



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

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Karachi-75530  
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Fax: +92 (21) 35693416  
Email: [shareholders@dawoodhercules.com](mailto:shareholders@dawoodhercules.com)  
Web: [www.dawoodhercules.com](http://www.dawoodhercules.com)

## Bankers

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

## Auditors

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

## Shares Registrar

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## 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

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(Barristers at law)  
D-79, Block-5, Clifton,  
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# Directors' Report

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,<br>2013<br>(Unaudited) | December 31,<br>2012<br>(Audited and<br>restated) Note 3 |
|---|------|--------------------------------------|--|
| ------(Rupees in '000)-----                 |      |                                      |  |
| <b>ASSETS</b>                               |      |                                      |  |
| <b>NON-CURRENT ASSETS</b>                   |      |                                      |  |
| Fixed assets                                | 6    | 59,338                               | 65,227   |
| Long term investments                       | 7    | 20,448,690                           | 19,727,295   |
|   |      | <u>20,508,028</u>                    | <u>19,792,522</u>  |
| <b>CURRENT ASSETS</b>                       |      |                                      |  |
| 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  |
|   |      | <u>200,959</u>                       | <u>19,288</u>  |
| <b>TOTAL ASSETS</b>                         |      | <u><b>20,708,987</b></u>             | <u><b>19,811,810</b></u>                                 |
| <b>EQUITY AND LIABILITIES</b>               |      |                                      |  |
| <b>SHARE CAPITAL AND RESERVES</b>           |      |                                      |  |
| Authorised capital                          |      | <u>10,000,000</u>                    | <u>10,000,000</u>  |
| 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  |
|   |      | <u>19,749,692</u>                    | <u>19,531,856</u>  |
| <b>NON-CURRENT LIABILITIES</b>              |      |                                      |  |
| Long term financing                         | 9    | 250,793                              | 169,147  |
| Deferred liabilities                        | 3.2  | 603                                  | 9,026  |
|   |      | <u>251,396</u>                       | <u>178,173</u>   |
| <b>CURRENT LIABILITIES</b>                  |      |                                      |  |
| 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  |
|   |      | <u>707,899</u>                       | <u>101,781</u>   |
| <b>TOTAL EQUITY AND LIABILITIES</b>         |      | <u><b>20,708,987</b></u>             | <u><b>19,811,810</b></u>                                 |
| Contingencies and commitments               | 12   |                                      |  |

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

  
M. A. Aleem  
Director

  
Shahid Hamid Pracha  
Chief Executive

Karachi: October 30, 2013



# Unconsolidated condensed interim profit and loss account (unaudited)

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

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

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<br>September 30,<br>2013 | September 30,<br>2012<br>Restated<br>(Note 3) | Nine months period ended<br>September 30,<br>2013 | September 30,<br>2012<br>Restated<br>(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   | <u>91,522</u>                          | <u>39,774</u>                                 | <u>700,392</u>                                    | <u>229,787</u>                                |

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 ordinary 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



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

For the nine months period ended September 30, 2013

## 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;

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

For the nine months period ended September 30, 2013

- (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<br>31, 2012         | September<br>30, 2012 | January<br>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  | <u>167,144</u>               | <u>229,787</u>        | <u>557,758</u>     |
| 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   | <u>9,026</u>                 | <u>7,047</u>          | <u>9,549</u>       |

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.

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

For the nine months period ended September 30, 2013

|  | Note  | September 30,<br>2013<br>(Unaudited) | December 31,<br>2012<br>(Audited) |
|--|-------|--------------------------------------|-----------------------------------|
| ----- (Rupees in '000) -----                             |       |                                      |                                   |
| <b>6. PROPERTY, PLANT AND EQUIPMENT</b>                  |       |                                      |                                   |
| Property, plant and equipment                            | 6.1   | 59,038                               | 65,227                            |
| Intangible - software                                    |       | 300                                  | -                                 |
|  |       | <u>59,338</u>                        | <u>65,227</u>                     |
| 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 | <u>2,570</u>                         | <u>34,284</u>                     |
|  |       | 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           |       | <u>59,038</u>                        | <u>65,227</u>                     |
| 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                             |
|  |       | <u>2,570</u>                         | <u>34,284</u>                     |
| 6.1.2 Disposals during the period - net book value       |       |                                      |                                   |
| Furniture, fittings and equipment                        |       | -                                    | 16                                |
| Motor vehicles   |       | 40                                   | 2,306                             |
| Data processing equipment                                |       | -                                    | 13                                |
|  |       | <u>40</u>                            | <u>2,335</u>                      |

