

# OUR ENERGY



Half Yearly Accounts (un-audited)  
for the six months period ended June 30, 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
Ms. Sabrina Dawood	Director
Mr. Samad Dawood	Director
Mr. Shahzada Dawood	Director
Mr. Parvez Ghias	Director
Mr. Saad Raja	Director
Mr. Hasan Reza Ur Rahim	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. Abdul Aleem	Member
Mr. Parvez Ghias	Member

## Board Investment Committee

Mr. Hussain Dawood	Chairman
Mr. Javed Akbar	Member
Mr. Hasan Reza Ur Rahim	Member

## Company Secretary

Mr. Shafiq Ahmed

## Chief Financial Officer

Mr. Shafiq Ahmed

## Registered Office

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Karachi-75530  
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Fax: +92 (21) 35633972  
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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Fax: +92 (21) 34380106

## Tax Consultants

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

## Legal Advisors

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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 condensed consolidated interim financial statements of the Group for the second quarter and half year ended June 30, 2014.

## 1. Business overview

### (a) Engro Corporation Limited

The Company's associated entity Engro Corporation Limited (E Corp) reported an increase in profit after tax of PKR 2.23 billion in Q1 2014 as compared to PKR 2.01 billion in the corresponding period last year. Main contributor to this improvement is its fertilizer subsidiary which continued to receive gas from the Mari field enabling both of its plants to run continuously. Increased profitability in fertilizers was partly offset by lower profit in its foods subsidiary and a loss attributed to the rice business.

### (b) The Hub Power Company Limited

The Hub Power Company Limited (HUBCO) turnover for the quarter ended March 31, 2014 increased from PKR 42.64 billion to PKR 44.26 billion, an increase of 3.8%. However, its profitability declined sharply by 18% to PKR 2.25 billion compared with the similar period last year on account of increased maintenance costs and lower load factor of its Hub plant due to repairs and refurbishment of the boilers which have become unreliable. Consolidated earnings per share of HUBCO also decreased to PKR 1.90 as compared to PKR 2.36 for the same period last year.

### (c) DH Fertilizers Limited

During the quarter, in accordance with the rota arrangement agreed with the Government, gas supply to DHFL was started on April 18, 2014 after Pakarab had completed their rota of 31 days. Whereas, the two network plants were promised 4 months gas supply during the year at the commencement of rotation, gas supply to DHFL was discontinued after barely 20 days under the directives of the Prime Minister to provide gas to power sector. The management of DHFL is constantly following up with the Ministry of Petroleum & NR (MP&NR) for the restoration of gas but no relief has been provided and complete curtailment prevails to date.

As a result of the above, DHFL produced only 18,143 tonnes of urea in Q2 against 13,470 tonnes of urea in similar period last year. Sales of urea were only 160 tonnes in Q2 as compared to 33,970 tonnes of urea in the same quarter last year. The decrease is attributable to market uncertainties pending

resolution of issues relating to the fixation of urea price by the Government and the dealer's commission thereon and this is reflected in the quarter end and half year's financial performance. The subsidiary made a loss of PKR 150 million and PKR 113 million respectively in Q2 and at half year in comparison with a profit of PKR 254 million and PKR 375 million in the comparable period last year. If other income is excluded, the gravity of the operational loss situation is significantly worse.

#### (d) Investments - Other

In the Rice Bran Oil (RBO) project, the Company has contributed its share of third equity call installment of PKR 31.20 million. Total investment so far has reached to PKR 206 million. The project is progressing well and it is expected that it will commence commercial production before the end of this year.

## 2. Financial performance

During the quarter ended June 30, 2014, the Group made a gross profit of PKR 94.03 million as compared to a profit of PKR 614.13 million for the corresponding quarter last year. Other than the loss emanating from DHFL, the aggregate share of profit from the Company's associated entities, E Corp and HUBCO of PKR 1,057 million was PKR 100 million lower as compared to the same period last year mainly due to lower profitability at HUBCO.

After accounting for the consolidated tax charge of PKR 202.30 million for the quarter ended June 30, 2014, the Group's consolidated profit after taxation was PKR 543.33 million as compared to PKR 1,273 million for the corresponding quarter last year.

Earnings per share (EPS) of the Company for the half year were PKR 1.64 as compared to PKR 1.27 for the same period last year. Similarly, the consolidated EPS of the Group for the half year was PKR 2.63 (2013: PKR 3.96).

## 3. Future outlook

Despite the recent unsettling political situation in the country, general business confidence continues to be stable as highlighted by an upward trend in portfolio investments in capital markets, increase in inward remittances, stable rupee over US\$, and strong corporate profitability across the economy. Business confidence can be further improved if the Government remains committed to following through on its contractual and policy commitments and reforming the power sector.

In particular, the GOP's short term policy with respect to the fertilizers industry remains unclear which is evident from the uncertain gas allocations as well as unwarranted changes in the application of GIDC, both of which have completely disrupted orderly and fair competition within the industry. Whereas the Government has made strenuous and positive efforts to ameliorate the energy shortage by making good progress on LNG imports starting early next year, the actual allocation of this additional volume (assuming no further depletion of indigenous gas production) appears to be exclusively for the power sector. Fertilizer plants not currently being supplied need a firm assurance of future supply either as a consequence of additional LNG supply or directly from indigenous fields as allocated via the Long Term Gas Supply Arrangement (LTGSA) previously agreed with the industry and approved by the ECC.

On the LTGSA, the four fertilizer manufacturers are continuously pursuing the matter with the government to commence the field work to make the project operational by end 2015.

Due to continuous curtailment of gas and very limited production, DHFL cash flows have completely dried up and it is now struggling to meet its operating and financial obligations. DHFL has estimated that it requires at least 120 days of gas during 2014 in order to remain afloat and has informed the Government of the implications that will inevitably follow if this gas is not supplied. Nothing less than the survival of DHFL is at stake and there is little that management can do if the Government fails to acknowledge the gravity of the situation.

Karachi: August 18, 2014

  
Shahid Hamid Pracha  
Chief Executive

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

## Introduction

We have reviewed the accompanying unconsolidated condensed interim balance sheet of Dawood Hercules Corporation Limited (the Company) as at June 30, 2014 and the related unconsolidated condensed interim profit and loss account, unconsolidated condensed interim statement of comprehensive income, unconsolidated condensed interim statement of changes in equity, unconsolidated condensed interim cash flow statement together with the notes forming part thereof for the six months period then ended (here-in-after referred to as the 'interim financial information'). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures included in the unconsolidated condensed interim profit and loss account and unconsolidated condensed interim statement of comprehensive income for the quarters ended June 30, 2014 and 2013 and the notes forming part thereof have not been reviewed as we are required to review only the cumulative figures for the six months period ended June 30, 2014.

