

QUARTERLY ACCOUNTS (un-audited)  
for the quarter and nine months period ended  
September 30, 2015

MAKING  
**FOOD &  
ENERGY**  
AVAILABLE, AFFORDABLE  
& SUSTAINABLE



DAWOOD HERCULES CORPORATION LIMITED



# COMPANY INFORMATION

## Board of Directors

Mr. Hussain Dawood	Chairman
Mr. Samad Dawood	Chief Executive Officer
Mr. M. Abdul Aleem	Director
Mr. Shahzada Dawood	Director
Ms. Sabrina Dawood	Director
Mr. Parvez Ghias	Director
Mr. Shabbir Hussain Hashmi	Director
Mr. Frank Murray Jones	Director
Mr. Hasan Reza Ur Rahim	Director
Mr. Saad Raja	Director

## Board Audit Committee

Mr. M. Abdul Aleem	Chairman
Mr. Parvez Ghias	Member
Mr. Hasan Reza Ur Rahim	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. Hasan Reza ur Rahim	Member

## Chief Financial Officer & Company Secretary

Mr. Shafiq Ahmed

## Registered Office

Dawood Centre, M.T. Khan Road  
Karachi – 75530

Tel: +92 (21) 35686001

Fax: +92 (21) 35633972

Email: [shareholders@dawoodhercules.com](mailto:shareholders@dawoodhercules.com)

Website: [www.dawoodhercules.com](http://www.dawoodhercules.com)

## Auditors

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

## Shares Registrar

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

## Tax Consultants

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

## Legal Advisors

M/s. HaidermotaBNR & Co.  
(Barristers at law)  
D-79, Block – 5, Clifton  
KDA Scheme No.5  
Karachi- 75600  
Tel: +92 (21) 111520000, 35879097  
Fax: +92 (21) 35862329, 35871054

## Bankers

Bank AL Habib Limited

Habib Bank Limited

Allied Bank Limited

United Bank Limited



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# DIRECTORS' REVIEW

The Directors are pleased to present their report together with the unaudited condensed interim financial statements of the Company for the third quarter and nine months ended 30<sup>th</sup> September 2015.

## 1. Economic Review:

The global slump in commodity prices continues to lower inflation and reduce cost pressures in the local economy. Resultantly, discount rates have reached 6.5%, which is the lowest in many decades. These factors have made a positive impact in most of our businesses and our stakeholders except for farmers, for which the government has announced a relief package.

## 2. Financial performance

The financial performance of the Company for the quarter and nine months ended 30 September 2015 is summarized below:

	Quarter ended		Nine months ended	
	30 Sept, 2015	30 Sept, 2014	30 Sept, 2015	30 Sept, 2014
	----- PKR million -----			
Income	2,413	386	23,001	2,027
Operating profit	2,694	270	22,184	1,725
Profit after tax	2,287	184	21,389	1,408
Earnings per share (Rs)	4.74	0.38	44.44	2.93

During the period, the Company has changed its accounting policy with respect to the recognition and measurement of investment in associates due to the disposal of wholly owned subsidiary company - DH Fertilizers Limited. The investments in associates are now accounted for under the equity method of accounting, which is explained in note 3.3 to the condensed interim financial statements. Previously these investments were measured at costs. With the above change, the Company in future will prepare only one set of financial statements.


## 3. Business overview

### (a) Investments

The new Board of the Hub Power Company Limited (HUBCO) was elected subsequent to the period end i.e on 5<sup>th</sup> October 2015. The new Board has a good mix of continuing and new members that will ensure continuity of the company strategy as well as providing fresh insights and perspectives. We are confident that the new Board will continue to create value for all shareholders.

### (b) Fertilizers

Engro Fertilizers Limited (EFert) continued to receive 60 MMSCFD gas from Mari Shallow and is expected to continue till 31 December 2015. Under the decision of ECC, EEfert had installed compressors for Guddu Power Plant at its own cost which resulted in improvement in gas utilization by 100 MMSCFD whereby domestic fertilizer capacity increased by 650 KTPA.



EFert revenue for the half year stood at PKR 38.3 billion as against PKR 27.7 billion for the similar period last year, an increase of 38.3%. The net profit after tax was PKR 6,855 million as against PKR 3,375 million for the same period last year, due concessionary gas pricing, lower finance cost, loan repayments, lower KIBOR and controlled cash flows.

