

OUR ENERGY



Quarterly Accounts (un-audited)
for the 1st quarter ended March 31, 2014



Dawood Hercules

Company Information

Board of Directors

Mr. Hussain Dawood	Chairman
Mr. Shahid Hamid Pracha	Chief Executive Officer
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. 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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Fax: +92 (21) 35633972
Email: shareholders@dawoodhercules.com
Web: www.dawoodhercules.com

Bankers

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

Auditors

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Chartered Accountants
State Life Building No. 1-C
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Fax: +92 (21) 32415007, 32427938

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Chartered Accountants
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Legal Advisors

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Directors' Report

The Directors are pleased to present their report together with the unaudited condensed interim financial statements of the Company and the unaudited consolidated condensed interim financial statements of the Group for the first quarter ended March 31, 2014.

1. Business overview

(a) Fertilizers

Gas supply to the Company's subsidiary, DH Fertilizers Limited (DHFL) remained shut during the entire quarter due to the prolonged and severe winter in the north of the country and consequent spike in gas demand from December 2013 to the middle of March 2014. Hence, there was no urea production in Q1 2014 as compared to 22,775 tonnes in the same quarter last year as gas was restored to DHFL's plant on March 10, 2013.

Due to constant follow up by management with the Government of Pakistan (GoP) at various levels, the Ministry of Petroleum and Natural Resources (MoPNR) finally agreed to restore gas supply on rotation to the two most adversely affected plants on the Sui Northern Gas Pipelines Limited (SNGPL) network, DHFL and Pak Arab. In order to reduce imports of urea and save subsidies, the Government has also assured the two manufacturers that gas supplies would be improved during 2014 and every effort will be made to supply at least 4 months of gas to each plant on rotation. Pak Arab has just completed its rotation and DH Fertilizer is expected to start up on the 18th of April for 30 days. It is very encouraging that the MoPNR has set about the gas restoration process in an equitable and transparent manner albeit that DH Fertilizers has not been compensated for a grossly unfair allocation and consequential losses suffered during 2011 to 2013.

Country wide urea sales volume during Q1 2014 of 1,448K tonnes was 107K tonnes or 8% higher than the same quarter last year but softening towards the quarter end as the Rabi season demand concluded.

The total DAP availability during the Q1 was 250K tonnes which included 120K tonnes of opening inventory. The offtake during the similar period was 189K tonnes with a closing inventory of 62K tonnes.

(b) Investments - Energy

The Hub Power Company Limited (HUBCO) profitability decreased during the quarter ended December 31, 2013 to Rs 1.32 billion as compared to Rs 2.71 billion for the same period last year mainly due to reduced station load factor on account of repairs and maintenance. As a result, Hubco approved a reduced cash dividend of Rs 2.50 per share (2013: Rs 3.50 per share) for the half year ended December 31, 2013.

(c) Investments - Other

For the quarter ended December 31, 2013, the Company's associated entity Engro Corporation Limited (E Corp) reported an increase in profit after tax of Rs 2.27 billion as compared to Rs 1.90 billion in the corresponding period last year mainly due to continuous operations of its fertilizer plants. Due to improved profitability for the full year 2013, E Corp has declared a specie dividend in the form of one ordinary share of Engro Fertilizers Limited (E Fert) for every ten shares of E Corp.

The Rice Bran Oil (RBO) project being set up by e2e Business Enterprises (Private) Limited in which the Company has a 39% share, is progressing well and is expected to be commissioned by the end of this year.

2. Financial performance

Due to non-availability of gas to DHFL, the Group incurred a gross loss of Rs 127 million in Q1 2014 as compared to a loss Rs 59 million for the corresponding quarter last year. The aggregate share of profit from the Company's associated entities, E Corp and HUBCO of Rs 1,057 million was Rs 55 million lower as compared to the same period last year mainly due to the lower profit for the quarter declared by HUBCO.

After accounting for the consolidated tax charge of Rs 8.2 million for the quarter ended March 31, 2014, the Group's consolidated profit after taxation was Rs 606 million as compared to Rs 635 million for the corresponding quarter last year.

Earnings per share (EPS) of the Company for Q1 2014 was Rs 2.16 as compared to Rs 1.39 for the same period last year. Similarly, the consolidated EPS for the Group in Q1 2014 was Rs 1.26 (2013: Rs 1.32).

3. Future outlook

Although business confidence has increased significantly since the new government took over in June last year, a long term cost effective solution to the egregious energy shortage which is stunting everything from overall manufacturing productivity, export growth, foreign & local investment and the general living standard, has become absolutely vital for the country to realize at least some measure of its economic potential. GoP policy on the allocation of gas has a direct bearing on the Group's fertilizer business and more particularly on its subsidiary DHFL. It is therefore important that the GoP follows through on its commitment of providing a minimum of 4 months' supply of gas during 2014 in order to inject confidence in the future sustainability of the worst affected plants whose only misfortune is that they are located on the SNGPL network. It is worth noting that Pakistan is not the only gas deficit country in the region – India continues to expand its fertilizer industry on largely imported feed stock for strategic reasons in order to minimize dependence on large scale imports of urea. For the longer term, the Company continues to aggressively pursue the GoP to honor the Gas Supply and Purchase Agreements (GSPAs) it signed with the Four Fertilizer Manufacturers (FFMs) on the SNGPL network. As of date, the FFMs have been given to understand by the GoP that the long term solution will be addressed when the planned LNG imports start flowing into the system by Q1 2015.

Overall Group earnings remain dependent upon continuing gas availability to E Fert's plants and HUBCO's ongoing repairs & maintenance works on its boilers. Further, a repeat build-up of circular debt in the system could place a drag on its cash flows and dent the power industry's confidence to continue investing in the sector.