## Scope of Review

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

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the six months period ended June 30, 2014 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Chartered Accountants

Karachi: August 18, 2014

Audit Engagement Partner: Khurshid Hasan

# Unconsolidated condensed interim balance sheet (unaudited - note 2)

As at June 30, 2014

	Note	June 30, 2014 (Unaudited)	December 31, 2013 (Audited)
-----Rupees in '000-----			
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	6	71,463	57,607
Intangible assets		200	267
Long term investments	7	20,538,391	20,507,191
		<u>20,610,054</u>	<u>20,565,065</u>
<b>CURRENT ASSETS</b>			
Short term advances		1,206	983
Short term deposits and prepayments		7,210	16,626
Other receivables		21,906	6,504
Assets classified as held for sale	8	999,625	-
Cash and bank balances		3,839	13,727
		<u>1,033,786</u>	<u>37,840</u>
<b>TOTAL ASSETS</b>		<u>21,643,840</u>	<u>20,602,905</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		14,972,870	14,665,990
		<u>19,785,741</u>	<u>19,478,861</u>
<b>NON CURRENT LIABILITIES</b>			
Long term financing	9	286,525	304,918
Deferred liabilities		664	402
		<u>287,189</u>	<u>305,320</u>
<b>CURRENT LIABILITIES</b>			
Current portion of long term financing	9	61,333	33,880
Short term running finance	10	1,296,860	519,542
Trade and other payables	11	64,936	235,614
Accrued mark-up		41,933	28,081
Taxation-net		105,848	1,607
		<u>1,570,910</u>	<u>818,724</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>21,643,840</u>	<u>20,602,905</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	12		

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

Karachi: August 18, 2014

  
M. A. Aleem  
Director

  
Shahid Hamid Pracha  
Chief Executive



# Unconsolidated condensed interim profit and loss account (unaudited - note 2)

For the quarter and six months period ended June 30, 2014

Note	Quarter ended		Six months period ended		
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	
-----Rupees in '000-----					
Dividend income	13	-	-	1,144,093	743,725
Administrative expenses		(75,846)	(50,844)	(140,608)	(114,641)
		(75,846)	(50,844)	1,003,485	629,084
Other operating expenses		(238)	-	(478)	-
Other (loss) / income		(57,919)	4,767	(44,564)	13,029
Operating (loss) / profit		(134,003)	(46,077)	958,443	642,113
Finance costs		(32,797)	(15,139)	(58,349)	(21,909)
(Loss) / profit before taxation		(166,800)	(61,216)	900,094	620,204
Taxation		(86,981)	-	(111,927)	(10,892)
(Loss) / profit after taxation		(253,781)	(61,216)	788,167	609,312
(Loss) / earnings per share (Rupees) - basic and diluted		(0.52)	0.12	1.64	1.27

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

Karachi: August 18, 2014

  
M. A. Aleem  
Director

  
Shahid Hamid Pracha  
Chief Executive



# Unconsolidated condensed interim statement of comprehensive income (unaudited - note 2)

For the quarter and six months period ended June 30, 2014

	Quarter ended		Six months period ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
	-----Rupees in '000-----			
(Loss) / profit after taxation	(253,781)	(61,216)	788,167	609,312
Other comprehensive income				
<i>Item that will not be reclassified subsequently to profit or loss -</i>				
Remeasurements of staff retirement benefits	-	(221)	-	(442)
<i>Item that may be reclassified subsequently to profit or loss -</i>				
Fair value reserve transferred to profit and loss on disposal of investment classified as 'available for sale'	-	-	-	(1,269)
Other comprehensive loss for the period	-	(221)	-	(1,711)
Total comprehensive (loss) / income	<u>(253,781)</u>	<u>(61,437)</u>	<u>788,167</u>	<u>607,601</u>

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

Karachi: August 18, 2014

  
M. A. Aleem  
Director

  
Shahid Hamid Pracha  
Chief Executive

# Unconsolidated condensed interim statement of changes in equity (unaudited - note 2)

For the six months period ended June 30, 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
<b>Comprehensive income</b>						
Profit after taxation	-	-	609,312	609,312	-	609,312
Other comprehensive loss			(442)	(442)	(1,269)	(1,711)
Total comprehensive income for the period	-	-	608,870	608,870	(1,269)	607,601
Final cash dividend for the year ended December 31, 2012 (Rs 1 per ordinary share)	-	-	(481,287)	(481,287)	-	(481,287)
<b>Balance as at June 30, 2013</b>	<u>4,812,871</u>	<u>700,000</u>	<u>14,145,299</u>	<u>14,845,299</u>	<u>-</u>	<u>19,658,170</u>
Balance as at January 1, 2014	4,812,871	700,000	13,965,990	14,665,990	-	19,478,861
<b>Comprehensive income</b>						
Profit after taxation	-	-	788,167	788,167	-	788,167
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	788,167	788,167	-	788,167
Final cash dividend for the year ended December 31, 2013 (Rs 1 per ordinary share)	-	-	(481,287)	(481,287)	-	(481,287)
<b>Balance as at June 30, 2014</b>	<u>4,812,871</u>	<u>700,000</u>	<u>14,272,870</u>	<u>14,972,870</u>	<u>-</u>	<u>19,785,741</u>

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

Karachi: August 18, 2014

  
M. A. Aleem  
Director

  
Shahid Hamid Pracha  
Chief Executive



# Unconsolidated condensed interim cash flow statement (unaudited - note 2)

For the six months period ended June 30, 2014

	Note	Six months period ended	
		June 30, 2014	June 30, 2013
-----Rupees in '000-----			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash utilised in operations	14	(312,312)	(129,783)
Finance cost paid		(44,497)	(14,636)
Taxes paid		(7,686)	(10,486)
Long term prepayments		-	(153)
Employees' retirement and other service benefits paid		(1,289)	(11,069)
Net cash utilised in operating activities		(365,784)	(166,127)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Fixed capital expenditure		(20,142)	(1,609)
Investment in associate		(31,200)	(116,646)
Proceeds from disposal of property, plant and equipment		136	945
Income received from bank deposits		136	148
Proceeds from disposal of short term investments		-	6,209
Proceeds from disposal of assets classified as held for sale		575	-
Dividends received		99,268	138,975
Net cash generated from investing activities		48,773	28,022
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Long term finance repaid		(16,940)	-
Long term finance acquired		26,000	117,000
Dividends paid		(479,255)	(479,293)
Net cash utilised in financing activities		(470,195)	(362,293)
Net decrease in cash and cash equivalents		(787,206)	(500,398)
Cash and cash equivalents at the beginning of the period		(505,815)	(25,912)
Cash and cash equivalents at the end of the period	15	(1,293,021)	(526,310)

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

Karachi: August 18, 2014

  
M. A. Aleem  
Director

  
Shahid Hamid Pracha  
Chief Executive

# Notes to and forming part of the unconsolidated condensed interim financial statements (unaudited - note 2) For the six months period ended June 30, 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) and its shares are quoted on Karachi, Lahore and Islamabad Stock Exchanges. The principal activity of the Company is to manage investments in its subsidiary and associated companies. The registered office of the Company is situated at Dawood Center, M.T. Khan Road, Karachi.

