annexed notes 1 to 18 form an integral part of these unconsolidated condensed interim financial statements.

Karachi: August 29, 2013

M. A. Aleem
Director

Shahid Hamid Pracha
Chief Executive

1. LEGAL STATUS AND OPERATIONS

Dawood Hercules Corporation Limited (the Company) was incorporated in Pakistan on April 17, 1968 as a public limited company under the Companies Act, 1913 (now Companies Ordinance, 1984) 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.

2. BASIS OF PREPARATION AND PRESENTATION

2.1 These unconsolidated condensed interim financial statements of the Company for the six months period ended June 30, 2013 have been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 - “Interim Financial Reporting” and provisions of and directives issued under the Companies Ordinance 1984 (the Ordinance). In case where requirements differ, the provisions of or directives issued under the Ordinance have been followed. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2012, which have been prepared in accordance with International Financial Reporting Standards (IFRSs).

2.2 These unconsolidated condensed interim financial statements comprise of the balance sheet as at June 30, 2013 and the profit and loss account, the statement of comprehensive income, the statement of changes in equity, the cash flow statement and notes thereto for the six months period then ended which have been subjected to a review in accordance with the Listing Regulations of Karachi Stock Exchange but not audited. These unconsolidated condensed interim financial statements also include the profit and loss account for the quarter ended June 30, 2013 which was not subjected to review.

2.3 The comparative balance sheet presented in these unconsolidated condensed interim financial statements as at December 31, 2012 has been extracted from the audited financial statements of the Company for the year then ended. The comparative profit and loss account, statement of changes in equity and cash flow statement for the six months period ended June 30, 2012 have been extracted from the unconsolidated condensed interim financial statements of the Company for the six months period then ended, which were subjected to review but not audited. The comparative profit and loss account for the quarter ended June 30, 2012 is also included in these unconsolidated condensed interim financial statements.

3. ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of these unconsolidated condensed interim financial statements are the same as those applied in the preparation of the financial statements for the year ended December 31, 2012 except for the adoption of IAS 19, as more fully explained in note 3.2 below.

3.1 New standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2013 are considered not to be relevant or to have any significant effect on the Company’s financial reporting and operations.

3.2 IAS 19 (revised) 'Employee Benefits'. IAS 19 (revised) amends the accounting for employment benefits. The Company has applied the standard retrospectively in accordance with the transition provisions of the standard. The impact on the Company has been in the following areas:

(a) The standard requires past service cost to be recognised immediately in profit or loss;

(b) The standard replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year;

(c) There is a new term "remeasurements". This is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost; and

(d) The amendment requires an entity to recognise actuarial gains and losses immediately in 'other comprehensive income'. Actuarial gains or losses were previously amortised over the expected future service of the employees.

	December 31, 2012	June 30, 2012	January 1, 2012
	------------ (Rupees in '000) ------------		
Comprehensive income			
Income for the period as previously reported	168,012	190,447	560,798
Effect of change in accounting policy	(434)	(434)	(3,040)
Profit for the period as restated	167,578	190,013	557,758
Deferred liabilities			
Deferred liabilities as previously reported	5,118	3,356	6,509
Cumulative effect of change in accounting policy on the carrying amounts	3,908	3,474	3,040
Deferred liabilities as restated	9,026	6,830	9,549

The effect of the change in accounting policy on the statement of cash flows and on earnings per share was immaterial.

4. ACCOUNTING ESTIMATES

The preparation of unconsolidated condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these unconsolidated condensed interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended December 31, 2012.

5. SEASONALITY OF OPERATIONS

The principal activity of the Company is to manage investments in its subsidiary and associated companies. Revenue of the Company mainly comprises dividend income which is dependent on the profitability and the decisions of directors and shareholders of the subsidiary and associated companies regarding the declaration and approval of dividends, whereas the majority of costs of the Company are fixed and hence are more evenly spread throughout the year.

	Note	June 30, 2013 (Unaudited)	December 31, 2012 (Audited)
		------ (Rupees in '000) ------	
6. PROPERTY, PLANT AND EQUIPMENT			
Net book value at the beginning of the period / year		65,227	42,809
Add: Additions during the period / year	6.1	1,609	34,284
		66,836	77,093
Less: Disposals during the period / year	6.2	9	2,335
Depreciation charged during the period / year		5,776	9,531
		5,785	11,866
Net book value at the end of the period / year		61,051	65,227
6.1 Additions during the period			
Furniture, fittings and equipment		995	160
Motor vehicles		70	32,694
Data processing equipment		544	1,430
		1,609	34,284

	Note	June 30, 2013 (Unaudited)	December 31, 2012 (Audited)
		------ (Rupees in '000) ------	
6.2 Disposals during the period - net book value			
Furniture, fittings and equipment		-	16
Motor vehicles		9	2,306
Data processing equipment		-	13
		9	2,335

Assets having net book value of Rs Nil (December 31, 2012: Rs 2.34 million) were sold to employees as per the Company's policy.

	Note	June 30, 2013 (Unaudited)	December 31, 2012 (Audited)
		------ (Rupees in '000) ------	
7. LONG TERM INVESTMENTS			
Investment in subsidiary company	7.1	1,615,119	1,615,119
Investment in associates - quoted	7.2	18,716,926	18,112,176
Investment in associate - unquoted	7.3	116,646	-
		20,448,691	19,727,295

7.1 Investment in subsidiary company

DH Fertilizers Limited - unquoted 100,000,000 (December 31, 2012: 100,000,000) ordinary shares of Rs 10 each Percentage of holding 100% (December 31, 2012:100%)		1,615,119	1,615,119

DH Fertilizers Limited (DHFL), a wholly owned subsidiary of the Company, is a public limited company incorporated under the Ordinance and its principal activity is production, purchase and sale of fertilizers.