Subsequent to the enactment of Gas Infrastructure Development Surcharge (GIDC) Act 2015, EFert without compromising on the legal standing paid the complete accrued GIDC and also started paying GIDC in current billing excluding concessionary gas.

EFert after obtaining the shareholders approval, completed the acquisition of 100% shareholding of Engro Eximp (Private) Limited and thereby brought complete fertilizer trading business which contributed to the revenue growth.

#### (c) Foods

During the first half of the year, EFoods performance witnessed a marked improvement over the last year mainly due to favourable commodity prices and effective pricing strategy. EFoods was able to touch a revenue growth of 25% over last year due healthy performance by dairy and beverages segment. Revenue for the period stood at PKR 24.9 billion as against PKR 19.9 billion for the similar period last year. Profit after tax at PKR 1,978 million was 500% higher as compared to PKR 329 million of the similar period last year due higher volumes, cheaper milk procurement and lower fuel and energy costs.

#### (d) Energy and Energy infrastructure

During the period ended 30 June 2015, Engro Elengy has handled 5 cargo shipments by FSRU shuttling to Qatar. This project has again demonstrated Engro's commitment towards betterment of the country as it will enable the Government to alleviate the increasing gas shortage in the country.

The Hub Power Company Limited (HUBCO) has signed a Joint Venture Agreement (JVA) with China Power International Holdings Limited (CPIH) to jointly develop a 1,320 MW (2x660) imported coal based power plant, based on the upfront tariff announced by NEPRA, alongwith ancillary coal jetty at the HUBCO existing Site. This project is being developed under China Pakistan Economic Corridor platform. In addition, HUBCO has become an equity partner in Sindh Engro Coal Mining Company (SECMC). The project aims at establishing four 330 MW mine mouth coal fired power plants.

During the nine months period ended 30 June 2015, the revenue of HUBCO stood at PKR 91,086 million as against PKR 126,764 million. This decline as due to lower fuel prices and scheduled outages. The profit for the nine months was 69% higher at PKR 9,591 million as against PKR 5,666 million of the similar period last year mainly due net effect of lower repair and maintenance, currency devaluation, higher generation bonus and lower efficiency loss.

(e) Future outlook

**Fertilizers:**

With the latest discovery of gas reserves by Mari Petroleum Company Limited coupled with the import of Liquefied Natural Gas (LNG), the prospects of continuity of gas to EFert are very bright. It is expected that the EFert will be able to ink arrangement with the Government and the gas marketing companies for the supply of gas for future periods.

**Foods:**

EFoods management plans to show the similar performance as achieved in the first half of the financial year. This will be achieved through innovation, operational and brand health.

**Energy:**

With the signing of JV with CPIH, SHA for coal mine mouth power projects and incorporation of a O&M company, HUBCO is aggressively working to achieve its growth for medium and long term horizons through expansion and investment.

China Pakistan Economic Corridor is expected to unlock the latent potential in the various sectors of the economy and will boost the much needed infrastructure development. Law and order and the energy shortfall, however, remain two key downside risks, which have and continue to curtail economic growth. Timely completion of the power sector liberalization agenda shall be a key determinant of the future economic trajectory. However, external factors such as the economic situation of the China, one of our largest trading partners, will also have a significant impact going forward.