## 2. BASIS OF PREPARATION AND PRESENTATION

2.1 These unconsolidated condensed interim financial statements of the Company for the six months period ended June 30, 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 Companies Ordinance 1984 (the Ordinance). In case where requirements differ, the provisions of or directives issued under the Ordinance have been followed. These 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 condensed interim balance sheet as at June 30, 2014 and the condensed interim profit and loss account, the condensed interim statement of comprehensive income, the condensed interim statement of changes in equity, the condensed interim cash flow statement and notes thereto for the six months period then ended which have been subjected to a review in accordance with the Listing Regulations but not audited. These unconsolidated condensed interim financial statements also include the condensed interim profit and loss account for the quarter ended June 30, 2014 which was not subjected to review.

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 condensed interim profit and loss account, condensed interim statement of changes in equity and condensed interim cash flow statement for the six months period ended June 30, 2013 have been extracted from the unconsolidated condensed interim financial statements of the Company for the six months period then ended, which were subjected to review but not audited. The comparative condensed interim profit and loss account for the quarter ended June 30, 2013 is also included in these unconsolidated condensed interim financial statements.

## 3. ACCOUNTING POLICIES

3.1 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.

# Notes to and forming part of the unconsolidated condensed interim financial statements (unaudited - note 2) For the six months period ended June 30, 2014

3.2 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 and are, therefore, not disclosed in these condensed interim financial statements.

## 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 expenses. Actual results may differ from these estimates. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Revision to accounting estimates are recognised prospectively commencing from the period of revision.

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 were applied to the financial statements 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	June 30, 2014 (Unaudited)	December 31, 2013 (Audited)
-----Rupees in '000-----			
<b>6. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets	6.1	52,377	57,607
Capital work-in-progress	6.4	19,086	-
		<u>71,463</u>	<u>57,607</u>
6.1 Net book value at the beginning of the period / year		57,607	65,227
Add: Additions during the period / year	6.2	1,056	3,939
		<u>58,663</u>	<u>69,166</u>
Less: Disposals during the period / year - net book value	6.3	211	40
Depreciation charged during the period / year		6,075	11,519
		<u>6,286</u>	<u>11,559</u>
Net book value at the end of the period / year		<u>52,377</u>	<u>57,607</u>

Notes to and forming part of the unconsolidated condensed interim financial statements  
(unaudited - note 2) For the six months period ended June 30, 2014

	June 30, 2014 (Unaudited)	December 31, 2013 (Audited)
-----Rupees in '000-----		
6.2	Additions during the period / year	
	Furniture, fittings and equipment	1,236
	Motor vehicles	123
	Data processing equipment	2,580
	<b>1,056</b>	<b>3,939</b>
6.3	Disposals during the period / year - net book value	
	Motor vehicles	40
	Data processing equipment	-
	<b>211</b>	<b>40</b>

6.4 This represents payment made on advance for purchase of a vehicle.

	Note	June 30, 2014 (Unaudited)	December 31, 2013 (Audited)
-----Rupees in '000-----			
7.	LONG TERM INVESTMENTS		
	7.1	1,615,119	1,615,119
	7.2	18,716,926	18,716,926
	7.3	206,346	175,146
		<b>20,538,391</b>	<b>20,507,191</b>
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	
		<b>1,615,119</b>	<b>1,615,119</b>

Percentage of holding 100% (December 31, 2013:100%)



# Notes to and forming part of the unconsolidated condensed interim financial statements (unaudited - note 2) For the six months period ended June 30, 2014

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

	Note	June 30, 2014 (Unaudited)	December 31, 2013 (Audited)
-----Rupees in '000-----			
7.2	Investment in associates - quoted		
	Engro Corporation Limited	7.2.1 17,425,249	17,425,249
	The Hub Power Company Limited	7.2.2 1,291,677	1,291,677
		<u>18,716,926</u>	<u>18,716,926</u>
7.2.1	Engro Corporation Limited		
	175,012,555 (December 31, 2013: 175,012,555) ordinary shares of Rs 10 each	17,425,249	17,425,249

Percentage of holding 34.23% (December 31, 2013: 34.23%)

7.2.1.1 The market value of investment in Engro Corporation Limited (ECL) as at June 30, 2014 was Rs 31,241 million (December 31, 2013: Rs 27,718 million).

7.2.1.2 The details of shares pledged against short term running finance facilities are as follows:

Bank	As at June 30, 2014			As at December 31, 2013		
	Number of shares pledged (in '000)	Face value of pledged shares ----(Rupees in '000)----	Market value of pledged shares (in '000)	Number of shares pledged (in '000)	Face value of pledged shares ----(Rupees in '000)----	Market value of pledged shares (in '000)
Bank Al Habib Limited	5,540	55,400	988,945	5,540	55,400	878,059
United Bank Limited	1,900	19,000	339,150	-	-	-

		June 30, 2014 (Unaudited)	December 31, 2013 (Audited)
-----Rupees in '000-----			
7.2.2	The Hub Power Company Limited		
	39,707,000 (December 31, 2013: 39,707,000) ordinary shares of Rs 10 each	1,291,677	1,291,677

Percentage of holding 3.43% (December 31, 2013: 3.43%)

7.2.2.1 The market value of investment in The Hub Power Company Limited (HUBCO) as at June 30, 2014 was Rs 2,332 million (December 31, 2013: Rs 2,411 million).



# Notes to and forming part of the unconsolidated condensed interim financial statements (unaudited - note 2) For the six months period ended June 30, 2014

7.2.2.2 The Company effectively has 14.25% (December 31, 2013: 14.25%) of the voting power in 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, participation in policy making process and being the single largest private shareholder, the Company has significant influence over HUBCO.