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,<br>2013<br>(Unaudited) | December 31,<br>2012<br>(Audited) |
|--|------|--------------------------------------|-----------------------------------|
| ----- (Rupees in '000) -----   |      |                                      |                                   |
| <b>7. LONG TERM INVESTMENTS</b>  |      |                                      |                                   |
| 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                              | -                                 |
|  |      | <u>20,448,690</u>                    | <u>19,727,293</u>                 |
| 7.1 Investment in subsidiary company   |      |                                      |                                   |
| DH Fertilizers Limited - unquoted<br>100,000,000 (December 31, 2012: 100,000,000) ordinary<br>shares of Rs 10 each |      | <u>1,615,117</u>                     | <u>1,615,117</u>                  |
| 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.

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

For the nine months period ended September 30, 2013

|         | Note   | September 30,<br>2013<br>(Unaudited) | December 31,<br>2012<br>(Audited)  |
|---------|--|--------------------------------------|--|
|         |  | ----- (Rupees in '000) -----         |  |
| 7.2     | Investment in associates - quoted  |                                      |  |
|         | Engro Corporation Limited  | 7.2.1                                | 17,425,250   |
|         | The Hub Power Company Limited  | 7.2.2                                | 1,291,677  |
|         |  |                                      | <u>18,716,927</u>  |
| 7.2.1   | Engro Corporation Limited  |                                      |  |
|         | 170,012,555 (December 31, 2012: 170,012,555)<br>ordinary shares of Rs 10 each  |                                      | 16,820,499   |
|         | Add: 5,000,000 (December 31, 2012: Nil)<br>ordinary shares received as 'specie dividend'   | 13.1                                 | <u>604,750</u>   |
|         |  |                                      | <u>17,425,250</u>  |
|         | 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, December 31,<br>2013 2012<br>(Unaudited) (Audited)<br>----- (Rupees in '000) ----- |
| 7.2.2   | The Hub Power Company Limited  |                                      |  |
|         | 39,707,000 (December 31, 2012: 39,707,000)<br>ordinary shares of Rs 10 each.   |                                      | <u>1,291,677</u>   |
|         | Percentage of holding 3.43% (December 31, 2012: 3.43%)   |                                      | <u>1,291,677</u>   |
| 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. |                                      |  |



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

For the nine months period ended September 30, 2013

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,<br>2013<br>(Unaudited) | December 31,<br>2012<br>(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 | <u>116,646</u> | <u>-</u> |
|-------|----------------|----------|

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, Sheikhpura - Punjab which is a greenfield project having annual production capacity of 9,700 tons of RBO. As per the SA, the Company will make investment in e2e Business Enterprises (Private) Limited (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,<br>2013<br>(Unaudited) | December 31,<br>2012<br>(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  
Cumulative impairment loss  
Balance at the beginning of the period / year  
Less: investment disposed off 1,922,900  
(December 31, 2012: 1,700,000) ordinary shares

|  |                 |                 |
|--|-----------------|-----------------|
|  | 36,321          | 68,431          |
|  | <u>(34,975)</u> | <u>(65,895)</u> |
|  | 1,346           | 2,536           |
|  | <u>(1,346)</u>  | <u>(1,190)</u>  |
|  | -               | 1,346           |
|  | 1,269           | -               |
|  | -               | 1,269           |
|  | <u>(1,269)</u>  | <u>-</u>        |
|  | <u>-</u>        | <u>2,615</u>    |

