Dawood Hercules

Envisioning a **Brighter Future**

Quarterly Accounts (un-audited)
for the quarter and nine months period ended September 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

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
Allied Bank Limited
United Bank Limited

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

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

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

Legal Advisors
M/s HaiderMota & Co.
(Barristers at low)
D-79, Block-5, Cliftion,
KDA Scheme No.5,
Karachi 75600
Tel: +92 (21) 111520000, 35879097
Fax: +92 (21) 35862329, 35871054

Contents

The Directors are pleased to present their report for Q3 2013 together with the unaudited condensed interim financial information of Dawood Hercules Corporation Limited (the Company) for the third quarter and nine months ended September 30, 2013.

1. Business overview

(a) Fertilizers

The gas supply situation for fertilizer plants on the Sui Northern Gas Pipelines Ltd (SNGPL) network remained erratic and inequitable during Q3 2013 with DH Fertilizers Ltd (DHFL) being the worst affected, receiving non-rota gas of only 25 days during the entire quarter and no gas during the month of October. While Pak Arab Fertilizers Ltd (PAFL) also received gas for 25 days in Q3 2013, the inequity versus DHFL became evident once again when supply was resumed to PAFL on 10 October 2013, which is still continuing as of date. Engro Fertilizers Ltd (E. Fert) has been able to operate both its base and Enven plants at about 80% of their aggregate installed capacities during Q3 2013 due to regular gas supplies from Mari and overall improved gas availability from other sources. Agritech received its full complement of gas throughout the quarter from certain active fields in its vicinity.

DHFL produced 24,425 tonnes of urea during Q3 2013 while aggregate urea production for the 9 months period up to 30 September 2013 was 60,670 tonnes (2012: 46,777 tonnes). DHFL sold 2,212 tonnes of urea and 328 tonnes of DAP during Q3 2013 as compared to 24,260 tonnes of urea and 11,132 tonnes of DAP during the corresponding quarter last year.

Aggregate domestic urea production and sales of 1.33 million tonnes and 1.48 million tonnes respectively were 42% and 51% higher as compared to the same quarter last year. Due to higher local production, the government imported only 0.17 million tonnes of urea during Q3 2013 which was 46% lower than the corresponding quarter last year. DAP production and import volumes during Q3 2013 of 0.20 million tonnes and 0.23 million tonnes were 13% and 52% higher respectively, while sales volume at 0.32 million tonnes was 11% lower than Q3 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) remained completely shut during Q2 2013. As a result, that plant operated at an average load factor of 43.8% during the year ended 30 June 2013 (2012: 70.4%) and at only 14% during the second half of the year. The main plant at Hub, however, operated at an average load factor of 73% during the year ended 30 June 2013 (2012: 73.7%).

With the backlog of “circular debt” having been paid off by the government to a large extent by the end of June 2013, overdue payables to trade creditors were also settled by HUBCO and fuel supplies were restored to both plants with a view to achieving maximum generation of electricity from July onwards.

The 84 MW hydropower project set up by Laraib Energy Limited, HUBCO’s 75% owned subsidiary, generated 150 GWh of electricity during the period since its COD on 23 March 2013 to 30 June 2013. The minimum guaranteed payment for Laraib is based on an output of 470 GWh, which is directly dependent on water flows released through the Mangla power house into the Bong Canal.

(c) Other

E. Fert received rota gas from SNGPL for 28 days during Q2 2013 which, along with continued operation of the Enven plant on Mari gas and overall better gas availability, enabled it to partially operate its base plant and boost its production. Except for a decline in revenues and profitability at Engro Foods, the other non-fertilizer business segments of ECL continued to perform reasonably well during Q2 2013.

Work on the Rice Bran Oil project being set up by e2e Business Enterprises (Private) Limited in partnership with the Company has commenced in earnest and firm orders for major items of plant & machinery have been placed. The plant commissioning date is on track for the rice harvesting season in Q3 2014.

2. Financial performance

Despite lower sales resulting in an operating loss during the period, the Company's subsidiary, DHFL, generated a profit after tax of Rs 425 million during Q3 2013 which was marginally lower than the same quarter last year. This was mainly due to higher dividend income from HUBCO. Engro Corporation Ltd (ECL) declared a consolidated profit after tax for Q2 2013 of Rs 1,812 million as compared to Rs 248 million for the same quarter last year mainly due to better performance of its fertilizer business, where the transfer of Mari gas to the new urea plant and overall improved gas supply helped the company post better results. HUBCO's profitability was, however, negatively affected by the complete shutdown of its Narowal plant during Q2 2013 which was reflected in a lower consolidated profit after tax of Rs 2,576 million for that quarter versus Rs 3,310 million for the same quarter last year. For the full year ended 30 June 2013 HUBCO declared a consolidated profit after tax of Rs 10,230 million and final dividend per share of Rs 4.5 versus Rs 8,575 million and Rs 3.00 per share for 2012.