7.2.2.3 The Company has pledged 12,580 million (December 31, 2013: 12,580 million) ordinary shares of HUBCO, having face value of Rs 125,800 million (December 31, 2013: Rs 125,800 million) and market value of Rs 738,949 million (December 31, 2013: Rs 763,858 million) as security against long term finance facility as disclosed in note 9. Further, following shares have been pledged against the short term running finance facilities:

Bank	As at June 30, 2014			As at December 31, 2013		
	Number of shares pledged (in '000)	Face value of pledged shares ----(Rupees in '000)----	Market value of pledged shares (in '000)	Number of shares pledged (in '000)	Face value of pledged shares ----(Rupees in '000)----	Market value of pledged shares (in '000)
Bank Al Habib Limited	13,500	135,000	792,990	13,500	135,000	819,720
United Bank Limited	10,000	100,000	587,400	-	-	-

	Note	June 30, 2014 (Unaudited)	December 31, 2013 (Audited)
-----Rupees in '000-----			
7.3 Investment in an associate - unquoted			
e2e Business Enterprises (Private) Limited 17,514,633 (December 31, 2013: 17,514,633) ordinary shares of Rs 10 each		175,146	175,146
Add : Advance against issue of shares	7.3.1	31,200	-
Closing balance		<u>206,346</u>	<u>175,146</u>

Percentage of holding 39% (December 31, 2013: 39%)

7.3.1 The Company has paid an amount of Rs 31.200 million on May 28, 2014 representing the third tranche of the total investment in e2e Business Enterprises (Private) Limited (e2eBE). The Company has received 3.120 million shares against this advance subsequent to the period end on July 23, 2014.

## 8. ASSETS CLASSIFIED AS HELD FOR SALE

8.1 This represents balance of 17,491,255 shares received as 'specie dividend' of a listed associated entity as more fully explained in note 13.1 to these unconsolidated condensed interim financial statements.

# Notes to and forming part of the unconsolidated condensed interim financial statements (unaudited - note 2) For the six months period ended June 30, 2014

- 8.2 These shares have been measured at lower of carrying amount and fair value less cost to sell and are classified as held for sale in accordance with the requirement of IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' as the Company has planned to dispose off the aforementioned shares.

June 30, 2014	December 31, 2013
(Unaudited)	(Audited)
-----Rupees in '000-----	

## 9. LONG TERM FINANCING

Balance as at January 1	338,798	178,050
Acquired during the period / year	26,000	175,500
Repayments during the period / year	(16,940)	(14,752)
	<u>347,858</u>	<u>338,798</u>
Less : Current portion of long term finance	61,333	33,880
	<u>286,525</u>	<u>304,918</u>

- 9.1 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 mark-up 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.

Note	June 30, 2014	December 31, 2013
	(Unaudited)	(Audited)
-----Rupees in '000-----		

10. SHORT TERM RUNNING FINANCE	10.1	<u>1,296,860</u>	<u>519,542</u>
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- 10.1 This represents utilised portion of short term running finance facilities aggregating Rs 2,000 million (December 31, 2013: Rs 2,000 million) from commercial banks obtained under mark-up arrangements expiring on various dates upto April 30, 2015. 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.

Notes to and forming part of the unconsolidated condensed interim financial statements  
(unaudited - note 2) For the six months period ended June 30, 2014

	June 30, 2014 (Unaudited)	December 31, 2013 (Audited)
-----Rupees in '000-----		
<b>11. TRADE AND OTHER PAYABLES</b>		
Creditors	104	192,092
Accrued expenses	40,699	21,421
Unclaimed dividend	24,098	22,066
Others	35	35
	<u>64,936</u>	<u>235,614</u>

**12. CONTINGENCIES AND COMMITMENTS**

**12.1 Contingent liabilities**

The Company issued a corporate guarantee to a syndicate of financial institutions through Meezan Bank Limited acting as investment agent to guarantee up to a maximum of Rs 6,400 million relating to a diminishing musharaka finance facility of Rs 4,800 million (December 31, 2013: Rs 4,800 million) availed by DHFL. The corporate guarantee will remain in full force and effect for a period of five years commencing from December 27, 2011.

	June 30, 2014 (Unaudited)	December 31, 2013 (Audited)
-----Rupees in '000-----		
<b>12.2 Commitments</b>		
Commitments in respect of investment in e2eBE	31,287	102,487
Commitments in respect of operating lease - not later than one year	3,651	3,651

Note      Six months period ended  
June 30,      June 30,  
2014      2013  
(Unaudited)      (Unaudited)  
-----Rupees in '000-----

**13. DIVIDEND INCOME**

Engro Corporation Limited	13.1	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>

# Notes to and forming part of the unconsolidated condensed interim financial statements (unaudited - note 2) For the six months period ended June 30, 2014

- 13.1 The shareholders of Engro Corporation Limited (ECL), at its Annual General Meeting (AGM) held on March 31, 2014, approved the issuance of one share of Engro Fertilizers Limited (E Fert) for every ten shares of ECL as 'specie dividend'.

	Note	Six months period ended	
		June 30, 2014	June 30, 2013
		(Unaudited)	(Unaudited)
		-----Rupees in '000-----	
<b>14. CASH UTILISED IN OPERATIONS</b>			
Profit before taxation		900,094	620,204
Adjustments for non cash expenses and other items:			
Depreciation		6,075	5,776
Amortisation		67	-
Finance cost		58,349	21,909
Loss / (profit) on disposal of property, plant and equipment		75	(936)
Profit on disposal of investments classified as available for sale		-	(4,862)
Loss on sale of assets classified as held for sale		22	-
Loss on remeasurement of asset classified as held for sale		44,603	-
Dividend income		(1,144,093)	(743,725)
Provision for employees' retirement and other service benefits		1,551	2,204
Income received from bank deposits		(136)	(148)
Working capital changes	14.1	(178,919)	(30,205)
Cash utilised in operations		<u>(312,312)</u>	<u>(129,783)</u>
<b>14.1 Working capital changes</b>			
(Increase) / decrease in current assets			
Short term advances		(223)	(4,240)
Short term deposits and prepayments		9,416	7,314
Other receivables		(15,402)	(394)
Due from associated undertakings		-	(15,334)
		<u>(6,209)</u>	<u>(12,654)</u>
Decrease in trade and other payables		<u>(172,710)</u>	<u>(17,551)</u>
		<u>(178,919)</u>	<u>(30,205)</u>

Notes to and forming part of the unconsolidated condensed interim financial statements  
(unaudited - note 2) For the six months period ended June 30, 2014

	Note	June 30, 2014 (Unaudited)	December 31, 2013 (Audited)
-----Rupees in '000-----			
<b>15. CASH AND CASH EQUIVALENTS</b>			
Cash and bank balance		3,839	13,727
Short term running finance	10	(1,296,860)	(519,542)
		<u>(1,293,021)</u>	<u>(505,815)</u>

**16. FINANCIAL RISK MANAGEMENT AND FINANCIAL DISCLOSURES**

**16.1 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.

The unconsolidated condensed interim financial statements do not include all financial risk management information and disclosures 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.