Karachi: April 21, 2014


Shahid Hamid Pracha
Chief Executive

Unconsolidated condensed interim balance sheet

As at March 31, 2014

	Note	March 31, 2014 Unaudited	December 31, 2013 Audited
------(Rupees in '000)-----			
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	6	64,816	57,607
Intangible assets		234	267
Long term investments	7	20,507,191	20,507,191
		<u>20,572,241</u>	<u>20,565,065</u>
CURRENT ASSETS			
Short term advances		604	983
Short term deposits and prepayments		15,753	16,626
Other receivables		10,708	6,504
Dividend receivable from associated companies		1,144,093	-
Cash and bank balances		4,061	13,727
		<u>1,175,219</u>	<u>37,840</u>
		<u>21,747,460</u>	<u>20,602,905</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
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		15,707,938	14,665,990
		<u>20,520,809</u>	<u>19,478,861</u>
NON CURRENT LIABILITIES			
Long term financing	8	262,123	304,918
Deferred liabilities		464	402
		<u>262,587</u>	<u>305,320</u>
CURRENT LIABILITIES			
Current portion of long term financing	8	59,735	33,880
Short term running finance	9	631,205	519,542
Trade and other payables	10	221,535	235,614
Accrued mark-up		25,133	28,081
Taxation - net		26,456	1,607
		<u>964,064</u>	<u>818,724</u>
		<u>21,747,460</u>	<u>20,602,905</u>
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The annexed notes 1 to 17 form an integral part of these unconsolidated condensed interim financial statements.

Karachi: April 21, 2014


M. A. Aleem
Director


Shahid Hamid Pracha
Chief Executive

Unconsolidated condensed interim profit and loss account

For the quarter ended March 31, 2014

	Note	Quarter ended	
		March 31, 2014 Unaudited	March 31, 2013 Unaudited
		------(Rupees in '000)-----	
			Restated
Dividend income	12	1,144,093	743,725
Administrative expenses		(64,762)	(63,958)
		1,079,331	679,767
Other operating expenses		(240)	-
Other income		13,355	8,262
Operating profit		1,092,446	688,029
Finance costs		(25,552)	(6,770)
Profit before taxation		1,066,894	681,259
Taxation		(24,946)	(11,926)
Profit after taxation		1,041,948	669,333
Earnings per share (rupees) – basic and diluted		2.16	1.39

The annexed notes 1 to 17 form an integral part of these unconsolidated condensed interim financial statements.

Karachi: April 21, 2014


M. A. Aleem
Director


Shahid Hamid Pracha
Chief Executive



Unconsolidated condensed interim statement of total comprehensive income

For the quarter ended March 31, 2014

	Quarter ended	
	March 31, 2014	March 31, 2013
	Unaudited	Unaudited
	-----(Rupees in '000)-----	
		Restated
Profit after taxation	1,041,948	669,333
Other comprehensive income		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Remeasurements on staff retirement benefits	-	-
<i>Items that may be reclassified subsequently to profit or loss</i>		
Changes in value of investment classified as 'available for sale'	-	77
Fair value reserve transferred to profit and loss account on disposal of investment classified as 'available for sale'	-	-
	-	77
Other comprehensive income for the period	-	77
Total comprehensive income	<u>1,041,948</u>	<u>669,410</u>

The annexed notes 1 to 17 form an integral part of these unconsolidated condensed interim financial statements.

Karachi: April 21, 2014


M. A. Aleem
Director


Shahid Hamid Pracha
Chief Executive

Unconsolidated condensed interim statement of changes in equity

For the quarter ended March 31, 2014

	Issued, subscribed and paid up capital	Revenue reserves			Surplus on revaluation of investment	Total
		General reserve	Un-appropriated profit	Sub-total		
------(Rupees in '000)-----						
Balance as at January 1, 2013	4,812,871	700,000	14,017,716	14,717,716	1,269	19,531,856
Total comprehensive income						
Profit after taxation	-	-	669,333	669,333	-	669,333
Other comprehensive income	-	-	77	77	-	77
	-	-	669,410	669,410	-	669,410
Final cash dividend @10% for the year ended December 31, 2012	-	-	(481,287)	(481,287)	-	(481,287)
Balance as at March 31, 2013 - unaudited - restated	<u>4,812,871</u>	<u>700,000</u>	<u>14,205,839</u>	<u>14,905,839</u>	<u>1,269</u>	<u>19,719,979</u>
Balance as at January 1, 2014	4,812,871	700,000	13,965,990	14,665,990	-	19,478,861
Total comprehensive income						
Profit after taxation	-	-	1,041,948	1,041,948	-	1,041,948
Other comprehensive income	-	-	-	-	-	-
	-	-	1,041,948	1,041,948	-	1,041,948
Balance as at March 31, 2014 - unaudited	<u>4,812,871</u>	<u>700,000</u>	<u>15,007,938</u>	<u>15,707,938</u>	<u>-</u>	<u>20,520,809</u>

The annexed notes 1 to 17 form an integral part of these unconsolidated condensed interim financial statements.

Karachi: April 21, 2014


M. A. Aleem
Director


Shahid Hamid Pracha
Chief Executive

Unconsolidated condensed interim cash flow statement

For the quarter ended March 31, 2014

	Note	Quarter ended	
		March 31, 2014 Unaudited	March 31, 2013 Unaudited
------(Rupees in '000)-----			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash utilized in operations	13	(64,844)	(63,334)
Finance cost paid		(28,500)	(12,677)
Taxes paid		(97)	(123)
Employees retirement and other service benefits paid		(707)	(656)
Net cash utilized in operating activities		(94,148)	(76,790)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(10,267)	(685)
Income received from bank deposits		69	68
Net cash utilized in investing activities		(10,198)	(617)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term loan repaid		(16,940)	-
Dividends paid		(43)	(167)
Net cash utilised in financing activities		(16,983)	(167)
Net decrease in cash and cash equivalents		(121,329)	(77,574)
Cash and cash equivalents at the beginning of the period		(505,815)	(25,912)
Cash and cash equivalents at the end of the period		(627,144)	(103,486)

The annexed notes 1 to 17 form an integral part of these unconsolidated condensed interim financial statements.

Karachi: April 21, 2014


Hussain Dawood
Chairman


Shahid Hamid Pracha
Chief Executive

Notes to and forming part of the unconsolidated condensed interim financial statements

For the quarter ended March 31, 2014

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) (the Ordinance) and its shares are quoted on Karachi, Lahore and Islamabad Stock Exchanges. The principal activity of the Company is to manage investments in its subsidiary and associated companies. The registered office of the Company is situated at Dawood Center, M.T. Khan Road, Karachi.