9. LONG TERM FINANCING

Long term financing  
Less: current portion of long term financing

|     |                 |                |
|-----|-----------------|----------------|
| 9.1 | 280,298         | 178,050        |
|     | <u>(29,505)</u> | <u>(8,903)</u> |
|     | <u>250,793</u>  | <u>169,147</u> |

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

For the nine months period ended September 30, 2013

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,<br>2013<br>(Unaudited) | December 31,<br>2012<br>(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            |
|                    | <u>34,745</u> | <u>47,802</u> |

## 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,<br>2013<br>(Unaudited) | December 31,<br>2012<br>(Audited) |
|--|--------------------------------------|-----------------------------------|
|  | -----                                | -----                             |
|  | (Rupees in '000) -----               |                                   |

### 12.2 Commitments

|  |                |          |
|--|----------------|----------|
| Commitments in respect of investment in e2e Business Enterprises (Private) Limited | <u>161,000</u> | <u>-</u> |
|--|----------------|----------|

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

For the nine months period ended September 30, 2013

|      |   | Nine months period ended<br>September 30, September 30,<br>2013                      2012<br>(Unaudited)              (Unaudited)<br>----- (Rupees in '000) ----- |                |
|------|---|---|----------------|
| 13.  | DIVIDEND INCOME   |   |                |
|      | Engro Corporation Limited   | -   | 380,679        |
|      | The Hub Power Company Limited   | 317,656   | -              |
|      | DH Fertilizers Limited  | 604,750   | -              |
| 13.1 |   | <u>922,406</u>  | <u>380,679</u> |
| 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<br>September 30, September 30,<br>2013                      2012<br>(Unaudited)              (Unaudited)<br>----- (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<br>through profit and loss   | -   | (964)          |
|      | Dividend income   | (922,406)   | (380,679)      |
|      | Provision for employees retirement and other<br>service benefits  | 2,811   | 4,879          |
|      | Income received from bank deposits  | (199)   | -              |
|      | Working capital changes   | (21,744)  | 509,169        |
| 14.1 | Cash (utilised in) / generated from operations  | <u>(169,390)</u>  | <u>415,100</u> |
| 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)   | -              |
|      |   | <u>(7,401)</u>  | <u>(480)</u>   |
|      | (Decrease) / increase in trade and other payables   | <u>(14,343)</u>   | <u>509,649</u> |
|      |   | <u>(21,744)</u>   | <u>509,169</u> |

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

For the nine months period ended September 30, 2013

## 15. FINANCIAL RISK MANAGEMENT AND FINANCIAL DISCLOSURES

### 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<br>September 30, September 30,<br>2013                      2012<br>(Unaudited)      (Unaudited)<br>----- (Rupees in '000) ----- |         |
|--|---|---------|
| <b>Subsidiary company</b>                        |   |         |
| 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   | -       |
| <b>Associates</b>                                |   |         |
| 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 committed in e2eBE                    | 12.2      161,000   | -       |
| <b>Other related parties</b>                     |   |         |
| 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.

  
M. A. Aleem  
Director

  
Shahid Hamid Pracha  
Chief Executive

Karachi: October 30, 2013

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<br>30, 2013<br>(Unaudited) | December 31,<br>2012<br>(Audited)<br>(Restated) |
|--|------|--------------------------------------|---|
| ----- (Rupees in '000) -----                                 |      |                                      |   |
| <b>ASSETS</b>  |      |                                      |   |
| <b>NON-CURRENT ASSETS</b>                                    |      |                                      |   |
| 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   |
|  |      | <u>34,954,511</u>                    | <u>32,908,773</u>                               |
| <b>CURRENT ASSETS</b>  |      |                                      |   |
| 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                                       |
| <b>TOTAL ASSETS</b>  |      | <u>39,228,944</u>                    | <u>34,108,776</u>                               |
| <b>EQUITY AND LIABILITIES</b>                                |      |                                      |   |
| <b>SHARE CAPITAL AND RESERVES</b>                            |      |                                      |   |
| Authorised capital   |      | <u>10,000,000</u>                    | <u>10,000,000</u>                               |
| 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                                      |
| <b>NON- CURRENT LIABILITIES</b>                              |      |                                      |   |
| 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                                       |
| <b>CURRENT LIABILITIES</b>                                   |      |                                      |   |
| 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   |
| <b>Total equity and liabilities</b>                          |      | <u>39,228,944</u>                    | <u>34,108,776</u>                               |
| Contingencies & commitments                                  | 11   |                                      |   |