	Note	June 30, 2013 (Unaudited)	December 31, 2012 (Audited)
		------ (Rupees in '000) ------	
7.2 Investment in associates - quoted			
Engro Corporation Limited	7.2.1	17,425,249	16,820,499
The Hub Power Company Limited	7.2.2	1,291,677	1,291,677
		18,716,926	18,112,176

		Note	June 30, 2013 (Unaudited)	December 31, 2012 (Audited)
			------ (Rupees in '000) ------	
7.2.1	Engro Corporation Limited			
	170,012,555 (December 31, 2012: 170,012,555) ordinary shares of Rs 10 each		16,820,499	16,820,499
	Add: 5,000,000 ordinary (December 31, 2012: Nil) shares received as 'specie dividend'	13.1	604,750	-
	Percentage of holding 34.22% (December 31, 2012: 33.25%)		17,425,249	16,820,499

7.2.1.1 The Company received Nil bonus shares (December 31, 2012: 39.23 million) from Engro Corporation Limited (ECL) during the six months period ended June 30, 2013.

7.2.1.2 The market value of investment in ECL as at June 30, 2013 was Rs 21,328 million (December 31, 2012: Rs 15,648 million).

7.2.1.3 The Company has pledged 5.54 million ordinary shares of ECL (December 31, 2012: 5.54 million) having face value of Rs 55.40 million (December 31, 2012: Rs 55.40 million) and market value of Rs 675.16 million (December 31, 2012: Rs 509.90 million) as security against short-term finance facility from Bank Al-Habib Limited.

		June 30, 2013 (Unaudited)	December 31, 2012 (Audited)
		------ (Rupees in '000) ------	
7.2.2	The Hub Power Company Limited		
	39,707,000 (December 31, 2012: 39,707,000) ordinary shares of Rs 10 each		
	Percentage of holding 3.43% (December 31, 2012: 3.43%)	1,291,677	1,291,677

7.2.2.1 The market value of investment in The Hub Power Company Limited (HUBCO) as at June 30, 2013 was Rs 2,448 million (December 31, 2012: Rs 1,796 million).

7.2.2.2 The Company has effectively acquired 14.25% of the voting power in HUBCO by virtue of investment by its wholly owned subsidiary DH Fertilizers Limited of 10.82%. Due to the representation of the Company's nominees on the Board of Directors of HUBCO, participation in policy making process and being the single largest shareholder, the Company has significant influence over HUBCO.

7.2.2.3 The Company has pledged 12.58 million shares of HUBCO (December 31, 2012: 8.67 million shares), having face value of Rs 125.80 million (December 31, 2012: Rs 86.70 million) and market value of Rs 775.56 million (December 31, 2012: Rs 1,179.86 million) as security against the long term finance facility obtained from Allied Bank Limited and another 13.5 million shares in HUBCO (December 31, 2012: Nil), having face value of Rs 135 million (December 31, 2012: Rs Nil) and market value of Rs 832.28 million (December 31, 2012: Rs Nil) as security against the short term running finance facility obtained from Bank Al Habib Limited.

		Note	June 30, 2013 (Unaudited)	December 31, 2012 (Audited)
			------ (Rupees in '000) ------	
7.3	Investment in associate - unquoted			
	e2e Business Enterprises (Private) Limited			
	11,664,633 (December 31, 2012: Nil) ordinary shares of Rs 10 each			
	Percentage of holding 39% (December 31, 2012: Nil)	7.3.1	116,646	-

7.3.1 During the period, the Company has signed a Shareholders Agreement (SA) and Subscription Agreement with e2e Supply Chain Management (Private) Limited and three other members for the setting up of a Rice Bran Oil (RBO) project in Muridke, Sheikhupura - Punjab which is a greenfield project having annual production capacity of 9,700 tons of RBO. As per the SA, the Company will make investment in e2e Business Enterprises (Private) Limited (e2eBE) in four tranches at various stages of the project, the first of which amounting to Rs 116.65 million was made on June 13, 2013.

		Note	June 30, 2013 (Unaudited)	December 31, 2012 (Audited)
			------ (Rupees in '000) ------	
8.	SHORT TERM INVESTMENTS			
	Available for sale	8.1	-	2,615
8.1	Southern Electric Power Company Limited - quoted			
	1,922,900 (December 31, 2012: 3,622,900) ordinary shares of Rs 10 each - at cost		36,321	68,431
	Cumulative impairment loss		(34,975)	(65,895)
	Balance at the beginning of the period / year		1,346	2,536
	Less: investment disposed off 1,922,900 (December 31, 2012: 1,700,000) ordinary shares		(1,346)	(1,190)
			-	1,346
	Cumulative unrealised gain		1,269	-
	Increase in fair value during the period / year		-	1,269
	Less: investment disposed off		(1,269)	-
	Balance at the end of the period / year		-	2,615

		Note	June 30, 2013 (Unaudited)	December 31, 2012 (Audited)
			------ (Rupees in '000) ------	
9.	LONG TERM FINANCING			
	Long term financing	9.1	295,050	178,050
	Less: current portion of long term financing		29,504	8,903
			265,546	169,147

9.1 This represents utilised portion of long term finance facility of Rs 380 million (December 31, 2012: Rs 380 million) from Allied Bank Limited obtained under mark-up arrangements. Mark-up is payable in arrears on a semi-annual basis at the rate of six months ask side Karachi Inter Bank Offer Rate (KIBOR) plus 200 basis points per annum. The principal amount is repayable in 9 equal installments commencing from July 4, 2013. The facility is secured against pledge of shares of HUBCO as more fully explained in note 7.2.2.3 and further ranking hypothecation / mortgage charge on all of the present and future assets of the Company with 25% margin.