  
Samad Dawood  
Chief Executive

# Condensed interim balance sheet - unaudited

As at September 30, 2015

Note	September 30, 2015 (Unaudited)	December 31, 2014 (Audited) Restated Note 3.3	January 1, 2014 (Audited) Restated Note 3.3
------(Rupees in '000)-----			
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
	6		
Property, plant and equipment	106,761	77,926	57,607
Intangible assets	33	134	267
Defined benefit asset - funded gratuity	263	264	-
Long term investments	7		
	51,247,581	31,111,723	29,288,113
	51,354,639	31,190,047	29,345,987
<b>CURRENT ASSETS</b>			
Short term advances	8,721	1,423	983
Short term deposits and prepayments	79,844	11,304	16,626
Other receivables	9,919	11,459	6,504
Receivable from Fatima Fertilizer Company Limited	8		
Dividend receivable from associated company	1,192,000	-	-
Short term investments	779,888	-	-
Interest accrued on bank deposits and investments	-	175,000	-
Cash and bank balances	-	915	-
	3,209,684	10,253	13,727
	5,280,056	210,354	37,840
<b>TOTAL ASSETS</b>	<b>56,634,695</b>	<b>31,400,401</b>	<b>29,383,827</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized share capital	10,000,000	10,000,000	10,000,000
Issued, subscribed and paid up share capital	4,812,871	4,812,871	4,812,871
Revenue reserves	39,391,489	24,270,626	22,349,822
	44,204,360	29,083,497	27,162,693
<b>NON CURRENT LIABILITIES</b>			
Long term financing	9		
Deferred tax liability	3,889,143	242,585	304,918
Defined benefit liability - unfunded gratuity	1,662,056	1,316,290	1,097,089
	325	687	402
	5,551,524	1,559,562	1,402,409
<b>CURRENT LIABILITIES</b>			
Current portion of long term financing	9		
Short term running finance	103,442	87,880	33,880
Trade and other payables	10		
Dividend payable	12,679	436,011	519,542
Accrued mark-up	713,276	197,292	235,614
Taxation - net	11		
	5,775,444	-	-
	34,009	34,148	28,081
	239,961	2,011	1,607
	6,878,811	757,342	818,724
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>56,634,695</b>	<b>31,400,401</b>	<b>29,383,827</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
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The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.

Karachi  
Date: October 20, 2015

  
**Samad Dawood**  
Chief Executive

  
**M. A. Aleem**  
Director

# Condensed interim profit and loss account - unaudited

For the quarter and nine months period ended September 30, 2015

Note	Quarter ended		Nine months period ended	
	September 30, 2015	September 30, 2014 Restated - Note 3.3	September 30, 2015	September 30, 2014 Restated - Note 3.3
------(Rupees in '000)-----				
Income	2,402,078	386,150	22,989,633	2,027,744
Administrative expenses	(109,139)	(70,146)	(1,207,337)	(210,754)
Gross profit	2,292,939	316,004	21,782,296	1,816,990
Other operating expenses	(10)	-	(220)	(433)
Other income / (loss)	382,508	(46,309)	383,014	(90,873)
Operating profit	2,675,437	269,695	22,165,090	1,725,684
Finance costs	(39,288)	(39,951)	(92,875)	(98,300)
Profit before taxation	2,636,149	229,744	22,072,215	1,627,384
Taxation	(372,007)	(46,078)	(701,372)	(219,045)
Profit after taxation	2,264,142	183,666	21,370,843	1,408,339
Earnings per share (Rupees) - basic and diluted	4.70	0.38	44.40	2.93

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

Karachi  
Date: October 20, 2015

  
**Samad Dawood**  
Chief Executive

  
**M. A. Aleem**  
Director



# Condensed interim statement of total comprehensive income - unaudited

For the quarter and nine months period ended September 30, 2015

	Quarter ended		Nine months period ended	
	September 30, 2015	September 30, 2014 Restated - Note 3.3	September 30, 2015	September 30, 2014 Restated - Note 3.3
	------(Rupees in '000)-----			
Profit after taxation	2,264,142	183,666	21,370,843	1,408,339
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Remeasurements of staff retirement benefits	(810)	-	-	-
<i>Items that will be reclassified subsequently to profit or loss</i>				
Share of other comprehensive income of associates	(175)	(3,034)	7,732	(26,845)
Impact on taxation	20	370	(981)	3,336
	(156)	(2,664)	6,751	(23,509)
Other comprehensive (loss) / income for the period	(966)	(2,664)	6,751	(23,509)
<b>Total comprehensive income for the period</b>	<b>2,263,176</b>	<b>181,002</b>	<b>21,377,594</b>	<b>1,384,830</b>