The Company revenue for Q3 was 179 million as compared to Rs 119 million for the similar period last year. After accounting for tax charge of Rs 13 million, the profit after tax for Q3 stood at Rs 92 million as compared to Rs 40 million for the corresponding period last year. On consolidated basis, after accounting for the consolidated tax charge of Rs 87 million, the Group's consolidated profit after tax for Q3 2013 was Rs 783 million as compared to Rs 150 million for the corresponding quarter last year.

3. Future outlook

With continued rapid depletion of the country's natural gas reserves, complex demand dynamics and few or no additional supply sources expected to materialize in the foreseeable future, the short term gas supply outlook is decidedly bleak, with DHFL unlikely to receive any gas during the winter months, at least up to the end of Q1 2014. The government is also reportedly mulling over plans to shut down all CNG filling stations in Punjab from December 2013 to March 2014 to cater for increased winter household demand. In order to prioritize long term gas supply to various sectors in the economy the government has set up a high level committee to deliberate on the efficacy of gas molecule usage and to formulate a policy for gaining maximum benefit from available sources. While devising this policy, the government should place minimum reliance on imported urea as it not only results in a severe drain on the country's meager foreign currency reserves but also gives rise to major fiscal outflows in the shape of direct subsidies on the imported product. Focus should, therefore, be maintained on indigenous production of urea through maximum supply of gas to fertilizer plants in the country. While E. Fert and Agritech are likely to continue receiving gas through the winter months, the government's proclivity as of now towards the supply of long term gas from dedicated sources to the four fertilizer plants on the SNGPL network, as approved by the ECC, remains unchanged.

With a significant improvement in HUBCO's cash position following the pay down of "circular debt" by the government in June 2013, its Narowal plant is expected to operate at maximum capacity during the second half of 2013. However, Hubco has scheduled a planned shutdown of one of its units to undertake extended boiler maintenance and this is likely to impact the total dispatch from the main plant. For longer term, unless the government is able to urgently resolve certain fundamental issues facing the power sector and avoid yet another build-up of the "circular debt" to unmanageable proportions, it will become very difficult to attract any further investment into the power sector.

Karachi: October 30, 2013

Shahid Hamid Pracha
Chief Executive

Unconsolidated condensed interim balance sheet (unaudited)

As at September 30, 2013

	Note	September 30, 2013 (Unaudited)	December 31, 2012 (Audited and restated) Note 3
		-------------(Rupees in '000)-------------	
ASSETS			
NON-CURRENT ASSETS			
Fixed assets	6	59,338	65,227
Long term investments	7	20,448,690	19,727,295
		20,508,028	19,792,522
CURRENT ASSETS			
Short term loans and advances		1,448	308
Short term deposits and prepayments		7,010	9,486
Other receivables		885	492
Due from associated undertakings		8,344	-
Dividend receivable from associated company		178,682	-
Short term investments	8	-	2,615
Cash and bank balances		4,590	6,387
		200,959	19,288
TOTAL ASSETS		20,708,987	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		14,936,821	14,717,716
Surplus on revaluation of investments		-	1,269
		19,749,692	19,531,856
NON-CURRENT LIABILITIES			
Long term financing	9	250,793	169,147
Deferred liabilities	3.2	603	9,026
		251,396	178,173
CURRENT LIABILITIES			
Current portion of long term financing	9	29,505	8,903
Short term running finance	10	607,147	32,299
Trade and other payables	11	34,745	47,802
Accrued mark-up		22,360	12,405
Taxation-net		14,142	372
		707,899	101,781
TOTAL EQUITY AND LIABILITIES		20,708,987	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: October 30, 2013

M. A. Aleem
Director

Shahid Hamid Pracha
Chief Executive

Unconsolidated condensed interim profit and loss account (unaudited)

For the quarter and nine months period ended September 30, 2013

	Note	Quarter ended September 30, 2013	Quarter ended September 30, 2012	Nine months period ended September 30, 2013	Nine months period ended September 30, 2012
		(Rupees in '000)			
Dividend income	13	178,681	119,121	922,406	380,679
Administrative expenses		(51,717)	(56,117)	(166,358)	(169,285)
Operating profit		126,964	63,004	756,048	211,394
Other income		704	2,900	13,733	71,364
Finance costs		(22,744)	(14,067)	(44,653)	(14,493)
Profit before taxation		104,924	51,837	725,128	268,265
Taxation		(13,402)	(12,000)	(24,294)	(39,000)
Profit after taxation		91,522	39,837	700,834	229,265
Earnings per share - (Rupees)		0.19	0.08	1.46	0.48