10. SHORT TERM RUNNING FINANCE

This represents utilised portion of short-term running finance facility of Rs 1,000 million (December 31, 2012: Rs 300 million) from Bank Al-Habib Limited obtained under mark-up arrangements expiring on April 30, 2014. The facility is secured by way of pledge of ECL and HUBCO shares as more fully explained in note 7.2.1.3 and 7.2.2.3, and further ranking hypothecation / mortgage charge on all of the present and future assets of the Company with 25% margin. Rate of mark-up applicable to this facility is three months KIBOR plus 100 basis points (December 31, 2012: three months KIBOR plus 100 basis points) per annum.

		June 30, 2013 (Unaudited)	December 31, 2012 (Audited)
		------ (Rupees in '000) ------	
11.	TRADE AND OTHER PAYABLES		
	Creditors	322	3,962
	Accrued expenses	9,103	23,014
	Unclaimed dividend	22,798	20,804
	Others	23	22
		32,246	47,802

12. CONTINGENCIES AND COMMITMENTS

12.1 Contingent liabilities

The Company has issued a corporate guarantee to a syndicate of financial institutions through Meezan Bank Limited acting as investment agent to guarantee up to a maximum of Rs 6,400 million relating to a diminishing Musharika Finance Facility of Rs 4,800 million availed by DHFL. The corporate guarantee will remain in full force and effect for a period of five years commencing from December 27, 2011.

		June 30, 2013 (Unaudited)	December 31, 2012 (Audited)
		------ (Rupees in '000) ------	
12.2	Commitments		
	Commitments in respect of investment in e2eBE	161,000	-

		Note	Six months period ended June 30, 2013 (Unaudited)	June 30, 2012 (Unaudited)
			(Rupees in '000)	
13.	DIVIDEND INCOME			
	Engro Corporation Limited		-	261,558
	The Hub Power Company Limited		138,975	-
	DH Fertilizers Limited	13.1	604,750	-
			743,725	261,558

13.1 The shareholders of DHFL, at its Annual General Meeting held on March 25, 2013 approved the issuance of 5 million ordinary shares of ECL to the Company as 'specie dividend'.

		Note	Six months period ended June 30, 2013 (Unaudited)	June 30, 2012 (Unaudited)
			------ (Rupees in '000) ------	
14.	CASH UTILISED IN OPERATIONS			
	Profit before taxation		620,204	216,428
	Adjustments for non cash expenses and other items:			
	Depreciation		5,776	3,973
	Finance cost		21,909	426
	Profit on sale of property, plant and equipment		(936)	(4,047)
	Profit on sale of short term investments		(4,862)	(1,752)
	Dividend income		(743,725)	(261,558)
	Provision for employees retirement and other service benefits		2,204	5,066
	Income received from bank deposits		(148)	-
	Working capital changes	14.1	(30,205)	2,784
	Cash utilised in operations		(129,783)	(38,680)

	Six months period ended June 30, 2013 (Unaudited)	Six months period ended June 30, 2012 (Unaudited)
	------ (Rupees in '000) ------	
14.1 Working capital changes		
(Increase) / decrease in current assets		
Short term loans and advances	(4,240)	179
Short term deposits and prepayments	7,314	(3,620)
Other receivables	(394)	(76)
Due from associated undertakings	(15,334)	-
	(12,654)	(3,517)
(Decrease) / increase in trade and other payables	(17,551)	6,301
	(30,205)	2,784

15. FINANCIAL RISK MANAGEMENT AND FINANCIAL DISLOSURES

15.1 Financial risk factors

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

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, they should be read in conjunction with the Company's annual financial statements as at December 31, 2012. There have been no changes in any risk management policies since the year end.

16. RELATED PARTY TRANSACTIONS

Significant transactions with related parties are as follows:

	Note	Six months period ended June 30, 2013 (Unaudited)	Six months period ended June 30, 2012 (Unaudited)
		------ (Rupees in '000) ------	
Subsidiary company			
Reimbursement of expenses by the Company		61	328
Reimbursement of expenses to the Company		6,377	196
Sale of goods and services		2,872	-
Specie dividend	13.1	604,750	-

	Note	Six months period ended June 30, 2013 (Unaudited)	June 30, 2012 (Unaudited)
		------ (Rupees in '000) ------	
Associates			
Purchase of goods and services		**6,207**	10,129
Sale of goods and services		**6,270**	11
Dividend income		**138,975**	261,558
Reimbursement of expenses from associates		**1,332**	1,008
Reimbursement of expenses to associates		**1,443**	669
Investment in e2eBE	7.3	**116,646**	-
Investment commited in e2eBE	12.2	**161,000**	-
Other related parties			
Key management personnel compensation		**52,691**	58,195
Employees' retirement and other service benefits		**4,591**	3,998

17. GENERAL

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

18. DATE OF AUTHORISATION FOR ISSUE

These unconsolidated condensed interim financial statements were authorised for issue by the Board of Directors on August 29, 2013.