**17. RELATED PARTY TRANSACTIONS**

Significant transactions with related parties are as follows:

	Note	Six months period ended June 30, 2014 (Unaudited)	June 30, 2013 (Unaudited)
-----Rupees in '000-----			
<b>Subsidiary company</b>			
Reimbursement of expenses by the Company		-	61
Reimbursement of expenses to the Company		10,576	6,377
Sale of goods and services		320	2,872
Purchase of goods and services		444	-
Specie dividend		-	604,750
<b>Associates</b>			
Purchase of goods and services		6,837	6,207
Sale of goods and services		2,894	6,270
Dividend income		1,144,093	138,975
Reimbursement of expenses from associates		7,195	1,332
Reimbursement of expenses to associates		1,000	1,443

Notes to and forming part of the unconsolidated condensed interim financial statements  
(unaudited - note 2) For the six months period ended June 30, 2014

	Note	Six months period ended	
		June 30, 2014 (Unaudited)	June 30, 2013 (Unaudited)
-----Rupees in '000-----			
Investment in e2eBE	7.3	31,200	116,646
Donations		487	-
Membership fee and other subscriptions		243	-
Investment committed in e2eBE	12.2	31,287	161,000
<b>Key management personnel</b>			
Salaries and other short term employee benefits		58,987	52,691
Post retirement benefit plans		4,337	4,591
Sale of property, plant and equipment		50	-
<b>Other related parties</b>			
Reimbursement of expenses from other related parties		2,199	-

18. GENERAL

- 18.1 All financial information except as otherwise stated has been rounded to the nearest thousand of rupees.
- 18.2 These unconsolidated condensed interim financial statements were authorised for issue by the Board of Directors on August 18, 2014.

Karachi: August 18, 2014

  
M. A. Aleem  
Director

  
Shahid Hamid Pracha  
Chief Executive

# Consolidated condensed interim financial statements

For the six months period ended June 30, 2014

# Consolidated condensed interim balance sheet

As at June 30, 2014

	Note	June 30, 2014 (Unaudited) -----Rupees in '000-----	December 31, 2013 (Audited)
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	5	1,935,496	2,008,375
Intangible assets		3,820	267
Investment in associates	6	35,050,278	34,392,814
		<u>36,989,594</u>	<u>36,401,456</u>
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		752,435	767,782
Stock in trade		2,319,765	72,357
Trade debts		62	39,819
Short term loans and advances		19,004	13,714
Short term deposits and prepayments		31,587	21,125
Other receivables		443,198	36,898
Taxation -net		227,933	235,798
Short term investments	7	-	1,334,515
Assets classified as held for sale	8	1,113,696	-
Cash and bank balances		282,223	142,771
		<u>5,189,903</u>	<u>2,664,779</u>
<b>TOTAL ASSETS</b>		<u>42,179,497</u>	<u>39,066,235</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		24,870,907	24,110,912
		29,683,778	28,923,783
<b>NON CURRENT LIABILITIES</b>			
Long term financing	9	3,928,525	5,005,668
Deferred taxation		1,257,385	1,199,211
Deferred liabilities		83,144	91,071
		5,269,054	6,295,950
<b>CURRENT LIABILITIES</b>			
Current portion of long term financing		2,178,833	1,996,130
Short term running finance	10	3,836,953	905,055
Trade and other payables		1,144,447	891,782
Accrued mark-up		66,432	53,535
		7,226,665	3,846,502
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>42,179,497</u>	<u>39,066,235</u>
<b>CONTINGENCIES &amp; COMMITMENTS</b>	11		

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

Karachi: August 18, 2014

  
M. A. Aleem  
Director

  
Shahid Hamid Pracha  
Chief Executive



# Consolidated condensed interim profit and loss account - unaudited

For the quarter and six months period ended June 30, 2014

	Quarter ended		Six months period ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
-----Rupees in '000-----				
Net sales	110,690	2,999,902	232,943	3,123,058
Cost of sales	(16,653)	(2,385,770)	(265,932)	(2,567,441)
Gross profit / (loss)	94,037	614,132	32,989	555,617
Selling and distribution expenses	(11,599)	(38,816)	(23,640)	(50,686)
Administrative expenses	(129,348)	(118,965)	(248,599)	(226,616)
Other operating expenses	(39,945)	(31,888)	(42,253)	(35,750)
Other (loss) / income	(13,263)	36,229	44,557	50,135
Operating (loss) / profit	(100,118)	460,692	(302,924)	292,700
Finance cost	(210,993)	(206,002)	(450,352)	(391,182)
Share of profit of associates	1,056,740	1,156,878	2,229,512	2,268,734
Profit before taxation	745,629	1,411,568	1,476,236	2,170,252
Taxation	(202,297)	(138,730)	(210,502)	(262,552)
Profit after taxation	543,332	1,272,838	1,265,734	1,907,700
Earnings per share (Rupees) - basic and diluted	1.13	2.64	2.63	3.96

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

Karachi: August 18, 2014

  
M. A. Aleem  
Director

  
Shahid Hamid Pracha  
Chief Executive



# Consolidated condensed interim statement of comprehensive income - unaudited

For the quarter and six months period ended June 30, 2014

	Quarter ended		Six months period ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
	-----Rupees in '000-----			
Profit after taxation	543,332	1,272,838	1,265,734	1,907,700
Other comprehensive income				
<i>Item that will not be reclassified subsequently to profit or loss</i>				
Remeasurements of staff retirement benefits	-	(744)	-	(1,487)
Impact on taxation	-	178	-	355
	-	(566)	-	(1,132)
<i>Items that may be reclassified subsequently to profit or loss</i>				
Share of other comprehensive income of associates	(552)	6,419	(27,145)	52,041
Impact on taxation	44	(642)	2,693	(5,204)
	(508)	5,777	(24,452)	46,837
Fair value reserve transferred to profit and loss account on disposal of investment classified as 'available for sale'	-	-	-	(1,269)
	(508)	5,777	(24,452)	45,568
Other comprehensive income for the period	(508)	5,211	(24,452)	44,436
Total comprehensive income for the period	542,824	1,278,049	1,241,282	1,952,136