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

Karachi: October 30, 2013

M. A. Aleem
Director

Shahid Hamid Pracha
Chief Executive

Unconsolidated condensed interim statement of comprehensive income (unaudited)

For the quarter and nine months period ended September 30, 2013

	Quarter ended		Nine months period ended	
	September 30, 2013	September 30, 2012 Restated (Note 3)	September 30, 2013	September 30, 2012 Restated (Note 3)
	----------------------(Rupees in '000)----------------------			
Profit after taxation	91,522	39,837	700,834	229,265
Item that will not be reclassified to profit or loss - Remeasurements of staff retirement benefits (note 3.2)	-	(217)	(442)	(651)
Item that may be reclassified subsequently to profit or loss - Changes in value of available for sale financial assets	-	154	-	1,173
Other comprehensive income for the period	-	(63)	(442)	522
Total comprehensive income	91,522	39,774	700,392	229,787

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

Karachi: October 30, 2013

M. A. Aleem
Director

Shahid Hamid Pracha
Chief Executive

Unconsolidated condensed interim statement of changes in equity (unaudited)

For the nine months period ended September 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	-	-	229,265	229,265	1,019	230,284
Other comprehensive income						
Remeasurements of staff retirement benefits (note 3.2)	-	-	(651)	(651)	-	(651)
Total comprehensive income for the period	-	-	228,614	228,614	1,019	229,633
Final cash dividend for the year ended December 31, 2011 (Rs 1 per odinary share)	-	-	(481,287)	(481,287)	-	(481,287)
Balance as at September 30, 2012 (restated)	4,812,871	700,000	14,080,455	14,780,455	1,019	19,594,345
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	-	-	700,834	700,834	(1,269)	699,565
Other comprehensive income						
Remeasurements of staff retirement benefits (note 3.2)	-	-	(442)	(442)	-	(442)
Total comprehensive income for the period	-	-	700,392	700,392	(1,269)	699,123
Final cash dividend for the year ended December 31, 2012 (Rs 1 per ordinary share)	-	-	(481,287)	(481,287)	-	(481,287)
Balance as at September 30, 2013	4,812,871	700,000	14,236,821	14,936,821	-	19,749,692

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

Karachi: October 30, 2013

M. A. Aleem
Director

Shahid Hamid Pracha
Chief Executive

Unconsolidated condensed interim cash flow statement (unaudited)

For the nine months period ended September 30, 2013

	Note	September 30, 2013	September 30, 2012
		Nine months period ended	
		------------ (Rupees in '000) ------------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (utilized in) / generated from operations	14	(169,390)	415,100
Finance cost paid		(34,698)	(7,112)
Taxes paid		(10,524)	(27,156)
Employees retirement and other service benefits paid		(11,676)	(8,032)
Net cash (utilized in) / generated from operating activities		(226,288)	372,800
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(2,970)	(33,501)
Investment in associates		(116,646)	-
Proceeds from disposal of property, plant and equipment		1,630	7,363
Income received from bank deposits		199	-
Proceeds from disposal of short term investments		6,208	2,083,025
Short term investments made		-	(2,722,479)
Dividends received		138,974	261,558
Net cash generated from / (utilized in) investing activities		27,395	(404,034)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term loan obtained		117,000	178,050
Long term loan repaid		(14,752)	-
Short term running finance utilized		574,849	-
Dividends paid		(480,001)	(479,850)
Net cash generated from / (utilised in) financing activities		197,096	(301,800)
Net decrease in cash and cash equivalents		(1,797)	(333,034)
Cash and cash equivalents at the beginning of the period		6,387	435,445
Cash and cash equivalents at the end of the period		4,590	102,411

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

Karachi: October 30, 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 nine months period ended September 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 September 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 nine months period then ended.

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 quarter and nine months period ended September 30, 2012 have been extracted from the unconsolidated condensed interim financial statements of the Company for the quarter and nine months period then ended.