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

  
M. A. Aleem  
Director

  
Shahid Hamid Pracha  
Chief Executive

Karachi: October 30, 2013

# 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,<br>2013        | September 30,<br>2012 | September 30,<br>2013    | September 30,<br>2012 |
|  | ----- (Rupees in '000) ----- |                       |                          |                       |
| Net sales                                      | 179,715                      | 1,398,328             | 3,302,773                | 3,840,169             |
| Cost of sales                                  | <u>(149,931)</u>             | <u>(1,147,920)</u>    | <u>(2,717,372)</u>       | <u>(3,110,357)</u>    |
| 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                         | <u>165,907</u>               | <u>180,240</u>        | <u>216,042</u>           | <u>353,934</u>        |
| Operating profit                               | 44,758                       | 302,885               | 337,458                  | 693,968               |
| Finance cost                                   | <u>(232,033)</u>             | <u>(271,528)</u>      | <u>(623,215)</u>         | <u>(683,132)</u>      |
|  | (187,275)                    | 31,357                | (285,757)                | 10,836                |
| Share of profit from associates,<br>net of tax | <u>1,057,856</u>             | <u>187,825</u>        | <u>3,326,590</u>         | <u>948,725</u>        |
| Profit before taxation                         | 870,581                      | 219,182               | 3,040,833                | 959,561               |
| Taxation                                       | (87,106)                     | (69,054)              | (349,658)                | (152,648)             |
| Profit after taxation                          | <u>783,475</u>               | <u>150,128</u>        | <u>2,691,175</u>         | <u>806,913</u>        |
| Earnings per share - (Rupees)                  | <u>1.63</u>                  | <u>0.31</u>           | <u>5.59</u>              | <u>1.68</u>           |

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            |
| <i>Items that will not be reclassified to profit or loss</i>         |                             |                    |                          |                    |
| Remeasurement of staff retirement benefits (note 3.2)                | -                           | (794)              | (1,487)                  | (2,382)            |
| Related income tax   | -                           | 202                | 355                      | 606                |
|  | -                           | (592)              | (1,132)                  | (1,776)            |
| <i>Items that may be reclassified subsequently to profit or loss</i> |                             |                    |                          |                    |
| 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            |
| <b>Total comprehensive income</b>                                    | <b>806,948</b>              | <b>172,687</b>     | <b>2,760,353</b>         | <b>962,891</b>     |

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 |   |                                      |               |                   |
| (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        |
| <b>Comprehensive income</b>  |  |                  |                  |                       |   |                                      |               |                   |
| 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)  | <u>4,812,871</u>                             | <u>700,000</u>   | <u>(23,746)</u>  | <u>20,121,542</u>     | <u>20,797,796</u>                                 | <u>(103,707)</u>                     | <u>80,730</u> | <u>25,587,690</u> |
| 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        |
| <b>Comprehensive income</b>  |  |                  |                  |                       |   |                                      |               |                   |
| 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   | <u>4,812,871</u>                             | <u>700,000</u>   | <u>(24,821)</u>  | <u>22,506,975</u>     | <u>23,182,154</u>                                 | <u>(12,789)</u>                      | <u>-</u>      | <u>27,982,236</u> |

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<br>30, 2013    | September<br>30, 2012 |
| ------(Rupees in '000)-----                                     |      |                          |                       |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>                      |      |                          |                       |
| 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                   |
| <b>Net cash (used in) / generated from operating activities</b> |      | <b>(291,603)</b>         | <b>131,062</b>        |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>                      |      |                          |                       |
| 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               |
| <b>Net cash used in investing activities</b>                    |      | <b>(1,112,754)</b>       | <b>(2,692,874)</b>    |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>                      |      |                          |                       |
| 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)             |
| <b>Net cash generated from financing activities</b>             |      | <b>1,493,595</b>         | <b>2,268,200</b>      |
| <b>Net increase/(decrease) in cash and cash equivalents</b>     |      | <b>89,238</b>            | <b>(293,612)</b>      |
| Cash and cash equivalents at the beginning of the period        |      | 35,532                   | 730,748               |
| <b>Cash and cash equivalents at the end of the period</b>       |      | <b>124,770</b>           | <b>437,136</b>        |

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.