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

Karachi  
Date: October 20, 2015

  
**Samad Dawood**  
Chief Executive

  
**M. A. Aleem**  
Director

# Condensed interim statement of changes in equity - unaudited

For the nine months period ended September 30, 2015

	Issued, subscribed and paid up share capital	Revenue reserves			Sub-total	Total
		General reserve	Un- appropriated profit	Share of other comprehensive income of associates (Note 3.3)		
------(Rupees in '000)-----						
Balance as at January 1, 2014 (as previously reported)	4,812,871	700,000	13,965,990	-	14,665,990	19,478,861
Effect of change in accounting policy - Note 3.3	-	-	7,695,290	(11,458)	7,683,832	7,683,832
<b>Balance as at January 1, 2014 - restated</b>	<b>4,812,871</b>	<b>700,000</b>	<b>21,661,280</b>	<b>(11,458)</b>	<b>22,349,822</b>	<b>27,162,693</b>
<b>Comprehensive income</b>						
Profit after taxation	-	-	1,408,339	-	1,408,339	1,408,339
Other comprehensive loss	-	-	-	(23,509)	(23,509)	(23,509)
Total comprehensive income for the period	-	-	1,408,339	(23,509)	1,384,830	1,384,830
Final cash dividend for the year ended December 31, 2013 (Re 1/- per ordinary share)	-	-	(481,287)	-	(481,287)	(481,287)
<b>Balance as at September 30, 2014 - restated</b>	<b>4,812,871</b>	<b>700,000</b>	<b>22,588,332</b>	<b>(34,967)</b>	<b>23,253,365</b>	<b>28,066,236</b>
<b>Balance as at January 1, 2015 - restated</b>	<b>4,812,871</b>	<b>700,000</b>	<b>23,594,569</b>	<b>(23,943)</b>	<b>24,270,626</b>	<b>29,083,497</b>
<b>Comprehensive income</b>						
Profit after taxation	-	-	21,370,843	-	21,370,843	21,370,843
Other comprehensive income	-	-	-	6,751	6,751	6,751
Total comprehensive income for the period	-	-	21,370,843	6,751	21,377,594	21,377,594
Final cash dividend for the year ended December 31, 2014 (Re 1/- per ordinary share)	-	-	(481,287)	-	(481,287)	(481,287)
Interim cash dividend for the half year ended June 30, 2015 (Re 12/- per ordinary share)	-	-	(5,775,444)	-	(5,775,444)	(5,775,444)
<b>Balance as at September 30, 2015</b>	<b>4,812,871</b>	<b>700,000</b>	<b>38,708,681</b>	<b>(17,192)</b>	<b>39,391,489</b>	<b>44,204,360</b>

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

Karachi  
Date: October 20, 2015

  
**Samad Dawood**  
Chief Executive

  
**M. A. Aleem**  
Director

# Condensed interim cash flow statement - unaudited

For the nine months period ended September 30, 2015

	Note	Nine months period ended	
		September 30, 2015	September 30, 2014
------(Rupees in '000)-----			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash utilized in operations	14	(755,531)	(392,627)
Finance cost paid		(93,014)	(86,983)
Taxes paid		(117,657)	(29,537)
Staff retirement and other service benefits paid		(3,597)	(2,091)
Net cash utilized in operating activities		(969,799)	(511,238)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment		(45,438)	(25,601)
Proceeds from disposal of property, plant and equipment		5,247	5,469
Proceeds from disposal of subsidiary companies		800,000	-
Long term investments made in associates		(18,761,099)	(31,200)
Investment in subsidiary - Bubber Sher (Private) Limited		(10)	-
Proceeds from disposal of assets classified as held for sale		-	952,690
Income received from bank deposits		8,566	204
Dividends received		19,227,701	99,268
Net cash generated from investing activities		1,234,967	1,000,830
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Long term financing repaid		(87,880)	(34,333)
Long term financing obtained		3,750,000	26,000
Dividends paid		(479,525)	(479,786)
Net cash generated from / (utilized in) financing activities		3,182,595	(488,119)
Net increase in cash and cash equivalents		3,447,763	1,473
Cash and cash equivalents at the beginning of the period		(250,758)	(505,815)
Cash and cash equivalents at the end of the period	15	3,197,005	(504,342)

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

Karachi  
Date: October 20, 2015

  
**Samad Dawood**  
Chief Executive

  
**M. A. Aleem**  
Director

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

For the nine months period ended September 30, 2015

## 1. GENERAL INFORMATION

1.1 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.

1.2 On June 15, 2015, the Company signed a Share Purchase Agreement (SPA) with Pakarab Fertilizers Limited (PAFL) for the disposal of its wholly owned subsidiaries DH Fertilizers Limited (DHFL) and Bubber Sher (Private) Limited (BSPL). As per the SPA, the sale price has been fixed at Rs 1,992 million (net of enterprise value of Rs 6,600 million and long term loans of Rs 4,608 million) equivalent to Rs 19.92 per share as against the cost of Rs 16.15 per share. The shares of DHFL and BSPL have been transferred in the name of Fatima Fertilizer Company Limited (assignee of PAFL as per the terms of the SPA).