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	September 30, 2012	January 1, 2012
	(Rupees in ‘000)		
Comprehensive income			
Income for the period as previously reported	168,012	230,438	560,798
Effect of change in accounting policy	(868)	(651)	(3,040)
Profit for the period as restated	167,144	229,787	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	3,691	3,040
Deferred liabilities as restated	9,026	7,047	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	September 30, 2013 (Unaudited)	December 31, 2012 (Audited)
			------- (Rupees in '000) -------	
6.	PROPERTY, PLANT AND EQUIPMENT			
	Property, plant and equipment	6.1	59,038	65,227
	Intangible - software		300	-
			59,338	65,227
6.1	Net book value at the beginning of the period / year		65,227	42,809
	Add: Additions during the period / year	6.1.1	2,570	34,284
			67,797	77,093
	Less: Disposals during the period / year	6.1.2	40	2,335
	Depreciation charged during the period / year		8,719	9,531
			8,759	11,866
	Net book value at the end of the period / year		59,038	65,227
6.1.1	Additions during the period			
	Furniture, fittings and equipment		1,017	160
	Motor vehicles		123	32,694
	Data processing equipment		1,430	1,430
			2,570	34,284
6.1.2	Disposals during the period - net book value			
	Furniture, fittings and equipment		-	16
	Motor vehicles		40	2,306
	Data processing equipment		-	13
			40	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	September 30, 2013 (Unaudited)	December 31, 2012 (Audited)
			------- (Rupees in '000) -------	
7.	LONG TERM INVESTMENTS			
	Investment in subsidiary company	7.1	1,615,117	1,615,117
	Investment in associates - quoted	7.2	18,716,927	18,112,176
	Investment in associate - unquoted	7.3	116,646	-
			20,448,690	19,727,293
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		1,615,117	1,615,117

Percentage of holding 100% (December 31, 2012:100%)

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	September 30, 2013 (Unaudited)	December 31, 2012 (Audited)
			------- (Rupees in '000) -------	
7.2	Investment in associates - quoted			
	Engro Corporation Limited	7.2.1	17,425,250	16,820,499
	The Hub Power Company Limited	7.2.2	1,291,677	1,291,677
			18,716,927	18,112,176
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 (December 31, 2012: Nil) ordinary shares received as 'specie dividend'	13.1	604,750	-
			17,425,250	16,820,499

Percentage of holding 34.22% (December 31, 2012: 33.25%)

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

7.2.1.2 The market value of investment in ECL as at September 30, 2013 was Rs 23,763 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 752 million (December 31, 2012: Rs 509.90 million) as security against short-term finance facility from Bank Al Habib Limited.

		September 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.	1,291,677	1,291,677

Percentage of holding 3.43% (December 31, 2012: 3.43%)

7.2.2.1 The market value of investment in The Hub Power Company Limited (HUBCO) as at September 30, 2013 was Rs 2,530 million (December 31, 2012: 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 802 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 860 million (December 31, 2012: Rs Nil) as security against the short term running finance facility obtained from Bank Al Habib Limited.

		Note	September 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	7.3.1	116,646	-
	Percentage of holding 39% (December 31, 2012: Nil)			

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	September 30, 2013 (Unaudited)	December 31, 2012 (Audited)
			------- (Rupees in '000) -------	
8.	SHORT TERM INVESTMENTS			
	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
9.	LONG TERM FINANCING			
	Long term financing	9.1	280,298	178,050
	Less: current portion of long term financing		(29,505)	(8,903)
			250,793	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 installments commencing from July 4, 2013. The facility is secured against pledge of HUBCO shares 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 facilities of Rs 2,000 million (December 31, 2012: Rs 300 million) from commercial banks obtained under mark-up arrangements expiring on various dates upto September 30, 2014. These facilities are 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. Rate of mark-up applicable to these facilities ranges between three months KIBOR plus 100 to 150 basis points (December 31, 2012: three months KIBOR plus 100 basis points) per annum.

	September 30, 2013 (Unaudited)	December 31, 2012 (Audited)
	------- (Rupees in '000) -------	
11. TRADE AND OTHER PAYABLES		
Creditors	93	3,962
Accrued expenses	12,515	23,014
Unclaimed dividend	22,090	20,804
Others	47	22
	34,745	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 Musharaka 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.

	September 30, 2013 (Unaudited)	December 31, 2012 (Audited)
	------- (Rupees in '000) -------	
12.2 Commitments		
Commitments in respect of investment in e2e Business Enterprises (Private) Limited	161,000	-

		Nine months period ended	
		September 30, 2013 (Unaudited)	September 30, 2012 (Unaudited)
		------- (Rupees in '000) -------	
13. DIVIDEND INCOME			
Engro Corporation Limited		-	380,679
The Hub Power Company Limited		317,656	-
DH Fertilizers Limited	13.1	604,750	-
		922,406	380,679

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'.