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

For the nine months period ended September 30, 2013

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,<br>2012         | September 30,<br>2012 | January 1,<br>2012 |
|--|------------------------------|-----------------------|--------------------|
|  | ----- (Rupees in '000) ----- |                       |                    |
| <b>Comprehensive income</b>  |                              |                       |                    |
| 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  | <u>1,078,991</u>             | <u>789,613</u>        | <u>2,867,478</u>   |
| <b>Deferred liabilities</b>  |                              |                       |                    |
| Deferred liabilities as previously reported                              | 57,440                       | 52,300                | 53,059             |
| Cumulative effect of change in accounting policy on the carrying amounts | <u>34,340</u>                | <u>33,546</u>         | <u>31,164</u>      |
| Deferred liabilities as restated   | <u>91,780</u>                | <u>85,846</u>         | <u>84,223</u>      |
| <b>Deferred taxation</b>   |                              |                       |                    |
| Deferred taxation as previously reported                                 | 908,614                      | 909,417               | 869,117            |
| Cumulative effect of change in accounting policy on the carrying amounts | <u>(10,651)</u>              | <u>(10,449)</u>       | <u>(9,843)</u>     |
| Deferred taxation as restated  | <u>897,963</u>               | <u>898,968</u>        | <u>859,274</u>     |

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.

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

For the nine months period ended September 30, 2013

|  | Note  | September 30,<br>2013<br>(Unaudited) | December 31,<br>2012<br>(Audited) |
|--|-------|--------------------------------------|-----------------------------------|
| ----- (Rupees in '000) -----   |       |                                      |                                   |
| <b>5. PROPERTY, PLANT AND EQUIPMENT</b>  |       |                                      |                                   |
| Operating property, plant and equipment  | 5.1   | 1,787,521                            | 1,943,368                         |
| Capital work in progress   |       | <u>150,560</u>                       | <u>150,195</u>                    |
|  |       | <u>1,938,081</u>                     | <u>2,093,563</u>                  |
| 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   |       | <u>(2,788)</u>                       | <u>(21,892)</u>                   |
|  |       | 1,944,529                            | 2,153,516                         |
| Depreciation charged during the period / year  |       | (157,008)                            | (210,148)                         |
| Closing net book value   |       | <u>1,787,521</u>                     | <u>1,943,368</u>                  |
| 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   |       | <u>123</u>                           | <u>59,228</u>                     |
|  |       | <u>3,949</u>                         | <u>82,393</u>                     |
| <b>6. LONG TERM INVESTMENTS</b>  |       |                                      |                                   |
| 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   | <u>116,646</u>                       | <u>-</u>                          |
|  |       | <u>33,016,410</u>                    | <u>30,813,827</u>                 |
| 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)   |       | <u>78,122</u>                        | <u>108,480</u>                    |
|  |       | 27,639,425                           | 25,677,080                        |
| Less: dividend received during the period / year   |       | -                                    | (299,958)                         |
| Closing balance  |       | <u>27,639,425</u>                    | <u>25,377,122</u>                 |
| 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.  |       |                                      |                                   |

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

For 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, December 31,  
2013                      2012  
(Unaudited)                      (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

Share of post acquisition profit for the period

Less: dividend received during the period

Closing balance

|                    |                  |
|--------------------|------------------|
| 5,436,705          | 5,522,722        |
| <u>1,142,410</u>   | <u>408,524</u>   |
| 6,579,115          | 5,931,246        |
| <u>(1,318,776)</u> | <u>(494,541)</u> |
| <u>5,260,339</u>   | <u>5,436,705</u> |

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.