2. BASIS OF PREPARATION AND PRESENTATION

2.1 These unconsolidated condensed interim financial statements of the Company for the quarter ended March 31, 2014 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 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, 2013, 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 March 31, 2014 and the profit and loss account, the statement of total comprehensive income, the statement of changes in equity, the cash flow statement and notes thereto for the quarter then ended.

2.3 The comparative balance sheet presented in these unconsolidated condensed interim financial statements as at December 31, 2013 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 ended March 31, 2013 have been extracted from the unconsolidated condensed interim financial statements of the Company for the quarter 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, 2013.

3.1 New standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2014 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations.

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, liabilities, income and expense. Actual results may differ from these estimates.

Notes to and forming part of the unconsolidated condensed interim financial statements

For the quarter ended March 31, 2014

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 estimating uncertainty were the same as those that were applied to the financial statements as at and for the year ended December 31, 2013.

5. SEASONALITY OF OPERATIONS

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

	Note	March 31, 2014 Unaudited	December 31, 2013 Audited
------(Rupees in '000)-----			
6. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	6.1	55,068	57,607
Capital work-in-progress		9,748	-
		<u>64,816</u>	<u>57,607</u>
6.1 Net book value at the beginning of the period / year		57,607	65,227
Additions during the period / year	6.1.1	519	3,939
		<u>58,126</u>	<u>69,166</u>
Disposals during the period / year		-	(40)
Depreciation charged during the period / year		(3,058)	(11,519)
		<u>(3,058)</u>	<u>(11,559)</u>
Net book value at the end of the period / year		<u>55,068</u>	<u>57,607</u>
6.1.1 Additions during the period / year			
Furniture, fittings and equipment		52	1,236
Motor vehicles		-	123
Data processing equipment		467	2,580
		<u>519</u>	<u>3,939</u>
7. LONG TERM INVESTMENTS			
Investment in a subsidiary company	7.1	1,615,119	1,615,119
Investment in associates - quoted	7.2	18,716,926	18,716,926
Investment in associate - unquoted	7.3	175,146	175,146
		<u>20,507,191</u>	<u>20,507,191</u>

Notes to and forming part of the unconsolidated condensed interim financial statements

For the quarter ended March 31, 2014

	Note	March 31, 2014 Unaudited	December 31, 2013 Audited
------(Rupees in '000)-----			
7.1	Investment in a subsidiary company		
	DH Fertilizers Limited - unquoted		
	100,000,000 (December 31, 2013: 100,000,000) ordinary shares of Rs 10 each	<u>1,615,119</u>	<u>1,615,119</u>
	Percentage of equity held	<u>100.00%</u>	<u>100.00%</u>

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

	Note	March 31, 2014 Unaudited	December 31, 2013 Audited
------(Rupees in '000)-----			
7.2	Investment in associates - quoted		
	Engro Corporation Limited	7.2.1 <u>17,425,249</u>	17,425,249
	The Hub Power Company Limited	7.2.2 <u>1,291,677</u>	1,291,677
		<u>18,716,926</u>	<u>18,716,926</u>
7.2.1	Engro Corporation Limited (ECL)		
	175,012,555 (December 31, 2013: 170,012,555) ordinary shares of Rs 10 each	17,425,249	16,820,499
	Add: Nil (December 31, 2013: 5,000,000) ordinary shares received as 'specie dividend'	-	604,750
	Closing balance	<u>17,425,249</u>	<u>17,425,249</u>
	Percentage of equity held	<u>34.23%</u>	<u>34.23%</u>

7.2.1.1 The market value of investment in ECL as at March 31, 2014 was Rs 32,634 million (December 31, 2013: Rs 27,718 million).

7.2.1.2 The Company has pledged 5.54 million ordinary shares of ECL (December 31, 2013: 5.54 million) having face value of Rs 55 million (December 31, 2013: Rs 55 million) and market value of Rs 1,033 million (December 31, 2013: Rs 878 million) as security against short term finance facility from Bank AL Habib Limited.

Notes to and forming part of the unconsolidated condensed interim financial statements

For the quarter ended March 31, 2014

	March 31, 2014 Unaudited	December 31, 2013 Audited
	----- (Rupees in '000) -----	
7.2.2 The Hub Power Company Limited (HUBCO)		
39,707,000 (December 31, 2013: 39,707,000) ordinary shares of Rs 10 each	1,291,677	1,291,677
Percentage of equity held	3.43%	3.43%

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

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

7.2.2.3 The Company has pledged 12.58 million shares of HUBCO (December 31, 2013: 12.58 million shares), having face value of Rs 126 million (December 31, 2013: Rs 126 million) and market value of Rs 669 million (December 31, 2013: Rs 764 million) as security against the long term finance facility obtained from Allied Bank Limited and another 13.50 million shares in HUBCO (December 31, 2013: 13.50 million), having face value of Rs 135 million (December 31, 2013: Rs 135 million) and market value of Rs 718 million (December 31, 2013: Rs 820 million) as security against the short term running finance facility obtained from Bank AL Habib Limited.

	Note	March 31, 2014 Unaudited	December 31, 2013 Audited
		----- (Rupees in '000) -----	
7.3 Investment in associate - unquoted			
e2e Business Enterprises (Private) Limited			
17,514,633 (December 31, 2013: 17,514,633) ordinary shares of Rs 10 each	7.3.1	175,146	175,146
Percentage of equity held		39.00%	39.00%

7.3.1 The Company has signed a Shareholders Agreement (SA) with e2e Supply Chain Management (Private) Limited and three individuals 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 tonne 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 RBO project. The Company has paid Rs 117 million and Rs 58 million on June 13 and December 20, 2013 representing the first and second tranches of the total investment in e2eBE.