		Nine months period ended	
		September 30, 2013 (Unaudited)	September 30, 2012 (Unaudited)
		------- (Rupees in '000) -------	
14. CASH UTILISED IN OPERATIONS			
Profit before taxation		725,128	268,265
Adjustments for non cash expenses and other items:			
Depreciation and amortization		8,819	6,739
Finance cost		44,653	14,493
Profit on sale of property, plant and equipment		(1,590)	(5,050)
Profit on sale of short term investments		(4,862)	(1,752)
Unrealized gain on investments at fair value through profit and loss		-	(964)
Dividend income		(922,406)	(380,679)
Provision for employees retirement and other service benefits		2,811	4,879
Income received from bank deposits		(199)	-
Working capital changes	14.1	(21,744)	509,169
Cash (utilised in) / generated from operations		(169,390)	415,100
14.1 Working capital changes			
(Increase) / decrease in current assets:			
Short term loans and advances		(1,140)	-
Short term deposits and prepayments		2,476	-
Other receivables		(393)	(480)
Due from associated undertakings		(8,344)	-
		(7,401)	(480)
(Decrease) / increase in trade and other payables		(14,343)	509,649
		(21,744)	509,169

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:

		Nine months period ended	
		September 30, 2013 (Unaudited)	September 30, 2012 (Unaudited)
		------- (Rupees in '000) -------	
Subsidiary company			
Reimbursement of expenses by the Company		139	351
Reimbursement of expenses to the Company		10,797	1,392
Sale of goods and services		3,025	-
Purchase of goods and services		-	8,000
Specie dividend	13.1	604,750	-
Associates			
Purchase of goods and services		10,128	13,356
Sale of goods and services		7,559	11
Dividend income		317,657	380,679
Reimbursement of expenses from associates		2,426	1,260
Reimbursement of expenses to associates		2,146	1,070
Investment in e2eBE	7.3	116,646	-
Investment commited in e2eBE	12.2	161,000	-
Other related parties			
Key management personnel compensation		80,264	84,397
Employees' retirement and other service benefits		7,415	6,281
Membership fees and other subscriptions		1,447	1,380

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 October 30, 2013.

Karachi: October 30, 2013

M. A. Aleem
Director

Shahid Hamid Pracha
Chief Executive

Consolidated condensed interim financial statements

for the quarter and nine months period ended September 30, 2013

Consolidated condensed interim balance sheet (unaudited)

As at September 30, 2013

	Note	September 30, 2013 (Unaudited)	December 31, 2012 (Audited) (Restated)
		------ (Rupees in '000) ------	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	1,938,081	2,093,563
Long term investments	6	33,016,410	30,813,827
Long term loans, advances and prepayments		20	1,383
		34,954,511	32,908,773
CURRENT ASSETS			
Stores, spares and loose tools		902,032	811,584
Stock in trade	7	546,582	52,100
Trade debts		187	329
Loans, advances, deposits, prepayments and other receivables		190,584	170,893
Dividend receivable from associated company		741,812	-
Taxation -net		137,009	126,950
Short term investments	8	1,631,457	2,615
Cash and bank balances		124,770	35,532
		4,274,433	1,200,003
TOTAL ASSETS		39,228,944	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		23,169,365	20,890,299
Surplus on revaluation of investment		-	1,269
		27,982,236	25,704,439
NON- CURRENT LIABILITIES			
Long term financing	9	6,010,293	6,832,147
Deferred taxation		1,075,566	897,963
Deferred liabilities		146,181	91,780
		7,232,040	7,821,890
CURRENT LIABILITIES			
Current portion of long term financing		1,036,505	215,903
Short term running finance	10	2,007,147	32,299
Trade and other payables		713,266	301,962
Accrued mark-up		257,750	32,283
		4,014,668	582,447
Total equity and liabilities		39,228,944	34,108,776
Contingencies & commitments	11		

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

Karachi: October 30, 2013

M. A. Aleem
Director

Shahid Hamid Pracha
Chief Executive

Consolidated condensed interim profit and loss account (unaudited)

For the quarter and nine months period ended September 30, 2013

	Quarter ended		Nine months period ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
	(Rupees in '000)			
Net sales	179,715	1,398,328	3,302,773	3,840,169
Cost of sales	(149,931)	(1,147,920)	(2,717,372)	(3,110,357)
Gross profit	29,784	250,408	585,401	729,812
Selling and distribution expenses	(9,421)	(19,886)	(60,107)	(56,302)
Administrative expenses	(107,297)	(106,070)	(333,913)	(330,094)
Other operating expenses	(34,215)	(1,807)	(69,965)	(3,382)
Other operating income	165,907	180,240	216,042	353,934
Operating profit	44,758	302,885	337,458	693,968
Finance cost	(232,033)	(271,528)	(623,215)	(683,132)
	(187,275)	31,357	(285,757)	10,836
Share of profit from associates, net of tax	1,057,856	187,825	3,326,590	948,725
Profit before taxation	870,581	219,182	3,040,833	959,561
Taxation	(87,106)	(69,054)	(349,658)	(152,648)
Profit after taxation	783,475	150,128	2,691,175	806,913
Earnings per share - (Rupees)	1.63	0.31	5.59	1.68