Karachi: August 29, 2013

M. A. Aleem
Director

Shahid Hamid Pracha
Chief Executive

Consolidated condensed interim financial statements

for the six months period ended June 30, 2013

Consolidated condensed interim balance sheet (unaudited)

As at June 30, 2013

	Note	June 30, 2013 (unaudited)	December 31, 2012 (audited) (restated)
		---------(Rupees in '000)---------	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	1,988,459	2,093,563
Long term investments	6	32,674,284	30,813,827
Long term loans, advances and prepayments		193	1,383
		34,662,936	32,908,773
CURRENT ASSETS			
Stores, spares and loose tools		794,062	811,584
Stock in trade	7	115,317	52,100
Trade debts		786,474	329
Loans, advances, deposits, prepayments and other receivables		79,772	170,893
Taxation -net		175,375	126,950
Short term investments	8	605,742	2,615
Cash and bank balances		943,348	35,532
		3,500,090	1,200,003
TOTAL ASSETS		38,163,026	34,108,776
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital		10,000,000	10,000,000
Issued, subscribed and paid-up capital		4,812,871	4,812,871
Revenue reserves		22,362,417	20,890,299
Surplus on revaluation of investment		-	1,269
		27,175,288	25,704,439
NON- CURRENT LIABILITIES			
Long term financing	9	6,025,046	6,832,147
Deferred taxation		1,032,256	897,963
Deferred liabilities		146,214	91,780
		7,203,516	7,821,890
CURRENT LIABILITIES			
Current portion of long term financing		1,036,504	215,903
Short term running finance	10	1,929,170	32,299
Trade and other payables		772,605	301,962
Accrued mark-up		45,943	32,283
		3,784,222	582,447
TOTAL EQUITY AND LIABILITIES		38,163,026	34,108,776
Contingencies & commitments	11		

The annexed notes 1 to 16 form an integral part of these consolidated condensed interim financial statements.

Karachi: August 29, 2013

M. A. Aleem
Director

Shahid Hamid Pracha
Chief Executive

Consolidated condensed interim profit and loss account (unaudited)

For the quarter and six months period ended June 30, 2013

	Quarter ended		Six months period ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
	(Rupees in '000)			
Net sales	2,999,902	1,622,559	3,123,058	2,441,841
Cost of sales	(2,385,770)	(1,461,504)	(2,567,441)	(1,962,437)
Gross profit	614,132	161,055	555,617	479,404
Selling and distribution expenses	(38,816)	(22,964)	(50,686)	(36,416)
Administrative expenses	(118,965)	(113,133)	(226,616)	(224,024)
Other operating expenses	(31,888)	6,416	(35,750)	(1,575)
Other operating income	36,229	95,895	50,135	173,694
Operating profit	460,692	127,269	292,700	391,083
Finance costs	(206,002)	(254,304)	(391,182)	(411,604)
	254,690	(127,035)	(98,482)	(20,521)
Share of profit / (loss) from associates, net of tax	1,156,878	(145,920)	2,268,734	760,900
Profit / (loss) before taxation	1,411,568	(272,955)	2,170,252	740,379
Taxation	(138,730)	58,592	(262,552)	(83,594)
Profit / (loss) after taxation	1,272,838	(214,363)	1,907,700	656,785
Earnings / (loss) per share - (Rupees)	2.64	(0.45)	3.96	1.36

The annexed notes 1 to 16 form an integral part of these consolidated condensed interim financial statements.

Karachi: August 29, 2013

M. A. Aleem
Director

Shahid Hamid Pracha
Chief Executive

Consolidated condensed interim statement of comprehensive income (unaudited)

For the quarter and six months period ended June 30, 2013

	Quarter ended		Six months period ended	
	June 30, 2013	June 30, 2012	**June 30, 2013**	June 30, 2012
	------------------------- (Rupees in '000) -------------------------			
Profit/(loss) after taxation	**1,272,837**	(214,363)	**1,907,700**	656,785
Items that will not be reclassified to profit or loss				
Remeasurement of staff retirement benefits (note 3.2)	**(744)**	(794)	**(1,487)**	(1,588)
Related income tax	**178**	202	**355**	404
	(566)	(592)	**(1,132)**	(1,184)
Items that may be reclassified subsequently to profit or loss				
Changes in value of available for sale financial assets	**-**	(309,611)	**-**	87,727
Share of other comprehensive income of associates	**6,419**	22,233	**52,041**	52,084
Deferred tax impact of other comprehensive income of associates	**(642)**	(2,223)	**(5,204)**	(5,208)
	5,777	20,010	**46,837**	46,876
	5,777	(289,601)	**46,837**	134,603
Other comprehensive income / (loss) for the period - net of tax	**5,211**	(290,193)	**45,705**	133,419
Total comprehensive income / (loss)	**1,278,048**	(504,556)	**1,953,405**	790,204

The annexed notes 1 to 16 form an integral part of these consolidated condensed interim financial statements.

Karachi: August 29, 2013

M. A. Aleem
Director

Shahid Hamid Pracha
Chief Executive

Consolidated condensed interim statement of changes in equity (unaudited)