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

For the nine months period ended September 30, 2013

September 30, 2013  
(Unaudited)  
----- (Rupees in '000) -----

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, Sheikhpura - Punjab which is a greenfield project having annual production capacity of 9,700 tons of RBO. As per the SA, the Holding Company will make investment in e2e Business Enterprises (Private) Limited (e2eBE) in four tranches at various stages of the 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)  
----- (Rupees in '000) -----

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        | -            |
|   |     | <u>1,631,457</u> | <u>2,615</u> |

### 8.1 Available for sale - quoted

|   |       |          |              |
|---|-------|----------|--------------|
| Sui Northern Gas Pipelines Limited      | 8.1.1 | -        | -            |
| Southern Electric Power Company Limited | 8.1.2 | -        | 2,615        |
|   |       | <u>-</u> | <u>2,615</u> |

### 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                           | - | <u>(3,222,574)</u> |
|  |   | 1,154,390          |

|   |   |                    |
|---|---|--------------------|
| Less: investment disposed off during the period |   |                    |
| Nil (2012: 73,481,262) ordinary shares          | - | <u>(1,154,390)</u> |
|   |   | -                  |

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

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

For the nine months period ended September 30, 2013

|   | September 30,<br>2013<br>(Unaudited) | December 31,<br>2012<br>(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                              | -                                 |
|   | <u>1,631,457</u>                     | <u>-</u>                          |
| 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   | 9.3 280,298                          | 178,050                           |
|   | 7,046,798                            | 7,048,050                         |
| Less: Current portion of long term financing                        | (1,036,505)                          | (215,903)                         |
|   | <u>6,010,293</u>                     | <u>6,832,147</u>                  |



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

For the nine months period ended September 30, 2013

- 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<br>(Unaudited) | December 31, 2012<br>(Audited) |
|--------------------------------|-------------|-----------------------------------|--------------------------------|
|                                |             | -----                             | -----                          |
|                                |             | (Rupees in '000)                  |                                |
| 10. SHORT TERM RUNNING FINANCE | 10.1 & 10.2 | <u>2,007,147</u>                  | <u>32,299</u>                  |

- 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.

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

For the nine months period ended September 30, 2013

## 11. CONTINGENCIES AND COMMITMENTS

### 11.1 Contingent liabilities

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

|  | September 30,<br>2013<br>(Unaudited)                    | December 31,<br>2012<br>(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 | <u>161,000</u>  | <u>-</u>                          |
|  | <u>651,394</u>  | <u>-</u>                          |
|  | Nine months period ended<br>September 30, September 30, |                                   |
|  | 2013  | 2012                              |
|  | (Unaudited)   | (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 <u>(194,462)</u> | <u>146,421</u>   |
| Cash generated from operations   | <u>318,265</u>        | <u>782,293</u>   |
| 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                       | <u>(19,692)</u>       | <u>(3,989)</u>   |
|  | <u>(604,480)</u>      | <u>(189,053)</u> |
| Decrease in trade and other payables   | <u>410,018</u>        | <u>335,474</u>   |
|  | <u>(194,462)</u>      | <u>146,421</u>   |

## 13. FINANCIAL RISK MANAGEMENT AND FINANCIAL DISCLOSURES

### 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.

Notes to and forming part of the consolidated  
condensed interim financial statements (unaudited)  
For the nine months period ended September 30, 2013

14. RELATED PARTY TRANSACTIONS

Significant transactions during the period were as follows:

|   | Nine months period ended<br>September 30, September 30,<br>2013                      2012<br>(Unaudited)            (Unaudited)<br>----- (Rupees in '000) ----- |         |
|---|---|---------|
| <b>Associates</b>                               |   |         |
| Dividend income                                 | 1,318,777   | 794,499 |
| Reimbursement of expenses                       | 775   | -       |
| Investment in e2eBE                             | 116,646   | -       |
| Investment committed in e2eBE                   | 161,000   | -       |
| <b>Related parties</b>                          |   |         |
| 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   |
| <b>Other related parties</b>                    |   |         |
| 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