Notes to and forming part of the unconsolidated condensed interim financial statements

For the quarter ended March 31, 2014

	Note	March 31, 2014 Unaudited ------(Rupees in '000)-----	December 31, 2013 Audited
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8. LONG TERM FINANCING

Long term financing	8.1	321,858	338,798
Less: current portion of long term financing		(59,735)	(33,880)
		<u>262,123</u>	<u>304,918</u>

- 8.1 This represents utilised portion of long term finance facility obtained under mark-up arrangement from Allied Bank Limited aggregating Rs 380 million (December 31, 2013: Rs 380 million). The finance facility is secured by way of hypothecation charge over all assets of the Company with 25% margin and pledge of HUBCO shares with 50% margin. The facility carries markup at the rate of six months ask side KIBOR plus 200 basis points per annum and is payable semi annually in arrears with the first payment made on January 4, 2013, whereas repayment of the first installment of principal was made in July 2013. The facility will be repaid in full by July 2017.

9. SHORT TERM RUNNING FINANCE

This represents utilised portion of short term running finance facilities of Rs 2,000 million (December 31, 2013: Rs 2,000 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 7.2.1.2 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, 2013: three months KIBOR plus 100 to 150 basis points) per annum.

	March 31, 2014 Unaudited ------(Rupees in '000)-----	December 31, 2013 Audited
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10. TRADE AND OTHER PAYABLES

Creditors	179,972	192,092
Accrued expenses	19,504	21,421
Unclaimed dividend	22,023	22,066
Others	36	35
	<u>221,535</u>	<u>235,614</u>

11. CONTINGENCIES AND COMMITMENTS

11.1 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 the subsidiary company. The corporate guarantee will remain in full force and effect for a period of five years commencing from December 27, 2011.

Notes to and forming part of the unconsolidated condensed interim financial statements

For the quarter ended March 31, 2014

	March 31, 2014 Unaudited ------(Rupees in '000)-----	December 31, 2013 Audited
11.2 Commitments in respect of:		
- investment in e2e Business Enterprises (Private) Limited	102,487	102,487
- operating lease	3,651	3,651
	<u>106,138</u>	<u>106,138</u>

Note	Quarter ended March 31, 2014 Unaudited ------(Rupees in '000)-----	Quarter ended March 31, 2013 Unaudited ------(Rupees in '000)----- Restated
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12. DIVIDEND INCOME

Engro Corporation Limited	12.1	1,044,825	-
The Hub Power Company Limited		99,268	138,975
DH Fertilizers Limited		-	604,750
		<u>1,144,093</u>	<u>743,725</u>

12.1 The shareholders of ECL, at its Annual General Meeting (AGM) held on March 31, 2014, approved a specie dividend in the form of one share of Engro Fertilizers Limited (E Fert) for every ten shares of ECL. The shares of E Fert have been accounted for at the closing market value prevailing on the date of ECL AGM.

Note	Quarter ended March 31, 2014 Unaudited ------(Rupees in '000)-----	Quarter ended March 31, 2013 Unaudited ------(Rupees in '000)----- Restated
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13. CASH UTILISED IN OPERATIONS

Profit before taxation		1,066,894	681,259
Adjustments for non cash expenses and other items:			
Depreciation and amortization		3,091	2,862
Finance cost		25,552	6,762
Unrealized exchange gain		(13,271)	-
Dividend income		(1,144,093)	(743,725)
Provision for employees' retirement and other service benefits		769	1,142
Income received from bank deposits		(69)	(68)
Working capital changes	13.1	(3,717)	(11,566)
Cash utilised in operations		<u>(64,844)</u>	<u>(63,334)</u>

Notes to and forming part of the unconsolidated condensed interim financial statements

For the quarter ended March 31, 2014

	Quarter ended	
	March 31, 2014	March 31, 2013
	Unaudited	Unaudited
	------(Rupees in '000)-----	
13.1 Working capital changes		
Decrease / (increase) in current assets:		
Short term advances	379	(130)
Short term deposits and prepayments	873	4,648
Other receivables	(4,204)	(9,784)
	<u>(2,952)</u>	<u>(5,266)</u>
Decrease in trade and other payables	(765)	(6,300)
	<u>(3,717)</u>	<u>(11,566)</u>

14. FINANCIAL RISK MANAGEMENT AND FINANCIAL DISCLOSURES

14.1 Financial risk factors

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

These condensed interim financial statements do not include all financial risk management information and disclosures which are required in the annual financial statements and should be read in conjunction with the Company's annual financial statements as at December 31, 2013. There have been no changes in any risk management policies since the previous year end.

15. RELATED PARTY TRANSACTIONS

Significant transactions with related parties are as follows:

	Quarter ended	
	March 31, 2014	March 31, 2013
	Unaudited	Unaudited
	------(Rupees in '000)-----	
		Restated
Subsidiary company		
Reimbursement of expenses by the Company	-	58
Reimbursement of expenses to the Company	6,018	1,604
Sale of goods and services	159	2,713
Specie dividend	-	604,750

Notes to and forming part of the unconsolidated condensed interim financial statements

For the quarter ended March 31, 2014

	Quarter ended	
	March 31, 2014 Unaudited	March 31, 2013 Unaudited
	----- (Rupees in '000) -----	
		Restated
Associates		
Purchase of goods and services	3,442	3,060
Sale of goods and services	1,489	4,996
Dividend income	1,144,093	138,975
Reimbursement of expenses from associates	1,289	132
Reimbursement of expenses to associates	570	828
Investment committed in e2eBE	102,487	-
Other related parties		
Key management personnel compensation	28,192	25,823
Employees' retirement and other service benefits	2,149	2,463
Membership fees and other subscriptions	235	-

16. GENERAL

- 16.1 All financial information, except as otherwise stated, has been rounded to the nearest thousand rupees.
- 16.2 The Board of Directors in its meeting held on February 27, 2014 has proposed a cash dividend of Rs 1.00 per share (2012: Rs 1.00 per share) for the year ended December 31, 2013 subject to approval of the members at the Annual General Meeting to be held on April 28, 2014. These condensed interim financial statements do not recognize the proposed dividend as a deduction from unappropriated profit.