For the six months period ended June 30, 2013

	Issued, subscribed and paid-up capital	Revenue reserves: General reserve	Revenue reserves: Actuarial losses	Revenue reserves: Unappropriated Profit	Revenue reserves: Sub-total	Share of other comprehensive income of associates	Surplus on revaluation of investment	Total
	(Rupees in '000)							
Balance as at January 01, 2012 (restated)	4,812,871	700,000	(21,970)	19,795,916	20,473,946	(180,731)	-	25,106,086
Comprehensive income								
Profit after taxation	-	-	-	656,785	656,785	-	-	656,785
Other comprehensive income	-	-	-	-	-	46,876	87,727	134,603
Remeasurement of staff retirement benefits (note 3.2)	-	-	(1,184)	-	(1,184)	-	-	(1,184)
Total comprehensive income for the period	-	-	(1,184)	656,785	655,601	46,876	87,727	790,204
Final cash dividend for the year ended December 31, 2011 (Rs 1 per ordinary share)	-	-	-	(481,287)	(481,287)	-	-	(481,287)
Balance as at June 30, 2012 (restated)	4,812,871	700,000	(23,154)	19,971,414	20,648,260	(133,855)	87,727	25,415,003
Balance as at January 1, 2013 (restated)	4,812,871	700,000	(23,689)	20,297,087	20,973,398	(83,099)	1,269	25,704,439
Comprehensive income								
Profit after taxation	-	-	-	1,907,700	1,907,700	-	(1,269)	1,906,431
Other comprehensive income	-	-	-	-	-	46,837	-	46,837
Remeasurement of staff retirement benefits (note 3.2)	-	-	(1,132)	-	(1,132)	-	-	(1,132)
Total comprehensive income for the period	-	-	(1,132)	1,907,700	1,906,568	46,837	(1,269)	1,952,136
Final cash dividend for the year ended December 31, 2012 (Rs 1 per ordinary share)	-	-	-	(481,287)	(481,287)	-	-	(481,287)
Balance as at June 30, 2013	4,812,871	700,000	(24,821)	21,723,500	22,398,679	(36,262)	-	27,175,288

The annexed notes 1 to 16 form an integral part of these consolidated condensed interim financial statements.

Karachi: August 29, 2013

M. A. Aleem
Director

Shahid Hamid Pracha
Chief Executive

Consolidated condensed interim cash flow statement (unaudited)

For the six months period ended June 30, 2013

	Note	Six months period ended June 30, 2013	June 30, 2012
		--------(Rupees in '000)-------	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from / (utilised in) operations	12	169,727	(1,061,991)
Finance costs paid		(377,522)	(363,481)
Taxes paid		(181,530)	(207,108)
Employees' retirement and other service benefits paid		(19,942)	(14,465)
Decrease in long term loans, advances and prepayments		1,190	373
Net cash used in operating activities		(408,077)	(1,646,672)
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(2,531)	(80,988)
Proceeds from disposal of property, plant and equipment		15,741	12,471
Profit received on bank deposits		5,078	15,427
Proceeds from disposal of short term investments		6,209	2,083,025
Investment in associate		(116,646)	(2,306,692)
Investment in mutual funds		(600,000)	(2,224,435)
Dividends received		576,964	299,958
Net cash used in investing activities		(115,185)	(2,201,234)
CASH FLOW FROM FINANCING ACTIVITIES			
Long term financing received		117,000	2,070,000
Long term finance repaid		(103,500)	
Short term running finance utilized		1,896,871	1,505,174
Dividends paid		(479,293)	(479,680)
Net cash generated from financing activities		1,431,078	3,095,494
Net increase/(decrease) in cash and cash equivalents		907,816	(752,412)
Cash and cash equivalents at the beginning of the period		35,532	788,293
Cash and cash equivalents at the end of the period		943,348	35,881

The annexed notes 1 to 16 form an integral part of these consolidated condensed interim financial statements.

Karachi: August 29, 2013

M. A. Aleem
Director

Shahid Hamid Pracha
Chief Executive

1. LEGAL STATUS AND OPERATIONS

1.1 Dawood Hercules Corporation Limited - the Holding Company, is a public limited company incorporated in Pakistan on April 17, 1968 under the Companies Act, 1913 (now Companies Ordinance, 1984) and its shares are listed 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 Centre, M.T Khan Road, Karachi.

1.2 The Group consists of :

The Holding Company: Dawood Hercules Corporation Limited; and

Subsidiary Company: DH Fertilizers Limited is an unquoted public limited company incorporated under the Companies Ordinance, 1984 and is a wholly owned subsidiary of the Holding Company. The Subsidiary Company is engaged in the business of production, purchase and sale of fertilizer and its registered office is situated at 35 A, Shahrah-e-Abdul Hameed Bin Badees (Empress Road), Lahore.

2. BASIS OF PREPARATION AND PRESENTATION

2.1 These consolidated condensed interim financial statements have been prepared in accordance with the requirements of International Accounting Standard (IAS) 34 -'Interim Financial Reporting' and provisions and directives issued under the Companies Ordinance 1984 (the Ordinance). In case where the requirements differ, the provisions of or directives issued under the Ordinance have been followed.

2.2 The comparative consolidated balance sheet as at December 31, 2012 presented in these consolidated condensed interim financial statements has been extracted from the audited financial statements of The Group for the year then ended. The comparative consolidated condensed profit and loss account, consolidated condensed statement of changes in equity and consolidated condensed cash flow statement for the quarter and six months period ended June 30, 2012 have been extracted from the consolidated condensed interim financial statements of The Group for the quarter and six months period then ended.

2.3 These consolidated condensed interim financial statements are being submitted to the shareholders in accordance with section 245 of the Ordinance and should be read in conjunction with the consolidated financial statements as at and for the year ended December 31, 2012.

3. ACCOUNTING POLICIES

The accounting policies and methods of computation adopted for the preparation of these consolidated condensed interim financial statements are consistent with those applied in the preparation of the consolidated financial statements of The Group as at and for the year ended December 31, 2012 except for the adoption of IAS 19, as more fully explained in paragraph 3.2 below.

3.1 New standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2013 are considered not to be relevant or to have any significant effect on The Group's financial reporting and operations and are therefore not detailed in these consolidated condensed interim financial statements.

3.2 IAS 19 (revised) 'Employee Benefits'. IAS 19 (revised) amends the accounting for employment benefits. The Group has applied the standard retrospectively in accordance with the transition provisions of the standard. The impact on The Group has been in the following areas:

(a) The standard requires past service cost to be recognised immediately in profit or loss;

(b) The standard replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year;

(c) There is a new term "remeasurements". This is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost; and

(d) The amendment requires an entity to recognise actuarial gains and losses immediately in 'other comprehensive income'. Actuarial gains or losses were previously amortised over the expected future service of the employees.