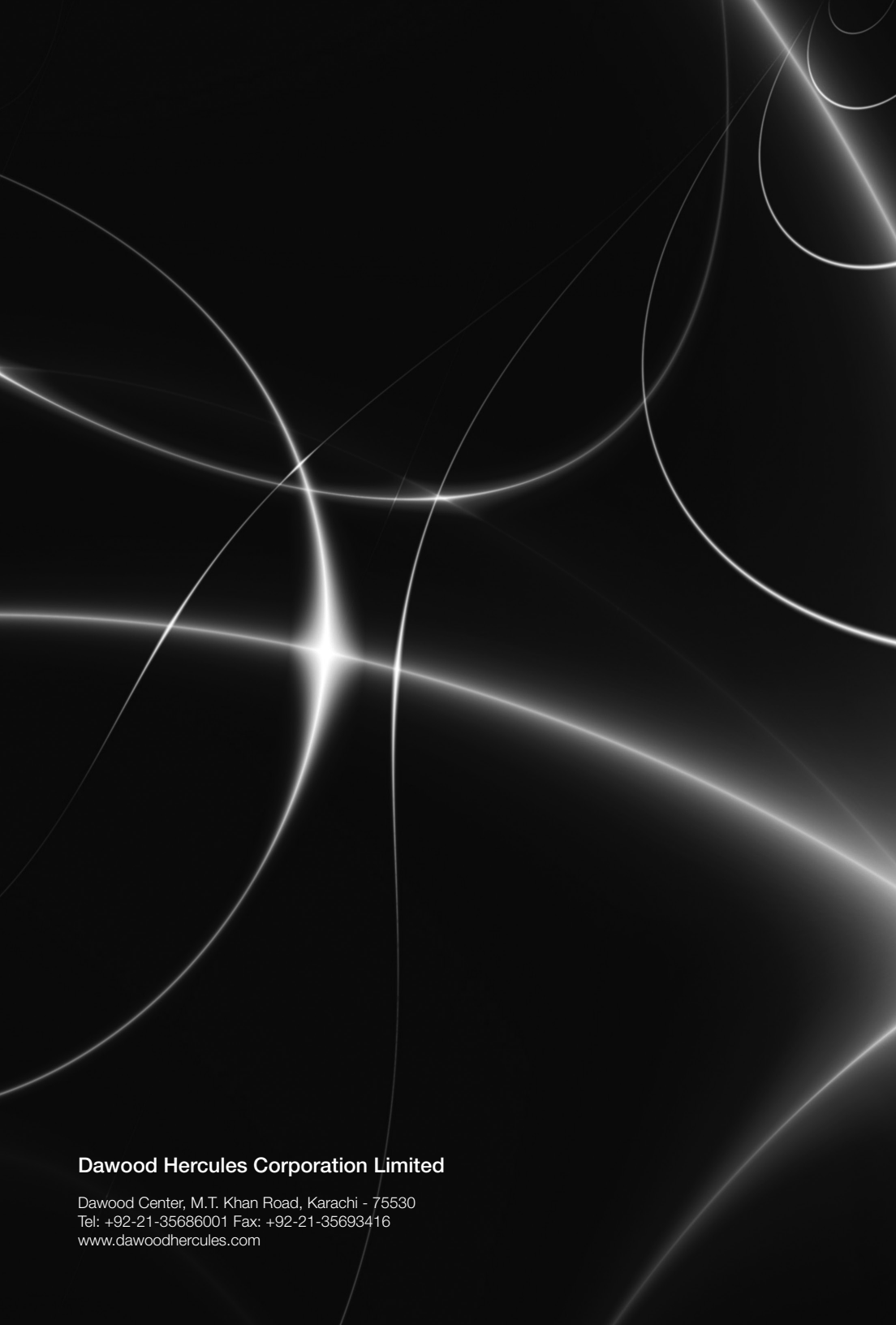
  
Shahid Hamid Pracha  
Chief Executive











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