17. DATE OF AUTHORISATION FOR ISSUE

These unconsolidated condensed interim financial statements were authorised for issue by the Board of Directors on April 21, 2014.

Karachi: April 21, 2014


M. A. Aleem
Director


Shahid Hamid Pracha
Chief Executive

Consolidated condensed interim financial statements

For the quarter ended March 31, 2014

Consolidated condensed interim balance sheet

As at March 31, 2014

	Note	March 31, 2014 Unaudited ------(Rupees in '000)-----	December 31, 2013 Audited
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	5	1,969,661	2,008,375
Intangible assets		234	267
Investment in associates	6	33,846,857	34,392,814
		<u>35,816,752</u>	<u>36,401,456</u>
CURRENT ASSETS			
Stores, spares and loose tools		762,440	767,782
Stock in trade		46,523	72,357
Trade debts		55	39,819
Short term loans and advances		11,633	13,714
Short term deposits and prepayments		22,360	21,125
Other receivables		38,881	36,898
Dividend receivable from associated companies		1,576,104	-
Taxation -net		179,371	235,798
Short term investments	7	1,339,710	1,334,515
Cash and bank balances		44,965	142,771
		<u>4,022,042</u>	<u>2,664,779</u>
		<u>39,838,794</u>	<u>39,066,235</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
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		24,693,338	24,110,912
		29,506,209	28,923,783
NON CURRENT LIABILITIES			
Long term financing	8	4,962,873	5,005,668
Deferred taxation		1,143,218	1,199,211
Deferred liabilities		90,418	91,071
		6,196,509	6,295,950
CURRENT LIABILITIES			
Current portion of long term financing		2,021,985	1,996,130
Short term running finances	9	1,014,048	905,055
Trade and other payables		855,225	891,782
Accrued mark-up		244,818	53,535
		4,136,076	3,846,502
		<u>39,838,794</u>	<u>39,066,235</u>
CONTINGENCIES & COMMITMENTS	10		

The annexed notes 1 to 15 form an integral part of these consolidated condensed interim financial statements.

Karachi: April 21, 2014


M. A. Aleem
Director


Shahid Hamid Pracha
Chief Executive

Consolidated condensed interim profit and loss account

For the quarter ended March 31, 2014

	Quarter ended	
	March 31, 2014	March 31, 2013
	Unaudited	Unaudited
	------(Rupees in '000)-----	
Net sales	122,253	123,156
Cost of sales	(249,279)	(181,671)
Gross loss	(127,026)	(58,515)
Selling and distribution expenses	(12,041)	(11,870)
Administrative expenses	(119,251)	(107,651)
Other operating expenses	(2,308)	(3,862)
Other income	57,820	13,906
Operating loss	(202,806)	(167,992)
Finance costs	(239,359)	(185,180)
Share of profit of associates	1,056,740	1,111,856
Profit before taxation	614,575	758,684
Taxation	(8,205)	(123,822)
Profit after taxation	606,370	634,862
Earnings per share (rupees) - basic and diluted	1.26	1.32

The annexed notes 1 to 15 form an integral part of these consolidated condensed interim financial statements.

Karachi: April 21, 2014


M. A. Aleem
Director


Shahid Hamid Pracha
Chief Executive



Consolidated condensed interim statement of total comprehensive income

For the quarter ended March 31, 2014

	Quarter ended	
	March 31, 2014	March 31, 2013
	Unaudited	Unaudited
	----- (Rupees in '000) -----	
Profit after taxation	606,370	634,862
Other comprehensive income		
<i>Items that will not be reclassified to profit or loss</i>		
Remeasurement of staff retirement benefits	-	-
Impact on taxation	-	-
	-	-
<i>Items that may be reclassified subsequently to profit or loss</i>		
Share of other comprehensive income of associates	(26,593)	45,622
Impact on taxation	2,649	(4,562)
	(23,945)	41,060
Unrealised gain on investment classified as available for sale	-	77
	(23,945)	41,137
Other comprehensive income for the period	(23,945)	41,137
Total comprehensive income for the period	582,426	675,999

The annexed notes 1 to 15 form an integral part of these consolidated condensed interim financial statements.

Karachi: April 21, 2014


M. A. Aleem
Director


Shahid Hamid Pracha
Chief Executive

Consolidated condensed interim statement of changes in equity

For the quarter ended March 31, 2014

	Revenue reserves					Surplus on revaluation of investment	Total
	Issued, subscribed and paid up capital	General reserve	Un-appropriated profit	Share of other comprehensive income of associates	Sub-total		
	----- (Rupees in '000) -----						
Balance as at January 1, 2013	4,812,871	700,000	20,273,397	(83,099)	20,890,298	1,269	25,704,438
Total comprehensive income							
Profit after taxation	-	-	634,862	-	634,862	-	634,862
Other comprehensive income	-	-	-	41,060	41,060	77	41,137
	-	-	634,862	41,060	675,922	77	675,999
Final cash dividend @ 10% for the year ended December 31, 2012	-	-	(481,287)	-	(481,287)	-	(481,287)
Balance as at March 31, 2013 - unaudited	4,812,871	700,000	20,426,972	(42,039)	21,084,933	1,346	25,899,150
Balance as at January 1, 2014	4,812,871	700,000	23,400,283	10,629	24,110,912	-	28,923,783
Total comprehensive income							
Profit after taxation	-	-	606,370	-	606,370	-	606,370
Other comprehensive income	-	-	-	(23,945)	(23,945)	-	(23,945)
	-	-	606,370	(23,945)	582,426	-	582,426
Balance as at March 31, 2014 - unaudited	4,812,871	700,000	24,006,653	(13,316)	24,693,338	-	29,506,209

The annexed notes 1 to 15 form an integral part of these consolidated condensed interim financial statements.