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

Karachi: August 18, 2014

  
M. A. Aleem  
Director

  
Shahid Hamid Pracha  
Chief Executive

# Consolidated condensed interim statement of changes in equity - unaudited

For the six months period ended June 30, 2014

	Issued, subscribed and paid up capital	Revenue reserves			Sub-total	Surplus on revaluation of investment	Total
		General reserve	Un-appropriated profit	Share of other comprehensive income of associates			
-----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
<b>Total comprehensive income</b>							
Profit after taxation	-	-	1,907,700	-	1,907,700	-	1,907,700
Other comprehensive income	-	-	(1,132)	46,837	45,705	(1,269)	44,436
Total comprehensive income for the period	-	-	1,906,568	46,837	1,953,405	(1,269)	1,952,136
Final cash dividend for the year ended December 31, 2012 (Rs 1 per ordinary share)	-	-	(481,287)	-	(481,287)	-	(481,287)
<b>Balance as at June 30, 2013</b>	<b>4,812,871</b>	<b>700,000</b>	<b>21,698,678</b>	<b>(36,262)</b>	<b>22,362,416</b>	<b>-</b>	<b>27,175,287</b>
Balance as at January 1, 2014	4,812,871	700,000	23,400,283	10,629	24,110,912	-	28,923,783
<b>Total comprehensive income</b>							
Profit after taxation	-	-	1,265,734	-	1,265,734	-	1,265,734
Other comprehensive income	-	-	-	(24,452)	(24,452)	-	(24,452)
Total comprehensive income for the period	-	-	1,265,734	(24,452)	1,241,282	-	1,241,282
Final cash dividend for the year ended December 31, 2013 (Rs 1 per ordinary share)	-	-	(481,287)	-	(481,287)	-	(481,287)
<b>Balance as at June 30, 2014</b>	<b>4,812,871</b>	<b>700,000</b>	<b>24,184,730</b>	<b>(13,823)</b>	<b>24,870,907</b>	<b>-</b>	<b>29,683,778</b>

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

Karachi: August 18, 2014

  
M. A. Aleem  
Director

  
Shahid Hamid Pracha  
Chief Executive

# Consolidated condensed interim cash flow statement - unaudited

For the six months period ended June 30, 2014

	Note	Six months period ended	
		June 30, 2014	June 30, 2013
-----Rupees in '000-----			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash (utilised in) / generated from operations	12	(2,560,798)	169,727
Finance cost paid		(437,383)	(377,522)
Taxes paid		(141,771)	(181,530)
Employees' retirement and other service benefits paid		(16,651)	(19,942)
Decrease in long term loans, advances and prepayments		-	1,190
Net cash utilised in operating activities		(3,156,603)	(408,077)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment		(27,990)	(2,531)
Purchase of intangible assets		(3,723)	-
Proceeds from disposal of property, plant and equipment		6,119	15,741
Income received from bank deposits		5,105	5,078
Proceeds from disposal of short term investments		1,876,847	6,209
Proceeds from disposal of assets classified as held for sale		575	-
Investment in associate		(31,200)	(116,646)
Short term investments made		(500,000)	(600,000)
Dividends received		412,118	576,964
Net cash generated from / (utilised in) investing activities		1,737,851	(115,185)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Long term finances acquired		26,000	117,000
Long term finance repaid		(920,440)	(103,500)
Dividends paid		(479,254)	(479,293)
Net cash utilised in financing activities		(1,373,694)	(465,793)
Net decrease in cash and cash equivalents		(2,792,446)	(989,055)
Cash and cash equivalents at the beginning of the period		(762,284)	3,233
Cash and cash equivalents at the end of the period		(3,554,730)	(985,822)

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: August 18, 2014

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

For the six months period ended June 30, 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 a public unlisted company incorporated on August 2, 2010 in Pakistan under the Ordinance, as a wholly owned subsidiary of the Holding Company. The Subsidiary Company is engaged in the business of production, purchase and sale of fertilizers. The registered office of the Subsidiary Company is situated at 35-A, Shahrah-e-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 interim profit and loss account, consolidated condensed interim statement of other comprehensive income, consolidated condensed interim statement of changes in equity and consolidated condensed interim cash flow statement for the quarter and six months period ended June 30, 2013 have been extracted from the consolidated condensed interim financial statements of The Group for the quarter and six months period then ended.

2.3 These consolidated condensed interim financial statements are being submitted to the shareholders in accordance with section 245 of the Ordinance and should be read in conjunction with the consolidated financial statements as at and for the year ended December 31, 2013, which have been prepared in accordance with International Financial Reporting Standards (IFRSs).

## 3. ACCOUNTING POLICIES

The accounting policies and methods of computation adopted for the preparation of these consolidated condensed interim financial statements are the same as those applied in the preparation of the consolidated financial statements of The Group as at and 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 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

For the six months period ended June 30, 2014

## 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 and liabilities, income and expenses. Actual results may differ from these estimates. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Revision to accounting estimates are recognised prospectively commencing from the period of revision.

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 estimation uncertainty were the same as those that were applied to the consolidated financial statements for the year ended December 31, 2013.

	Note	June 30, 2014 (Unaudited)	December 31, 2013 (Audited)
-----Rupees in '000-----			
<b>5. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets	5.1	1,636,042	1,725,664
Capital work-in-progress		168,141	150,560
Major spare parts and stand-by equipment		131,313	132,151
		<u>1,935,496</u>	<u>2,008,375</u>
5.1 Net book value at the beginning of the period / year		1,725,664	1,943,368
Add: Additions during the period / year	5.1.1	11,247	6,053
		<u>1,736,911</u>	<u>1,949,421</u>
Less: Disposals during the period / year		1,450	2,794
Assets written off during the period / year		-	14,568
Depreciation charged during the period / year		99,419	206,395
		<u>100,869</u>	<u>223,757</u>
Net book value at the end of the period / year		<u>1,636,042</u>	<u>1,725,664</u>
5.1.1 Additions during the period / year			
Plant and machinery		6,553	-
Furniture, fittings and equipment		86	1,909
Motor vehicles		2,427	123
Data processing equipment		2,181	4,021
		<u>11,247</u>	<u>6,053</u>