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

Karachi: October 30, 2013

M. A. Aleem
Director

Shahid Hamid Pracha
Chief Executive

Consolidated condensed interim statement of comprehensive income (unaudited)

For the quarter and nine months period ended September 30, 2013

	Quarter ended		Nine months period ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
	--------(Rupees in '000)--------			
Profit after taxation	783,475	150,128	2,691,175	806,913
Items that will not be reclassified to profit or loss				
Remeasurement of staff retirement benefits (note 3.2)	-	(794)	(1,487)	(2,382)
Related income tax	-	202	355	606
	-	(592)	(1,132)	(1,776)
Items that may be reclassified subsequently to profit or loss				
Changes in value of available for sale financial assets	-	(6,997)	-	80,730
Share of other comprehensive income of associates	26,081	33,498	78,122	85,582
Deferred tax impact of other comprehensive income of associates	(2,608)	(3,350)	(7,812)	(8,558)
	23,473	30,148	70,310	77,024
	23,473	23,151	70,310	157,754
Other comprehensive income for the period - net of tax	23,473	22,559	69,178	155,978
Total comprehensive income	806,948	172,687	2,760,353	962,891

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

Karachi: October 30, 2013

M. A. Aleem
Director

Shahid Hamid Pracha
Chief Executive

Consolidated condensed interim statement of changes in equity (unaudited)

For the nine months period ended September 30, 2013

	Issued, subscribed and paid-up share capital	Revenue reserves				Share of other comprehensive income of associates	Surplus on revaluation of investment	Total
		General reserve	Actuarial losses	Unappropriated profit	Sub 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	-	-	-	806,913	806,913	-	-	806,913
Other comprehensive income	-	-	-	-	-	77,024	80,730	157,754
Remeasurement of staff retirement benefits (note 3.2)	-	-	(1,776)	-	(1,776)	-	-	(1,776)
Total comprehensive income for the period	-	-	(1,776)	806,913	805,137	77,024	80,730	962,891
Final cash dividend for the year ended December 31, 2011 (Rs 1 per ordinary share)	-	-	-	(481,287)	(481,287)	-	-	(481,287)
Balance as at September 30, 2012 (restated)	4,812,871	700,000	(23,746)	20,121,542	20,797,796	(103,707)	80,730	25,587,690
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	-	-	-	2,691,175	2,691,175	-	(1,269)	2,689,906
Other comprehensive income	-	-	-	-	-	70,310	-	70,310
Remeasurement of staff retirement benefits (note 3.2)	-	-	(1,132)	-	(1,132)	-	-	(1,132)
Total comprehensive income for the period	-	-	(1,132)	2,691,175	2,690,043	70,310	(1,269)	2,759,084
Final cash dividend for the year ended December 31, 2012 (Rs 1 per ordinary share)	-	-	-	(481,287)	(481,287)	-	-	(481,287)
Balance as at September 30, 2013	4,812,871	700,000	(24,821)	22,506,975	23,182,154	(12,789)	-	27,982,236

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

Karachi: October 30, 2013

M. A. Aleem
Director

Shahid Hamid Pracha
Chief Executive

Consolidated condensed interim cash flow statement (unaudited)

For the nine months period ended September 30, 2013

	Note	Nine months period ended September 30, 2013	September 30, 2012
		-------(Rupees in '000)-------	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	12	318,265	782,293
Finance costs paid		(397,748)	(407,571)
Taxes paid		(189,166)	(219,733)
Employees' retirement and other service benefits paid		(24,316)	(24,181)
Decrease in long term loans, advances and prepayments		1,363	254
Net cash (used in) / generated from operating activities		(291,603)	131,062
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(4,713)	(98,084)
Proceeds from disposal of property, plant and equipment		16,426	30,891
Profit received on bank deposits		8,767	19,986
Proceeds from disposal of short term investments		6,208	4,007,898
Investment in associate		(116,646)	(5,522,721)
Investment in mutual funds		(1,599,760)	(1,430,802)
Dividends received		576,964	299,958
Net cash used in investing activities		(1,112,754)	(2,692,874)
CASH FLOW FROM FINANCING ACTIVITIES			
Long term loan received		117,000	2,248,050
Long term loan repaid		(118,252)	-
Short term running finance utilized		1,974,848	500,000
Dividends paid		(480,001)	(479,850)
Net cash generated from financing activities		1,493,595	2,268,200
Net increase/(decrease) in cash and cash equivalents		89,238	(293,612)
Cash and cash equivalents at the beginning of the period		35,532	730,748
Cash and cash equivalents at the end of the period		124,770	437,136

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

Karachi: October 30, 2013

M. A. Aleem
Director

Shahid Hamid Pracha
Chief Executive

Notes to and forming part of the consolidated condensed interim financial statements (unaudited)