Karachi: April 21, 2014


M. A. Aleem
Director


Shahid Hamid Pracha
Chief Executive



Consolidated condensed interim cash flow statement

For the quarter ended March 31, 2014

	Note	Quarter ended	
		March 31, 2014 Unaudited	March 31, 2013 Unaudited
------(Rupees in '000)-----			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in) / generated from operations	11	(164,619)	86,700
Finance costs paid		(28,964)	(13,720)
Taxes paid		(5,121)	(11,146)
Employees' retirement and other service benefits paid		(4,981)	(4,880)
Decrease in long term loans, advances and prepayments		-	1,166
Net cash (used in) / generated from operating activities		(203,685)	58,120
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(11,901)	(710)
Proceeds from disposal of property, plant and equipment		1,342	2,058
Income received from bank deposits		2,191	584
Proceeds from disposal of short term investments		22,237	-
Net cash generated from investing activities		13,869	1,932
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term loan repaid		(16,940)	-
Dividends paid		(43)	(167)
Net cash used in financing activities		(16,983)	(167)
Net (decrease)/increase in cash and cash equivalents		(206,799)	59,885
Cash and cash equivalents at the beginning of the period		(762,284)	3,233
Cash and cash equivalents at the end of the period		(969,083)	63,118

The annexed notes 1 to 15 form an integral part of these consolidated condensed interim financial statements.

Karachi: April 21, 2014


M. A. Aleem
Director


Shahid Hamid Pracha
Chief Executive

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

For the quarter ended March 31, 2014

1. LEGAL STATUS AND OPERATIONS

1.1 Dawood Hercules Corporation Limited (the Holding Company) was incorporated in Pakistan on April 17, 1968 as a public limited company under the Companies Act, 1913 (now Companies Ordinance, 1984) (the Ordinance) and its shares are quoted on Karachi, Lahore and Islamabad Stock Exchanges. The principal activity of the Holding Company is to manage investments in its subsidiary and associated companies. The registered office of the Holding Company is situated at Dawood Center, M.T. Khan Road, Karachi.

1.2 The Group consists of :

The Holding Company: Dawood Hercules Corporation Limited; and

Subsidiary Company: DH Fertilizers Limited - DHFL (the Subsidiary Company) is an unlisted public limited company incorporated on August 2, 2010 in Pakistan under the Ordinance, as a wholly owned subsidiary of the Holding Company. The Subsidiary Company is engaged in the business of production, purchase and sale of fertilizers. The registered office of the Subsidiary Company is situated at 35-A, Shahrah-e-Abdul Hameed Bin Badees, 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 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, 2013 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 ended March 31, 2013 have been extracted from the consolidated condensed interim financial statements of The Group for the quarter 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, 2013.

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, 2013.



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

For the quarter ended March 31, 2014

- 3.1 New standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2014 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.

4. ACCOUNTING ESTIMATES

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

In preparing these consolidated condensed interim financial statements, the significant judgments made by management in applying The Group's accounting policies and the key sources of estimating uncertainty were the same as those that were applied to the consolidated financial statements as at and for the year ended December 31, 2013.

	Note	March 31, 2014 Unaudited	December 31, 2013 Audited
------(Rupees in '000)-----			
5. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	5.1	1,679,546	1,725,664
Capital work-in-progress		158,803	150,560
Major spare parts and stand-by equipment		131,313	132,151
		<u>1,969,661</u>	<u>2,008,375</u>
5.1 Net book value at the beginning of the period / year		1,725,664	1,943,368
Additions during the period / year	5.1.1	3,658	6,053
		1,729,322	1,949,421
Disposals during the period / year		(582)	(2,794)
Assets written off during the period / year		-	(14,568)
Depreciation charged during the period / year		(49,195)	(206,395)
		<u>(49,777)</u>	<u>(223,757)</u>
Net book value at the end of the period / year		<u>1,679,546</u>	<u>1,725,664</u>
5.1.1 Additions during the period / year			
Plant and machinery		2,254	-
Furniture, fittings and equipment		52	1,909
Motor vehicles		-	123
Data processing equipment		1,352	4,021
		<u>3,658</u>	<u>6,053</u>
6. LONG TERM INVESTMENTS			
Engro Corporation Limited - quoted	6.1	28,330,126	28,651,248
The Hub Power Company Limited - quoted	6.2	5,341,585	5,566,420
e2e Business Enterprises (Private) Limited - unquoted	6.3	175,146	175,146
		<u>33,846,857</u>	<u>34,392,814</u>

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

For the quarter ended March 31, 2014

	Note	March 31, 2014 Unaudited ------(Rupees in '000)-----	December 31, 2013 Audited
6.1	Engro Corporation Limited (ECL)		
	194,972,555 (December 31, 2013: 194,972,555) ordinary shares of Rs 10 each	28,651,248	25,377,122
	Share of post acquisition profit for the period / year	869,032	3,169,984
	Share of other comprehensive income (net of tax)	(26,168)	104,142
	Less: dividend receivable for the period / year	(1,163,986)	-
		(321,122)	3,274,126
	Closing balance	28,330,126	28,651,248
	Percentage of equity held	38.13%	38.13%
6.1.1	The shareholders of ECL, at its Annual General Meeting (AGM) held on March 31, 2014, approved a specie dividend in the form of one share of Engro Fertilizers Limited (E Fert) for every ten shares of ECL. The shares of E Fert have been accounted for at the closing market value prevailing on the date of ECL AGM.		
6.1.2	Market value of investment in ECL as at March 31, 2014 was Rs 36,356 million (December 31, 2013: Rs 30,879 million).		
6.1.3	Financial results of ECL for the quarter ended December 31, 2013 have been used for the application of equity method of accounting for consolidation purposes, since financial results of ECL for the quarter ended March 31, 2014 were not available at the time of preparation of these consolidated condensed interim financial statements.		
6.1.4	As at March 31, 2014, 25.50 million ordinary shares of ECL (December 31, 2013: 25.50 million) having face value of Rs 255 million (December 31, 2013: Rs 255 million) and market value of Rs 4,755 million (December 31, 2013: Rs 4,039 million) were pledged as security against various short term finance facilities, obtained by The Group from various banks.		
6.2	The Hub Power Company Limited (HUBCO)		
	164,847,000 (December 31, 2013: 164,847,000) ordinary shares of Rs 10 each		
	Opening balance	5,566,420	5,436,705
	Share of post acquisition profit for the period / year	187,708	1,448,491
	Share of other comprehensive income (net of tax)	(425)	-
	Less: dividend receivable / received during the period / year	(412,118)	(1,318,776)
		(224,835)	129,715
	Closing balance	5,341,585	5,566,420
	Percentage of equity held	14.25%	14.25%