Subsequent to the signing of SPA an application was filed with Honorable High Court of Sindh for the dismissal of law suit filed by PAFL in the year 2013. On June 18, 2015 the Honorable High Court of Sindh dismissed the said law suit.

1.3 During the quarter ended June 30, 2015, the Company had acquired the investments held by DHFL in Engro Corporation Limited (ECL) and the Hub Power Company Limited (HUBCO). These shares were acquired after complying with the requirement of section 208 of the Companies Ordinance, 1984 and approval of the Competition Commission of Pakistan. The shares were purchased at the market value quoted on Karachi Stock Exchange on the date of purchase. The number of shares acquired are as follows:

Engro Corporation Limited	19,960,000
The Hub Power Company Limited	125,140,000

## 2. BASIS OF PREPARATION AND PRESENTATION

2.1 These condensed interim financial statements of the Company for the nine months period ended September 30, 2015 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. These condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2014, which have been prepared in accordance with International Financial Reporting Standards (IFRSs) except for the change in accounting policy as explained in note 3.3 to these condensed interim financial statements.

2.2 These condensed interim financial statements comprise of the condensed interim balance sheet as at September 30, 2015 and the condensed interim profit and loss account, the condensed interim statement of total comprehensive income, the condensed interim statement of changes in equity, the condensed interim cash flow statement and notes thereto for the nine months period then ended. These condensed interim financial statements also include the condensed interim profit and loss account and condensed interim statement of total comprehensive income for the quarter ended September 30, 2015.

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

For the nine months period ended September 30, 2015

2.3 The comparative balance sheet presented in these condensed interim financial statements as at December 31, 2014 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 total comprehensive income, condensed interim statement of changes in equity and condensed interim cash flow statement for the nine months period ended September 30, 2014 have been extracted from the condensed interim financial statements of the Company for the nine months period then ended. The comparative condensed interim profit and loss account for the quarter ended September 30, 2014 is also included in these condensed interim financial statements. The comparative figures have been restated in accordance with the change in accounting policy as explained in note 3.3 to these condensed interim financial statements.

## 3. ACCOUNTING POLICIES

3.1 The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the financial statements for the year ended December 31, 2014 except for the change in accounting policy as explained in note 3.3.

3.2 New standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2015 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.

### 3.3 Change in accounting policy

During the period, the Company has changed its accounting policy with respect to the measurement of investments in associates as required under IAS 28 - 'Investment in Associates'. With the change, the investment in associates are now accounted for using the equity method of accounting, whereby investment is initially recognized at cost and adjusted thereafter for the post acquisition change in the investor's share of net assets of the investee. The profit and loss of the investor includes the investor's share of the profit or loss of the investee. Previously, these investments were measured at cost in the separate financial statements of the Company. This change has been necessitated in view of the disposal of subsidiary companies i.e. DHFL and BSPL which resulted in discontinuation of preparation and presentation of consolidated financial statements as required under IAS 27 - 'Separate Financial Statements'.

The change in accounting policy as explained above has been applied retrospectively and comparative information has been restated in accordance with the treatment prescribed under IAS 8 - 'Accounting Policies, Changes in Accounting Estimates and Errors'.

The effects of the above retrospective change in the balance sheet, profit & loss account, other comprehensive income and statement of changes in equity have been explained below. There is no cash flow impact as a result of the retrospective application of change in accounting policy.

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

For the nine months period ended September 30, 2015

Balance previously reported	Effect of retrospective restatement	Restated amount
------(Rupees in '000)-----		

## BALANCE SHEET

As at January 1, 2014

Long term investments	20,507,191	8,780,922	29,288,113
Revenue reserves	14,665,990	7,683,832	22,349,822
Deferred tax liability	-	1,097,089	1,097,089

As at December 31, 2014

Long term investments	20,569,752	10,541,971	31,111,723
Revenue reserves	15,044,945	9,225,681	24,270,626
Deferred tax liability	-	1,316,290	1,316,290

## PROFIT AND LOSS

For the quarter ended September 30, 2014

Income	350,025	36,125	386,150
Taxation	(45,165)	(913)	(46,078)
Earnings per share - basic and diluted (Rupees)	0.31	0.07	0.38