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

For the six months period ended June 30, 2014

	Note	June 30, 2014 (Unaudited)	December 31, 2013 (Audited)
-----Rupees in '000-----			
<b>6. INVESTMENT IN ASSOCIATES</b>			
Engro Corporation Limited - quoted	6.1	29,182,392	28,651,248
The Hub Power Company Limited - quoted	6.2	5,661,540	5,566,420
e2e Business Enterprises (Private) Limited- unquoted	6.3	206,346	175,146
		<u>35,050,278</u>	<u>34,392,814</u>
<b>6.1 Engro Corporation Limited - quoted (ECL)</b>			
194,972,555 (December 31, 2013: 194,972,555) ordinary shares of Rs 10 each			
Opening balance		28,651,248	25,377,122
Share of post acquisition profits for the period / year		1,721,424	3,169,984
Share of other comprehensive income for the period / year		(26,294)	104,142
Dividend received during the period / year	6.1.1	(1,163,986)	-
		531,144	3,274,126
Closing balance		<u>29,182,392</u>	<u>28,651,248</u>

Percentage of holding 38.13% (December 31, 2013: 38.13%)

- 6.1.1 The shareholders of ECL, at its Annual General Meeting (AGM) held on March 31, 2014, approved the issuance of one share of Engro Fertilizers Limited (E. Fert) for every ten shares of ECL as specie dividend.
- 6.1.2 Market value of investment in ECL as at June 30, 2014 was Rs 34,804 million (December 31, 2013: Rs 30,879 million).
- 6.1.3 Financial results of ECL for the quarter and six months period ended March 31, 2014 have been used for the application of equity method of accounting for consolidation purposes, since financial results of ECL for the quarter and six months period ended June 30, 2014 were not available till the finalization of these consolidated condensed interim financial statements.
- 6.1.4 The Group has pledged 27.4 million (December 31, 2013: 25.50 million) ordinary shares of ECL having face value of Rs 274 million (December 31, 2013: Rs 255 million) and market value of Rs 4,891 million (December 31, 2013: Rs 4,039 million) as security against various finance facilities obtained from the banks.

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

For the six months period ended June 30, 2014

	June 30, 2014 (Unaudited)	December 31, 2013 (Audited)
-----Rupees in '000-----		
<b>6.2 The Hub Power Company Limited - quoted (HUBCO)</b>		
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 profits for the period / year	508,088	1,448,491
Share of other comprehensive income for the period / year	(850)	-
Dividend received during the period / year	(412,118)	(1,318,776)
	95,120	129,715
Closing balance	5,661,540	5,566,420

Percentage of holding 14.25% (December 31, 2013: 14.25%)

- 6.2.1 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.
- 6.2.2 The market value of the investment in HUBCO as at June 30, 2014 was Rs 9,683 million (December 31, 2013: Rs 10,010 million).
- 6.2.3 Financial results of HUBCO for the quarter and six months period ended March 31, 2014 have been used for the application of equity method of accounting for consolidation purposes as the financial results for the quarter and six months period ended June 30, 2014 were not available till the finalization of these consolidated condensed interim financial statements.
- 6.2.4 The Group has pledged 161.22 million (December 31, 2013: 151.22 million) ordinary shares of HUBCO having face value of Rs 1,612 million (December 31, 2013: Rs 1,512 million) and market value of Rs 9,470 million (December 31, 2013: Rs 9,182 million) as security against various finance facilities obtained from the banks.



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

For the six months period ended June 30, 2014

June 30, 2014 (Unaudited)	December 31, 2013 (Audited)
-----Rupees in '000-----	

## 6.3 e2e Business Enterprises (Private) Limited - unquoted

17,514,633 (December 31, 2013: 17,514,633) ordinary shares of Rs 10 each	175,146	175,146
Add : Advance against issue of 3,120,000 ordinary shares of Rs 10 each	31,200	-
	<u>206,346</u>	<u>175,146</u>

Percentage of holding 39% (December 31, 2013: 39%)

- 6.3.1 The Holding Company has paid an amount of Rs 31.200 million on May 28, 2014 representing the third tranche of the total investment in e2e Business Enterprises (Private) Limited (e2eBE) and has received 3.12 million shares against this advance subsequent to the period end on July 23, 2014.

## 7. SHORT TERM INVESTMENTS

### 7.1 Investments at 'fair value through profit and loss'

Name of investee	Note	As at January 1, 2014	Purchased during the period	Bonus	Sales / Redemption during the period	As at June 30, 2014	Carrying value as at		Market value as at June 30, 2014
							June 30, adjustment 2014	June 30, 2014	
							-----Rupees in 000-----		
		-----Number of units-----							
NAFA Money Market Fund	7.1.1	31,096,691	29,925,486	1,041,544	(62,063,721)	-	-	-	-
Askari Sovereign Cash Fund	7.1.2	2,053,178	989,799	26,577	(3,069,554)	-	-	-	-
HBL Money Market Fund	7.1.2	3,072,291	-	89,164	(3,161,456)	-	-	-	-
MCB Cash Management Optimizer	7.1.2	2,526,553	-	60,203	(2,586,756)	-	-	-	-
Atlas Money Market Fund	7.1.3	502,949	-	17,492	(520,441)	-	-	-	-
ABL Cash Fund	7.1.1	-	9,986,319	348,794	(10,335,113)	-	-	-	-
							-	-	-

7.1.1 These had a nominal value of Rs 10 per unit.

7.1.2 These had a nominal value of Rs 100 per unit.

7.1.3 These had a nominal value of Rs 500 per unit.

## 8. ASSETS CLASSIFIED AS HELD FOR SALE

8.1 This represents balance of 19,487,255 shares received as 'specie dividend' of a listed associated entity.

8.2 These shares have been measured at lower of carrying amount and fair value less cost to sell and are classified as held for sale in accordance with the requirement of IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' as the Group has planned to dispose off the aforementioned shares.



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

For the six months period ended June 30, 2014

	Note	June 30, 2014 (Unaudited)	December 31, 2013 (Audited)	
-----Rupees in '000-----				
<b>9.</b>	<b>LONG TERM FINANCING</b>			
	Musharaka arrangement	9.1	4,000,000	4,800,000
	Syndicated term finance	9.2	1,759,500	1,863,000
	Long term finance	9.3	347,858	338,798
			<b>6,107,358</b>	<b>7,001,798</b>
	Less: Current portion of long term financing		<b>(2,178,833)</b>	<b>(1,996,130)</b>
			<b>3,928,525</b>	<b>5,005,668</b>

9.1 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 which commenced from June 28, 2014. The mark-up is payable semi-annually in arrears at the rate of six months 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.