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

For the quarter ended March 31, 2014

- 6.2.1 The market value of the investment in HUBCO as at March 31, 2013 was Rs 8,765 million (December 31, 2013: Rs 10,010 million).
- 6.2.2 Financial results of HUBCO for the quarter ended December 31, 2013 have been used for the application of equity method of accounting for consolidation purposes, since financial results of HUBCO for the quarter ended March 31, 2014 were not available at the time of preparation of these consolidated condensed interim financial statements.
- 6.2.3 The Group has effectively acquired 14.25% of the voting power in HUBCO. Due to the representation of The Group's nominees on the Board of Directors of HUBCO, participation in policy making process and being the single largest shareholder, The Group has significant influence over HUBCO.
- 6.2.4 As at March 31, 2014, 151.22 million ordinary shares of HUBCO (December 31, 2013: 151.22 million) having face value of Rs 1,512 million (December 31, 2013: Rs 1,512 million) and market value of Rs 8,040 million (December 31, 2013: Rs 9,182 million) were pledged as security against various finance facilities obtained by The Group from various banks.

March 31, 2014	December 31, 2013
Unaudited	Audited
----- (Rupees in '000) -----	

6.3 e2e Business Enterprises (Private) Limited

17,514,633 (December 31, 2013:
17,514,633) ordinary shares of Rs 10 each

Percentage of equity held

<u>175,146</u>	<u>175,146</u>
<u>39.00%</u>	<u>39.00%</u>

- 6.3.1 The Company has signed a Shareholders Agreement (SA) with e2e Supply Chain Management (Private) Limited and three individuals 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 tonne 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 RBO project. The Company has paid Rs 117 million and Rs 58 million on June 13 and December 20, 2013 representing the first and second tranches of the total investment in e2eBE.

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

For the quarter ended March 31, 2014

	Note	March 31, 2014 Unaudited ------(Rupees in '000)-----	December 31, 2013 Audited
7. SHORT TERM INVESTMENTS			
Financial assets at fair value through profit or loss			
MCB Cash Management Optimizer			
2,578,518 (December 31, 2013: 2,526,553)			
units of Rs 100 each		252,785	250,000
Adjustment arising from measurement to fair value		5,242	2,785
		258,027	252,785
Atlas Money Market Fund			
513,272 (December 31, 2013: 502,949)			
units of Rs 500 each		252,858	250,000
Adjustment arising from measurement to fair value		5,298	2,858
		258,156	252,858
ABL Cash Fund			
10,186,161 (December 31, 2013: Nil)			
units of Rs 10 each		100,000	-
Adjustment arising from measurement to fair value		1,986	-
		101,986	-
HBL Money Market Fund			
3,137,356 (December 31, 2013: 3,072,291)			
units of Rs 100 each		310,579	301,361
Adjustment arising from measurement to fair value		6,323	9,218
		316,902	310,579
NAFA Money Market Fund			
30,322,353 (December 31, 2013: 31,096,691)			
units of Rs 10 each		300,000	300,000
Adjustment arising from measurement to fair value		3,472	11,334
		303,472	311,334
Askari Sovereign Cash Fund			
1,002,424 (December 31, 2013: 2,053,178)			
units of Rs 100 each		100,000	200,000
Adjustment arising from measurement to fair value		1,167	6,959
		101,167	206,959
		<u>1,339,710</u>	<u>1,334,515</u>
8. LONG TERM FINANCING			
Diminishing musharaka	8.1	4,800,000	4,800,000
Syndicated term finance	8.2	1,863,000	1,863,000
Long term finance under mark-up arrangement	8.3	321,858	338,798
		6,984,858	7,001,798
Less: Current portion of long term financing		(2,021,985)	(1,996,130)
		<u>4,962,873</u>	<u>5,005,668</u>

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

For the quarter ended March 31, 2014

- 8.1 The Subsidiary Company has obtained a long term finance facility of Rs 4,800 million (December 31, 2013: Rs 4,800 million) from a consortium of banks under Diminishing Musharaka arrangement with Meezan Bank Limited acting as Investment Agent. The facility was utilised towards redemption of another Musharaka arrangement under participatory redeemable capital (Islamic Sukuks). The facility is for a period of 5 years, inclusive of grace period of 2 years and is repayable in six semi annual installments commencing from June 2014. The mark-up is payable semi-annually in arrears at the rate of six months Karachi Inter Bank Offer Rate (KIBOR) plus 110 basis points. The finance facility is secured by a first charge equal to the bank musharaka share plus 25% margin on specific movable assets of the Subsidiary Company and a corporate guarantee by the Holding Company.
- 8.2 The Subsidiary Company also obtained a syndicated long term finance facility of Rs 2,070 million (December 31, 2013: 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 is for a period of 5 years and will be repaid in ten semi-annual installments already commenced from June 2013. Mark-up 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 6.2.4 and further ranking hypothecation charge over all present and future fixed assets (excluding immovable properties) of the Subsidiary Company.
- 8.3 This represents utilised portion of long term finance facility obtained by the Holding Company under mark-up arrangement from Allied Bank Limited aggregating Rs 380 million (December 31, 2013: Rs 380 million). The finance facility is secured by way of hypothecation charge over all assets of the Holding Company with 25% margin and pledge of HUBCO shares with 50% margin. The facility carries markup at the rate of six months ask side KIBOR plus 200 basis points per annum and is payable semi annually in arrears with the first payment made on January 4, 2013, whereas repayment of the first installment of principal was made in July 2013. The facility will be repaid in full by July 2017.