For the nine months period ended September 30, 2013

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 (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 nine months period ended September 30, 2012 have been extracted from the consolidated condensed interim financial statements of The Group for the quarter and nine 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 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	September 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	(2,368)	(1,776)	(21,321)
Profit for the period as restated	1,078,991	789,613	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	33,546	31,164
Deferred liabilities as restated	91,780	85,846	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)	(10,449)	(9,843)
Deferred taxation as restated	897,963	898,968	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 in conformity with the approved accounting standards and reported amounts of assets and liabilities and 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	September 30, 2013 (Unaudited)	December 31, 2012 (Audited)
			------- (Rupees in '000) -------	
5.	PROPERTY, PLANT AND EQUIPMENT			
	Operating property, plant and equipment	5.1	1,787,521	1,943,368
	Capital work in progress		150,560	150,195
			1,938,081	2,093,563
5.1	Opening net book value		1,943,368	2,093,015
	Add: Additions during the period / year	5.1.1	3,949	82,393
	Less: Assets disposed off during the period / year at book value		(2,788)	(21,892)
			1,944,529	2,153,516
	Depreciation charged during the period / year		(157,008)	(210,148)
	Closing net book value		1,787,521	1,943,368
5.1.1	Additions during the period			
	Plant & machinery		-	20,326
	Furniture, fittings & office equipment		1,690	445
	Data processing equipment		2,136	2,394
	Motor vehicles		123	59,228
			3,949	82,393
6.	LONG TERM INVESTMENTS			
	Quoted:			
	Engro Corporation Limited	6.1	27,639,425	25,377,122
	The Hub Power Company Limited	6.2	5,260,339	5,436,705
	Unquoted:			
	e2e Business Enterprises (Private) Limited	6.3	116,646	-
			33,016,410	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 / year		2,184,181	866,964
	Share of other comprehensive income (net of tax)		78,122	108,480
			27,639,425	25,677,080
	Less: dividend received during the period / year		-	(299,958)
	Closing balance		27,639,425	25,377,122

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

6.1.1 Market value of investment in ECL as at September 30, 2013 was Rs 26,473 million (December 31, 2012: Rs 17,945 million).

6.1.2 The Group received nil (2012: 44,993,667) bonus shares from ECL during the nine months period ended September 30, 2013.

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

6.1.4 As at September 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 3,462 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.

	September 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	1,142,410	408,524
	6,579,115	5,931,246
Less: dividend received during the period	(1,318,776)	(494,541)
Closing balance	5,260,339	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 were 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 September 30, 2013 was Rs 10,506 million (December 31, 2012: Rs 7,457 million).

6.2.3 Financial results of HUBCO for the quarter and nine months period ended June 30, 2013 have been used for the application of equity method of accounting for consolidation purposes as the financial results for the quarter and nine months period ended September 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 September 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 9,637 million (December 31, 2012: Rs 5,018 million) were pledged as security against various finance facilities obtained by The Group from various banks.

	September 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 a 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 nine months period ended September 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 125.19 million as at September 30, 2013. The effect of this change in accounting estimates for future periods cannot be estimated due to uncertainty in gas supply.

	Note	September 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	1,631,457	-
		1,631,457	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		-	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)			

		September 30, 2013 (Unaudited)	December 31, 2012 (Audited)
		------- (Rupees in '000) -------	
8.1.2	Southern Electric Power Company Limited		
	1,922,900 (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 during the period 1,922,900 (2012: 1,700,000) ordinary shares	(1,346)	(1,190)
		-	1,346
	Cumulative unrealized gain	1,269	-
	Increase in fair value during the period	-	1,269
	Less: investment disposed off	(1,269)	-
	Balance at the end of the period / year	-	2,615
	Percentage of equity held nil (2012:1.40%)		
8.2	Financial assets at fair value through profit or loss		
	ABL Cash Fund		
	20,665,855 (December 31, 2012: Nil) units of Rs 10 each	200,000	-
	Adjustment arising from measurement to fair value	6,805	-
		206,805	-
	UBL Liquidity Plus Fund		
	3,057,886 (December 31, 2012: Nil) units of Rs 100 each	300,000	-
	Adjustment arising from measurement to fair value	7,008	-
		307,008	-
	Faysal Money Market Fund		
	3,000,797 (December 31, 2012: Nil) units of Rs 100 each	300,000	-
	Adjustment arising from measurement to fair value	4,611	-
		304,611	-
	HBL Money Market Fund		
	3,020,241(December 31, 2012: Nil) units of Rs 50 each	301,361	-
	Adjustment arising from measurement to fair value	3,235	-
		304,596	-
	NAFA Money Market Fund		
	30,509,524 (December 31, 2012: Nil) units of Rs 50 each	300,000	-
	Adjustment arising from measurement to fair value	5,330	-
		305,330	-
	Askari Sovereign Cash Fund		
	2,016,092 (December 31, 2012: Nil) units of Rs 50 each	200,000	-
	Adjustment arising from measurement to fair value	3,107	-
		203,107	-
		1,631,457	-