For the nine months ended September 30, 2014

Income	1,494,118	533,626	2,027,744
Taxation	(157,092)	(61,953)	(219,045)
Earnings per share - basic and diluted (Rupees)	1.95	0.98	2.93

## OTHER COMPREHENSIVE INCOME

For the quarter ended September 30, 2014

Share of other comprehensive loss of associates	-	(3,034)	(3,034)
Impact on taxation	-	370	370

For the nine months ended September 30, 2014

Share of other comprehensive loss of associates	-	(26,845)	(26,845)
Impact on taxation	-	3,336	3,336

## CHANGES IN EQUITY

As at January 1, 2014

Unappropriated profit	13,965,990	7,695,290	21,661,280
Share of other comprehensive loss of associates	-	(11,458)	(11,458)

For the nine months ended September 30, 2014

Unappropriated profit	14,421,369	8,166,963	22,588,332
Share of other comprehensive loss of associates	-	(34,967)	(34,967)

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

For the nine months period ended September 30, 2015

## 4. ACCOUNTING ESTIMATES

The preparation of 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 expenses. Actual results may differ from these estimates. Estimates and judgments 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 recognized prospectively commencing from the period of revision.

In preparing these 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 for the year ended December 31, 2014.

## 5. SEASONALITY OF OPERATIONS

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

	Note	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
------(Rupees in '000)-----			
<b>6. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets	6.1	99,705	77,926
Capital work-in-progress		7,056	-
		<u>106,761</u>	<u>77,926</u>
6.1 Net book value at the beginning of the period / year		77,926	57,607
Add: Additions during the period / year	6.1.1	38,382	40,901
		<u>116,308</u>	<u>98,508</u>
Less: Disposals during the period / year - net book value	6.1.2	2,670	9,220
Depreciation charged during the period / year		13,933	11,362
		<u>16,603</u>	<u>20,582</u>
Net book value at the end of the period / year		<u>99,705</u>	<u>77,926</u>

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

For the nine months period ended September 30, 2015

	Note	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
------(Rupees in '000)-----			
6.1.1	Additions during the period / year		
	Leasehold improvements	-	10,406
	Furniture, fittings and equipment	1,062	6,743
	Motor vehicles	30,584	19,346
	Data processing equipment	6,736	4,406
		<b>38,382</b>	<b>40,901</b>
6.1.2	Disposals during the period / year - net book value		
	Data processing equipment	183	384
	Motor vehicles	2,487	8,836
		<b>2,670</b>	<b>9,220</b>
------(Rupees in '000)-----			
		September 30, 2015 (Unaudited)	December 31, 2014 (Audited) Restated note 3.3
------(Rupees in '000)-----			
<b>7.</b>	<b>LONG TERM INVESTMENTS</b>		
	Investment in subsidiary companies	7.1	-
	Investment in associates - quoted	7.2	51,073,551
	Investment in an associate - unquoted	7.3	174,030
		<b>51,247,581</b>	<b>31,111,723</b>
7.1	Investment in subsidiary companies		
	DH Fertilizers Limited - unquoted	7.1.1	-
	Bubber Sher (Private) Limited	7.1.2	-
		<b>-</b>	<b>1,615,119</b>
7.1.1	DH Fertilizers Limited - unquoted		
	100,000,000 (December 31, 2014: 100,000,000) ordinary shares of Rs 10 each	1,615,119	1,615,119
	Less: Disposal of 100,000,000 (December 31, 2014: Nil) ordinary shares of Rs 10 each	7.1.1.2	(1,615,119)
	Nil (2014: 100,000,000) ordinary shares of Rs 10 each	<b>-</b>	<b>1,615,119</b>
	Percentage of holding Nil (December 31, 2014: 100%)		
7.1.1.1	DH Fertilizers Limited (DHFL), is a public unlisted company incorporated under the Ordinance and its principal activity is the production, purchase and sale of fertilizers.		



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

For the nine months period ended September 30, 2015

7.1.1.2 As explained in detail in note 1.2 above, investment in DHFL has been disposed off following the signing of the SPA with Pakarab Fertilizers Limited (PAFL) and the shares have been transferred in the name of Fatima Fertilizer Company Limited (assignee of PAFL). Fatima Fertilizer Company Limited is required to satisfy certain conditions before the last completion date i.e. January 1, 2016 as per the terms of the SPA failing which the SPA will stand terminated.