	December 31, 2012	June 30, 2012	January 1, 2012
	--------------- Rupees in '000	---------------	
Comprehensive income			
Income for the period as previously reported	1,081,359	791,389	2,888,799
Effect of change in accounting policy	(1,184)	(1,184)	(21,321)
Profit for the period as restated	1,080,175	790,205	2,867,478
Deferred liabilities			
Deferred liabilities as previously reported	57,440	52,300	53,059
Cumulative effect of change in accounting policy on the carrying amounts	34,340	32,752	31,164
Deferred liabilities as restated	91,780	85,052	84,223
Deferred taxation			
Deferred taxation as previously reported	908,614	909,417	869,117
Cumulative effect of change in accounting policy on the carrying amounts	(10,651)	(10,247)	(9,843)
Deferred taxation as restated	897,963	899,170	859,274

The effect of the change in accounting policy on the statement of cash flows and on earnings per share was immaterial.

4. ACCOUNTING ESTIMATES

The preparation of consolidated condensed interim financial statements requires management to make estimates, assumptions and judgments that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these consolidated condensed interim financial statements, the significant judgments made by management in applying The Group's accounting policies and key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended December 31, 2012.

	Note	June 30, 2013 (Unaudited)	December 31, 2012 (Audited)
		------ (Rupees in '000) ------	
5. PROPERTY, PLANT AND EQUIPMENT			
Operating property, plant and equipment		1,837,899	1,943,368
Capital work in progress		150,560	150,195
		1,988,459	2,093,563
Opening net book value		1,943,368	2,093,015
Add: Additions during the period / year	5.1	2,166	82,393
Less: Assets disposed off during the period / year at book value		(2,757)	(21,892)
		1,942,777	2,153,516
Depreciation charged during the period / year		(104,878)	(210,148)
Closing net book value		1,837,899	1,943,368
5.1 Additions during the period			
Plant & machinery		-	20,326
Furniture, fittings & office equipment		1,192	445
Data processing equipment		904	2,394
Motor vehicles		70	59,228
		2,166	82,393

	Note	June 30, 2013 (Unaudited)	December 31, 2012 (Audited)
		------ (Rupees in ‘000) ------	
6. LONG TERM INVESTMENTS			
Quoted:			
Engro Corporation Limited	6.1	26,922,543	25,377,122
The Hub Power Company Limited	6.2	5,635,095	5,436,705
Unquoted:			
e2e Business Enterprises (Private) Limited	6.3	116,646	-
		32,674,284	30,813,827

6.1 Engro Corporation Limited (ECL)

194,972,555 (December 31, 2012: 194,972,555) ordinary shares of Rs 10 each	25,377,122	24,701,636
Share of post acquisition profit for the period	1,493,380	866,964
Share of other comprehensive income (net of tax)	52,041	108,480
	26,922,543	25,677,080
Less: dividend received during the period	-	(299,958)
Closing balance	26,922,543	25,377,122

Percentage of equity held - 38.13% (December 31, 2012: 38.13%)

6.1.1 Market value of investment in ECL as at June 30, 2013 was Rs 23,761 million (December 31, 2012: Rs. 17,945 million).

6.1.2 The Group received nil (December 31, 2012: 44,993,667) bonus shares from ECL during the half year ended June 30, 2013.

6.1.3 Financial results of ECL for the quarter and six months period ended March 31, 2013 have been used for the application of equity method of accounting for consolidation purposes, since financial results of ECL for the quarter and six months period ended June 30, 2013 were not available till the finalization of these consolidated condensed interim financial statements.

6.1.4 As at June 30, 2013, 25.50 million ordinary shares of ECL (December 31, 2012: 30.50 million) having face value of Rs 255 million (December 31, 2012: Rs 305 million) and market value of Rs 3,107 million (December 31, 2012: Rs 2,297 million) were pledged as security against various short-term finance facilities obtained by The Group from various banks.

		June 30, 2013 (Unaudited)	December 31, 2012 (Audited)
		------ (Rupees in '000) ------	
6.2	The Hub Power Company Limited (HUBCO)		
	164,847,000 (December 31, 2012:164,847,000) ordinary shares of Rs 10 each	5,436,705	5,522,722
	Share of post acquisition profit for the period	775,354	408,524
		6,212,059	5,931,246
	Less: dividend received during the period	(576,964)	(494,541)
	Closing balance	5,635,095	5,436,705

Percentage of equity held -14.25% (December 31, 2012:14.25%)

6.2.1 During the year 2012, The Group purchased 137.74 million ordinary shares of HUBCO from National Power International Holdings BV (NPIH) under a Share Purchase Agreement signed between the parties on March 22, 2012 at a price of Rs 31/- per share valuing Rs.4,270 million and representing 11.90% of the share capital of HUBCO. A further quantity of 27.11 million shares of HUBCO was acquired from the market by The Group bringing the total percentage of equity held to 14.25%.

6.2.2 The market value of the investment in HUBCO as at June 30, 2013 was Rs 10,163 million (December 31, 2012: Rs 7,457 million).

6.2.3 Financial results of HUBCO for the quarter and six months period ended March 31, 2013 have been used for the application of equity method of accounting for consolidation purposes as the financial results for the quarter and sixe months period ended June 30, 2013 were not available till the finalization of these consolidated condensed interim financial statements.

6.2.4 Due to the representation of The Group's nominees on the Board of Directors of HUBCO, participation in policy making processes and being the single largest shareholder, the Group has significant influence over HUBCO.