		March 31, 2014	December 31, 2013	
	Note	Unaudited	Audited	
		------(Rupees in '000)-----		
9.	SHORT TERM RUNNING FINANCES	9.1 & 9.2	1,014,048	905,055

- 9.1 This includes Rs 383 million (December 31, 2013: Rs 386 million) availed by the Subsidiary Company from commercial banks out of the total facility of Rs 2,398 million (December 31, 2013: Rs 2,398 million) expiring on various dates upto December 31, 2014. These facilities are secured by way of pledge of ECL and HUBCO shares as more fully explained in notes 6.1.4 and 6.2.4. Rate of mark-up applicable to these facilities ranges between KIBOR plus 50 basis points to 100 basis points (December 31, 2013: KIBOR plus 50 basis points to 100 basis points) per annum.

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

For the quarter ended March 31, 2014

- 9.2 This includes Rs 631 million (December 31, 2013: Rs 520 million) availed by the Holding Company from commercial banks out of the total finance facilities of Rs 2,000 million (December 31, 2013: Rs 2,000 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 6.2.4. Rate of mark-up applicable to these facilities ranges between KIBOR plus 100 to 150 basis points (December 31, 2013: KIBOR plus 100 to 150 basis points) per annum.

10. CONTINGENCIES AND COMMITMENTS

10.1 Contingent liabilities

There are no material contingencies as at March 31, 2014.

	March 31, 2014 Unaudited	December 31, 2013 Audited
	------(Rupees in '000)-----	
10.2 Commitments in respect of:		
- letters of credit for purchase of raw material and spares	137,957	8,067
- purchase of stores and spares	-	114,413
- capital expenditure	-	989
- investment in e2eBE	102,487	102,487
- operating lease	3,651	3,651

	Quarter ended March 31, 2014 Unaudited	March 31, 2013 Unaudited
	------(Rupees in '000)-----	
11. CASH (USED IN) / GENERATED FROM OPERATIONS		
Profit before taxation	614,575	758,684
Adjustment for non cash expenses and other items:		
Depreciation and amortization	49,228	53,063
Finance cost	239,359	185,172
Profit on sale of property, plant and equipment	(761)	(745)
Realised gain on investments at fair value through profit or loss	(3,944)	-
Un-realized gain due to fair value adjustment of investment through profit or loss	(23,488)	-
Unrealized exchange gain	(13,271)	-
Share of profit of associates	(1,056,740)	(1,111,856)
Provision for impairment of major spare parts and standby equipment	838	-
Provision for employees' retirement and other service benefits	4,330	5,726
Income received from bank deposits	(2,191)	(584)
Working capital changes	27,446	197,240
Cash (used in)/generated from operations	(164,619)	86,700

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

For the quarter ended March 31, 2014

Note	Quarter ended	
	March 31, 2014 Unaudited	March 31, 2013 Unaudited
------(Rupees in '000)-----		
11.1	Working capital changes	
	Decrease / (increase) in current assets:	
	Stores, spares and loose tools	5,342
	Stock in trade	25,834
	Trade debts	39,764
	Short term loans and advances	2,081
	Short term deposits and prepayments	(1,235)
	Other receivables	(1,983)
		69,803
	(Decrease) / increase in trade and other payables	(42,357)
		27,446
		11,507
		(308,106)
		(5)
		(13,121)
		(343)
		4,904
		(305,164)
		502,404
		197,240

12. FINANCIAL RISK MANAGEMENT AND FINANCIAL DISCLOSURES

12.1 Financial risk factors

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

The consolidated condensed interim financial statements do not include all financial risk management information and disclosures which are required in the annual financial statements and should be read in conjunction with The Group's annual financial statements as at December 31, 2013. There have been no changes in any risk management policies since the previous year end.

13. RELATED PARTY TRANSACTIONS

Significant transactions during the period were as follows:

	Quarter ended	
	March 31, 2014 Unaudited	March 31, 2013 Unaudited
------(Rupees in '000)-----		
Associates		
Dividend income	1,576,104	576,965
Investment committed in e2eBE	102,487	-
Related parties		
Markup on Musharaka Loan - Meezan Bank Limited	58,253	54,629
Sale of goods and services	1,489	7,042
Purchase of goods and services	3,442	307,941
Sale of fixed assets	743	860
Reimbursement of expenses from related parties	7,896	132
Reimbursement of expenses to related parties	570	1,474
Rental income	3,600	3,600
Membership fees and other subscriptions	235	-

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

For the quarter ended March 31, 2014

	Quarter ended	
	March 31, 2014	March 31, 2013
	Unaudited	Unaudited
	------(Rupees in '000)-----	

Other related parties

Key management personnel compensation	101,089	91,760
Consulting professional fees	3,000	-
Contributions to employees' retirement benefits	12,171	11,964

14. GENERAL

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

14.2 The Board of Directors of the Holding Company in its meeting held on February 27, 2014 has proposed a cash dividend of Rs 1.00 per share (2012: Rs 1.00 per share) for the year ended December 31, 2013 subject to approval of the members at the Annual General Meeting to be held on April 28, 2014. These consolidated condensed interim financial statements do not recognize the proposed dividend as a deduction from unappropriated profit.

15. DATE OF AUTHORISATION FOR ISSUE

These consolidated condensed interim financial statements were authorized for issue by the Board of Directors on April 21, 2014.

Karachi: April 21, 2014

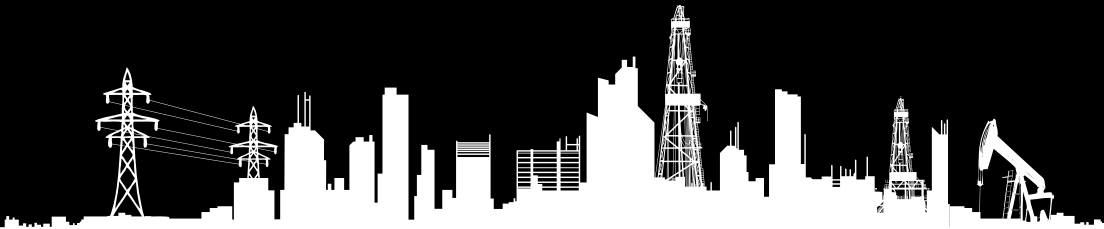

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Dawood Hercules

OUR ENERGY



For the Quarter ended March 31, 2014



Dawood Hercules