## 7.1.2 Bubber Sher (Private) Limited

During the period, the Company invested in Bubber Sher (Private) Limited (BSPL) at a cost of Rs 10,000 divided into 1,000 ordinary shares of Rs 10/- each. BSPL is a private limited company and its principal activity is sale, marketing and distribution of fertilizers and its derivatives, insecticides, pesticides, and all kinds of agricultural, 'fruit growing and other' chemicals. Investment in BSPL has also been disposed off following the signing of a separate SPA with Pakarab Fertilizers Limited (PAFL). The shares have been transferred in the name of Fatima Fertilizer Company Limited (assignee of PAFL).

	Note	September 30, 2015 (Unaudited)	December 31, 2014 (Audited) Restated Note 3.3
------(Rupees in '000)-----			
7.2	Investment in associates - quoted		
	Engro Corporation Limited	7.2.1 36,284,103	27,944,187
	The Hub Power Company Limited	7.2.2 14,789,448	1,320,797
		<b>51,073,551</b>	<b>29,264,984</b>
7.2.1	Engro Corporation Limited		
	175,012,555 (January 1, 2014: 175,012,555) ordinary shares of Rs 10 each	27,944,187	26,195,652
	Add: 19,960,000 (2014: Nil) ordinary shares purchased from DHFL	7.2.1 5,883,678	-
	Share of profit for the period / year	4,278,195	2,510,373
	Gain on dilution of share	-	646,760
	Share of other comprehensive income / (loss)	8,019	(13,734)
	Dividend for the period / year	(1,829,976)	(1,394,864)
		2,456,238	1,748,535
	194,972,555 (December 31, 2014: 175,012,555) ordinary shares of Rs 10 each	<b>36,284,103</b>	<b>27,944,187</b>

Percentage of holding 37.22% (December 31, 2014: 33.41%)

7.2.1.1 The market value of investment in Engro Corporation Limited (ECL) as at September 30, 2015 was Rs 58,176 million (December 31, 2014: Rs 38,767 million).

7.2.1.2 As more fully explained in note 1.3, these shares were purchased from DHFL at market value of Rs 294.60 per share prevailing on the date of transaction i.e. June 8, 2015.

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

For the nine months period ended September 30, 2015

7.2.1.3 Financial results of ECL for the quarter and nine months ended June 30, 2015 have been used for the application of equity method of accounting, since financial results of ECL for the period ended September 30, 2015 were not available till the finalization of these condensed interim financial statements.

7.2.1.4 The details of shares pledged as security against finance facilities are as follows:

Bank	As at September 30, 2015			As at December 31, 2014		
	Number of shares pledged	Face value of pledged shares	Market value of pledged shares	Number of shares pledged	Face value of pledged shares	Market value of pledged shares
	(in '000)	----(Rupees in '000) ----		(in '000)	----(Rupees in '000) ----	
<b>Pledged against financing facilities availed by the Company</b>						
Bank AL Habib Limited	5,540	55,400	1,653,025	5,540	55,400	1,227,165
United Bank Limited	1,900	19,000	566,922	1,900	19,000	420,869
<b>Pledged against financing facilities availed by DHFL</b>						
Meezan Bank Limited	29,000	290,000	8,653,020	29,000	290,000	6,423,790
<b>Pledged against potential liabilities of DHFL in favor of Fatima Fertilizer Company Limited</b>						
Meezan Bank Limited - as agent	15,131	151,308	4,514,728	-	-	-

Note September 30, 2015 (Unaudited) December 31, 2014 (Audited) Restated Note 3.3  
------(Rupees in '000)-----

7.2.2 The Hub Power Company Limited

39,707,000 (January 1, 2014: 39,707,000) ordinary shares of Rs 10 each		1,320,797	1,302,195
Add: 7,735,000 (2014: Nil) shares purchased from Patek (Private) Limited	7.2.2.2	731,698	-
Add: 125,140,000 (2014: Nil) shares purchased from DHFL	7.2.2.3	12,145,723	-
Share of profit for the period / year		750,233	277,020
Share of other comprehensive loss		(287)	(505)
Dividend for the period / year		(158,716)	(257,913)
		591,230	18,602
172,582,000 (December 31, 2014: 39,707,000) ordinary shares of Rs 10 each		14,789,448	1,320,797

Percentage of holding 14.91% (December 31, 2014: 3.43%)