6.2.5 As at June 30, 2013, 151.22 million ordinary shares of HUBCO (December 31, 2012: 110.93 million) having face value of Rs 1,512 million (December 31, 2012: Rs 1,109 million) and market value of Rs 9,323 million (December 31, 2012: Rs 5,018 million) were pledged as security against various finance facilities obtained by The Group from various banks.

		June 30, 2013 (Unaudited)	December 31, 2012 (Audited)
		------ (Rupees in '000) ------	
6.3	e2e Business Enterprises (Private) Limited		
	11,664,633 (December 31, 2012: nil) ordinary shares of Rs 10 each	116,646	-

Percentage of holding 39% (December 31, 2012: nil)

During the period, the Holding Company signed a Shareholders Agreement (SA) and Subscription Agreement with e2e Supply Chain Management (Private) Limited and three other members for the setting up of a Rice Bran Oil (RBO) project in Muridke, Sheikhupura - Punjab which is a greenfield project having annual production capacity of 9,700 tons of RBO. As per the SA, the Holding Company will make investment in e2e Business Enterprises (Private) Limited (e2eBE) in four tranches at various stages of the project, the first of which amounting to Rs 116.65 million was made on June 13, 2013.

7. STOCK IN TRADE

During the six months period ended June 30, 2013, the Subsidiary Company reviewed the normal production capacity of its plant for the allocation of fixed production overheads to the costs of conversion due to the shortage of gas supply and continuous decline in production caused by the ongoing energy crisis faced by the fertilizer industry. As a result, the amount of fixed overhead allocated to each unit of production has increased.

The effect of the change in accounting estimate resulted in net increase in the value of stock in trade by Rs 15.61 million as at June 30, 2013. The effect of this change in accounting estimate for future periods can not be estimated due to uncertainty in gas supply.

		Note	June 30, 2013 (Unaudited)	December 31, 2012 (Audited)
			------ (Rupees in ‘000) ------	
8.	SHORT TERM INVESTMENTS			
	Available for sale	8.1	-	2,615
	Financial assets at fair value through profit or loss	8.2	605,742	-
			605,742	2,615
8.1	Available for sale - quoted			
	Sui Northern Gas Pipelines Limited	8.1.1	-	-
	Southern Electric Power Company Limited	8.1.2	-	2,615
			-	2,615
8.1.1	Sui Northern Gas Pipelines Limited			
	Nil (2012: 73,481,262) ordinary shares of Rs 10 each - at cost		-	4,376,964
	Cumulative impairment loss		-	(3,222,574)
			-	1,154,390
	Less: investment disposed off during the period Nil (2012:73,481,262) ordinary shares		-	(1,154,390)
			-	-

Percentage of equity held: Nil (December 31, 2012: Nil)

		Note	June 30, 2013 (Unaudited)	December 31, 2012 (Audited)
			------ (Rupees in '000) ------	
8.1.2	Southern Electric Power Company Limited			
	1,922,900 (December 31, 2012: 3,622,900) ordinary shares of Rs 10 each - at cost		36,321	68,431
	Cumulative impairment loss		(34,975)	(65,895)
	Balance at the beginning of the period / year		1,346	2,536
	Less: investment disposed off 1,922,900 (December 31, 2012: 1,700,000) ordinary shares		(1,346)	(1,190)
			-	1,346
	Cumulative unrealised gain		1,269	-
	Increase in fair value during the period / year		-	1,269
	Less: investment disposed off		(1,269)	-
	Balance at the end of the period / year		-	2,615
8.2	Financial assets at fair value through profit or loss			
	ABL Cash Fund			
	20,284,379 (December 31, 2012: Nil) units of Rs 10 each		200,000	-
	Adjustment arising from measurement to fair value		3,000	-
			203,000	
	UBL Liquidity Plus Fund			
	2,025,881 (December 31, 2012: Nil) units of Rs 100 each		200,000	-
	Adjustment arising from measurement to fair value		2,742	-
			202,742	
	Faysal Money Market Fund			
	978,474 (December 31, 2012: Nil) units of Rs 100 each		100,000	-
	AKD Securities Limited			
	1,985,726 (December 31, 2012: Nil) units of Rs 50 each		100,000	-
			605,742	-
9.	LONG TERM FINANCING			
	Diminishing musharika	9.1	4,800,000	4,800,000
	Syndicated term finance	9.2	1,966,500	2,070,000
	Long term finance	9.3	295,050	178,050
			7,061,550	7,048,050
	Less: Current portion of long term financing		(1,036,504)	(215,903)
			6,025,046	6,832,147

9.1 The Subsidiary Company has obtained a long term finance facility of Rs 4,800 million (December 31, 2012: Rs 4,800 million) from a consortium of banks under Diminishing Musharika arrangement led by Meezan Bank Limited acting as an Investment Agent. The facility was utilised towards redemption of another Musharika arrangement obtained under participatory redeemable capital (Islamic Sukuks). The facility redemption amount will be repayable in 6 equal semi-annual installments commencing after six months with a grace period of two years from the date of first draw down. Profit is payable semi annually in arrears at the rate of six months Karachi Inter Bank Offer Rate (KIBOR) plus 110 basis points per annum. The facility is secured by way of first pari passu hypothecation charge equal to the bank musharika share plus 25% margin on specific present and future movable fixed assets of the Subsidiary Company and a corporate guarantee by the Holding Company.