9.2 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 which 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 and further ranking hypothecation charge over all present and future fixed assets of the Subsidiary Company.

9.3 The Holding Company has obtained a long term finance facility of Rs 380 million (December 31, 2013: Rs 380 million) under mark-up arrangement from Allied Bank Limited. The finance facility is secured by way of hypothecation charge over all assets of the Company and pledge of HUBCO shares. The facility carries markup at the rate of six months 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.

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

For the six months period ended June 30, 2014

	Note	June 30, 2014 (Unaudited)	December 31, 2013 (Audited)
-----Rupees in '000-----			
<b>10. SHORT TERM RUNNING FINANCE</b>	10.1 & 10.2	<b>3,836,953</b>	<b>905,055</b>
<b>10.1</b>	This includes Rs 2,540 million (December 31, 2013: Rs 386 million) availed by the Subsidiary Company from commercial banks out of the total facility of Rs 3,509 million (December 31, 2013: Rs 2,398 million) and 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.		
<b>10.2</b>	This includes Rs 1,297 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 April 30, 2015. 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 125 basis points (December 31, 2013: KIBOR plus 100 to 125 basis points) per annum.		
<b>11. CONTINGENCIES AND COMMITMENTS</b>			
<b>11.1 Contingent liabilities</b>			

There are no material contingencies as at June 30, 2014.

	Note	June 30, 2014 (Unaudited)	December 31, 2013 (Audited)
-----Rupees in '000-----			
<b>11.2 Commitments in respect of:</b>			
- letters of credit for purchase of raw material and spares		136,601	8,067
- purchase of stores and spares		-	114,413
- capital expenditure		-	989
- investment in e2eBE		31,287	102,487
- operating lease		3,651	3,651



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

For the six months period ended June 30, 2014

	Note	Six months period ended	
		June 30, 2014 (Unaudited)	June 30, 2013 (Unaudited)
-----Rupees in '000-----			
<b>12. CASH (UTILISED IN) / GENERATED FROM OPERATIONS</b>			
Profit before taxation		1,476,236	2,170,252
Adjustment for non cash expenses and other items:			
Depreciation and amortisation		99,589	104,878
Finance cost		450,352	391,182
Profit on disposal of property, plant and equipment		(4,670)	(12,984)
Loss on sale of assets classified as held for sale		22	-
Profit on disposal of investments classified as available for sale		-	(4,862)
Gain on sale of investments at fair value through profit or loss		(42,332)	-
Gain on remeasurement of investments at fair value through profit or loss		-	(5,742)
Loss on remeasurement of assets classified as held for sale		49,693	-
Share of profit from associates		(2,229,512)	(2,268,734)
Provision for employees' retirement and other service benefits		8,724	72,888
Income received from bank deposits		(5,105)	(5,078)
Working capital changes	12.1	(2,363,795)	(272,073)
Cash (utilised in)/generated from operations		<u>(2,560,798)</u>	<u>169,727</u>
<b>12.1 Working capital changes (Increase) / decrease in current assets</b>			
Stores, spares and loose tools		15,347	17,522
Stock in trade		(2,247,408)	(63,217)
Trade debts		39,757	(786,145)
Short term loans and advances		(5,290)	65,176
Short term deposits and prepayments		(10,462)	6,730
Other receivables		(416,754)	19,213
		<u>(2,624,810)</u>	<u>(740,721)</u>
Increase in trade and other payables		261,015	468,648
		<u>(2,363,795)</u>	<u>(272,073)</u>
<b>13. FINANCIAL RISK MANAGEMENT AND FINANCIAL DISCLOSURES</b>			
<b>13.1 Financial risk factors</b>			
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.			

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

For the six months period ended June 30, 2014

The consolidated condensed interim financial statements do not include all financial risk management information and disclosures 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.

## 14. RELATED PARTY TRANSACTIONS

Significant transactions during the period were as follows:

Note	Six months period ended	
	June 30, 2014 (Unaudited)	June 30, 2013 (Unaudited)
-----Rupees in '000-----		
<b>Associates</b>		
	1,576,104	576,965
Dividend income		
Reimbursement of expenses	-	775
Investment in e2eBE	31,200	116,646
Investment committed in e2eBE	31,287	161,000
<b>Related parties</b>		
Markup on Musharika Loan - Meezan Bank Limited	116,726	109,786
Sale of goods and services	3,973	10,613
Purchase of goods and services	6,837	479,954
Sale of fixed assets	743	-
Reimbursement of expenses from related parties	15,572	1,914
Reimbursement of expenses to related parties	1,000	1,443
Donations	487	-
Rental income	7,200	7,200
Membership fees and other subscriptions	243	-
<b>Other related parties</b>		
Key management personnel compensation	209,817	180,117
Consulting professional fees	3,000	-
Reimbursement of expenses from other related parties	2,199	-
Sale of property, plant and equipment	1,152	-
Contributions to post retirement benefit plans	30,049	81,695

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

For the six months period ended June 30, 2014

15. GENERAL

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

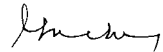
16. DATE OF AUTHORISATION FOR ISSUE

These consolidated condensed interim financial statements were authorised for issue by the Board of Directors on August 18, 2014.

Karachi: August 18, 2014



**M. A. Aleem**  
Director



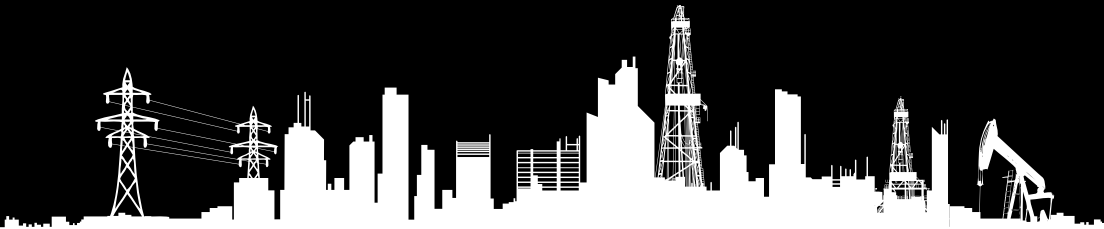
**Shahid Hamid Pracha**  
Chief Executive



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Dawood Hercules



# OUR ENERGY



For the Quarter ended March 31, 2014



Dawood Hercules