9. LONG TERM FINANCING

	Note	September 30, 2013	December 31, 2012
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	280,298	178,050
		7,046,798	7,048,050
Less: Current portion of long term financing		(1,036,505)	(215,903)
		6,010,293	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 a 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 is repayable in 6 equal semi-annual installments commencing from June 2014. 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 repaid in 10 equal semi-annual installments already commenced from June 2013. 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 shares of HUBCO as mentioned in note 6.2.5 and further ranking hypothecation charge over all present and future fixed assets (excluding any immovable properties and any current 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 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 will be repaid in 9 semi-annual installments already commenced from July 2013. The facility is secured against pledge of shares of HUBCO as more fully explained in note 6.2.5 and further ranking hypothecation / mortgage charge on entire present and future assets of the Holding Company with 25% margin.

		Note	September 30, 2013 (Unaudited)	December 31, 2012 (Audited)
			------- (Rupees in ‘000) -------	
10.	SHORT TERM RUNNING FINANCE	10.1 & 10.2	2,007,147	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 notes 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 607 million (December 31, 2012: Rs 32 million) availed by the Holding Company from commercial banks out of the total facility of Rs 2,000 million (December 31, 2012: 300 million) under mark-up arrangements expiring on various dates upto September 30, 2014. The facilities are secured by way of pledge of ECL and HUBCO shares as more fully explained in notes 6.1.4 and 6.2.5. Rate of mark-up applicable to these facilities ranges between three months KIBOR plus 100 to 150 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 September 30, 2013.

		September 30, 2013 (Unaudited)	December 31, 2012 (Audited)
		------- (Rupees in '000) -------	
11.2	Commitments		
	- in respect of purchases of stores and spares	394	-
	- in respect of import of DAP fertilizer	490,000	-
	- in respect of investment in e2eBE - note 6.3	161,000	-
		651,394	-

		Note	Nine months period ended September 30, 2013 (Unaudited)	Nine months period ended September 30, 2012 (Unaudited)
			------- (Rupees in '000) -------	
12.	CASH GENERATED FROM OPERATIONS			
	Profit before taxation		3,040,833	959,561
	Adjustment for non cash expenses and other items:			
	Depreciation		157,008	157,918
	Finance cost		623,215	683,132
	Profit on sale of property, plant and equipment		(13,641)	(13,391)
	Profit on sale of short term investments available for sale		(6,463)	(157,300)
	Un-realized gain due to fair value adjustment of investment through profit or loss		(30,096)	(43,004)
	Bad debts written off		-	623
	Share of profit from associates, net of tax		(3,326,590)	(948,725)
	Provision for staff retirement and other service benefits		77,228	17,044
	Profit on time deposits with banks		(8,767)	(19,986)
	Working capital changes	12.1	(194,462)	146,421
	Cash generated from operations		318,265	782,293
12.1	Working capital changes			
	(Increase) / decrease in current assets:			
	Stocks, stores and spares		(584,930)	(187,067)
	Trade debts		142	2,003
	Loans, advances, deposits, prepayments and other receivables		(19,692)	(3,989)
			(604,480)	(189,053)
	Decrease in trade and other payables		410,018	335,474
			(194,462)	146,421

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 risk, 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:

	Nine months period ended September 30, 2013 (Unaudited)	September 30, 2012 (Unaudited)
	------- (Rupees in '000) -------	
Associates		
Dividend income	1,318,777	794,499
Reimbursement of expenses	775	-
Investment in e2eBE	116,646	-
Investment commited in e2eBE	161,000	-
Related parties		
Markup on Musharika Loan - Meezan Bank Limited	163,829	206,679
Sale of goods and services	13,434	13,949
Purchase of goods and services	861,551	19,353
Sale of fixed assets	-	606
Reimbursement of expenses from related parties	1,914	2,742
Reimbursement of expenses to related parties	1,443	1,072
Markup received	-	6,049
Rental income	10,800	-
Membership fees and other subscriptions	1,447	1,380
Other related parties		
Key management personnel compensation	209,891	335,341
Contributions to employees' retirement benefits	87,607	38,334

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 October 30, 2013.

Karachi: October 30, 2013

M. A. Aleem
Director

Shahid Hamid Pracha
Chief Executive

Notes

Notes

Notes

Dawood Hercules Corporation Limited

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