9.2 The Subsidiary Company also obtained a syndicated long term finance facility of Rs 2,070 million (December 31, 2012: Rs 2,070 million) from a consortium of banks led by Allied Bank Limited. The facility was utilised towards making an investment in the ordinary shares of HUBCO. The facility will be repayable in 10 semi-annual installments commencing after six months from the date of first draw down. Profit is payable semi annually in arrears at the rate of six months KIBOR plus 100 basis points per annum. The facility is secured against pledge of HUBCO shares as mentioned in note 6.2.5 and further ranking hypothecation charge over all present and future fixed assets of the Subsidiary Company.

9.3 This represents utilised portion of long term finance facility of Rs 380 million (December 31, 2012: Rs 380 million) from Allied Bank Limited obtained under mark-up arrangements availed by the Holding Company. Mark-up is payable in arrears on a semi-annual basis at the rate of six months ask side KIBOR plus 200 basis points per annum. The principal amount is repayable in 9 equal semi-annual installments commencing from July 4, 2013. The facility is secured against pledge of HUBCO shares as more fully explained in note 6.2.5 and further ranking hypothecation / mortgage charge on all of the present and future assets of the Holding Company with 25% margin.

		Note	June 30, 2013 (Unaudited)	December 31, 2012 (Audited)
			------ (Rupees in '000) ------	
10.	SHORT TERM RUNNING FINANCE	10.1 & 10.2	1,929,170	32,299

10.1 This includes Rs 1,400 million (December 31, 2012: Rs Nil) availed by the Subsidiary Company from Habib Metropolitan Bank Limited and Habib Bank Limited out of the total facility of Rs 2,398 million (December 31, 2012: Rs 1,775 million) and expiring on various dates upto April 30, 2014. These facilities are secured by way of pledge of ECL and HUBCO shares as more fully explained in note 6.1.4 and 6.2.5. Rate of mark-up applicable to these facilities ranges between three months KIBOR plus 50 basis points to 100 basis points (December 31, 2012: three months KIBOR plus 50 basis points to 100 basis points) per annum.

10.2 This includes Rs 529 million (December 31, 2012: Rs 32 million) availed by the Holding Company from Bank Al-Habib Limited out of the total facility of Rs 1,000 million (December 31, 2012: Rs 300 million) under mark-up arrangements expiring on April 30, 2014. The facility is secured by way of pledge of ECL and HUBCO shares as more fully explained in note 6.1.4 and 6.2.5. Rate of mark-up applicable to this facility is three months KIBOR plus 100 basis points (December 31, 2012: three months KIBOR plus 100 basis points) per annum.

11. CONTINGENCIES AND COMMITMENTS

11.1 Contingent liabilities

There are no material contingencies as at June 30, 2013.

	June 30, 2013 (Unaudited)	December 31, 2012 (Audited)
	------ (Rupees in '000) ------	
11.2 Commitments		
- in respect of purchases of stores and spares	13,115	-
- in respect of investment in e2eBE - note 6.3	161,000	-
	174,115	-

	Note	Six months period ended June 30, 2013 (Unaudited)	June 30, 2012 (Unaudited)
		------ (Rupees in '000) ------	
12. CASH GENERATED FROM / (UTILISED IN) OPERATIONS			
Profit before taxation		2,170,252	740,379
Adjustment for non cash expenses and other items:			
Depreciation		104,878	106,027
Finance costs		391,182	411,604
Profit on sale of property, plant and equipment		(12,984)	(9,143)
Profit on sale of short term investments - available for sale		(4,862)	(43,767)
Un-realized gain due to fair value adjustment of investment through profit or loss		(5,742)	(10)
Bad debts written off		-	623
Share of profit from associate, net of tax		(2,268,734)	(760,900)
Provision for staff retirement and other service benefits		72,888	13,706
Profit on time deposits with banks		(5,078)	(15,427)
Working capital changes	12.1	(272,073)	(1,505,083)
Cash generated from / (utilised in) operations		169,727	(1,061,991)

12.1 Working capital changes		
(Increase) / decrease in current assets		
Stocks, stores and spares	(45,695)	(1,083,919)
Trade debts	(786,145)	(56,733)
Loans, advances, deposits, prepayments and other receivables	91,119	(149,823)
	(740,721)	(1,290,475)
Increase / (decrease) in trade and other payables	468,648	(214,608)
	(272,073)	(1,505,083)

13. FINANCIAL RISK MANAGEMENT AND FINANCIAL DISLOSURES

13.1 Financial risk factors

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

The consolidated condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, they should be read in conjunction with The Group's annual financial statements as at December 31, 2012. There have been no changes in any risk management policies since the previous year end.

14. RELATED PARTY TRANSACTIONS

Significant transactions during the period were as follows:

	Six months period ended	
	June 30, 2013 (Unaudited)	June 30, 2012 (Unaudited)
	------ (Rupees in '000) ------	
Associates		
Dividend income	576,965	299,958
Reimbursement of expenses	775	1,010
Investment in e2eBE	116,646	-
Investment commited in e2eBE	161,000	-
Related parties		
Markup on Musharika Loan - Meezan Bank Limited	54,629	-
Sale of goods and services	10,613	9,215
Purchase of goods and services	479,954	13,736
Reimbursement of expenses from related parties	1,914	-
Reimbursement of expenses to related parties	1,443	1,817
Mark-up received	-	6,049
Rental income	7,200	-
Other related parties		
Key management personnel compensation	180,117	226,498
Employees' retirement and other service benefits	81,695	25,631

15. GENERAL

Figures have been rounded to the nearest thousand rupees, except as stated otherwise.

16. DATE OF AUTHORISATION FOR ISSUE

These consolidated condensed interim financial statements were authorized for issue by the Board of Directors on August 29, 2013.

Karachi: August 29, 2013

M. A. Aleem
Director

Shahid Hamid Pracha
Chief Executive

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