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

For the nine months period ended September 30, 2015

- 7.2.2.1 The market value of investment in the Hub Power Company Limited (HUBCO) as at September 30, 2015 was Rs 16,954 million (December 31, 2014: Rs 3,111 million).
- 7.2.2.2 Shareholders of the Company in their Annual General Meeting held on April 24, 2015 authorized the purchase of these shares from Patek (Private) Limited. The purchase transaction was executed on May 21, 2015 at the market value of Rs 94.50 per share prevailing on that date through the Negotiated Deal Market mechanism of the Karachi Stock Exchange.
- 7.2.2.3 As more fully explained in note 1.3, these shares were purchased from DHFL at market value of Rs 97.00 per share prevailing on the date of transaction i.e. June 8, 2015.
- 7.2.2.4 The Company has 14.91% (2014: 14.25%) of the voting power in HUBCO. 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.
- 7.2.2.5 Financial results of HUBCO for the quarter and nine months ended June 30, 2015 have been used for the application of equity method of accounting, since financial results of HUBCO for the period ended September 30, 2015 were not available till the finalization of these condensed interim financial statements.
- 7.2.2.6 The details of shares pledged as security against long term finance and short term running finance facilities are as follows:

	As at September 30, 2015			As at December 31, 2014		
	Number of shares pledged	Face value of pledged shares	Market value of pledged shares	Number of shares pledged	Face value of pledged shares	Market value of pledged shares
Bank	(in '000)	----(Rupees in '000) ----	----	(in '000)	----(Rupees in '000) ----	----
<b>Pledged against financing facilities availed by the Company</b>						
<b>Long Term:</b>						
Allied Bank Limited	82,570	825,700	8,111,677	12,581	125,810	985,847
<b>Short Term:</b>						
Bank Al Habib Limited	31,256	312,560	3,070,589	13,500	135,000	1,057,860
United Bank Limited	15,656	156,560	1,538,045	10,000	100,000	783,600
<b>Pledged against financing facilities availed by DHFL</b>						
Allied Bank Limited	26,720	267,200	2,624,973	-	-	-
Habib Metropolitan Bank	10,280	102,800	1,009,907	-	-	-
Habib Bank Limited	6,100	61,000	599,264	-	-	-

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

For the nine months period ended September 30, 2015

	Note	September 30, 2015 (Unaudited)	December 31, 2014 (Audited) Restated
------(Rupees in '000)-----			
7.3	Investment in an associate - unquoted e2e Business Enterprises (Private) Limited		
	23,770,701 (January 1, 2014: 17,514,633) ordinary shares of Rs 10 each	231,620	175,146
	Add: Nil (2014: 6,256,068) ordinary shares subscribed to during the period / year	-	62,561
	Share of loss for the period / year	(57,590)	(6,087)
	Share of other comprehensive income / (loss)	-	-
		(57,590)	(6,087)
	23,770,701 (December 31, 2014: 23,770,701) ordinary shares of Rs 10 each	<u>174,030</u>	<u>231,620</u>

Percentage of holding 39% (December 31, 2014: 39%)

7.3.1 e2e Business Enterprises (Private) Limited (e2eBE) is a company set up for the production of Rice Bran Oil (RBO). This is a green field project having annual production capacity of 9,700 tons of RBO. e2eBE is in the construction phase of the RBO project, costs are being incurred on an ongoing basis which are expected to be recovered after commencement of commercial production. However, following the equity method of accounting, the share of losses incurred to date has been recognized in these condensed interim financial statements.

7.3.2 Condensed interim financial statements of e2eBE for the quarter and nine months ended September 30, 2015 have been used for the purpose of application of the equity method.

## 8. RECEIVABLE FROM FATIMA FERTILIZER COMPANY LIMITED

This represents receivable of Rs 1,192 million from Fatima Fertilizer Company Limited against total sale consideration of Rs 1,992 million for DHFL and BSPL disposal.

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

For the nine months period ended September 30, 2015

	Note	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
------(Rupees in '000)-----			
<b>9. LONG TERM FINANCING</b>			
Long term finance under markup arrangement	9.2	242,585	330,465
Syndicated term finance arrangement	9.3	3,750,000	-
	9.1	3,992,585	330,465
Less : Current portion of long term financing		103,442	87,880
		<b>3,889,143</b>	<b>242,585</b>
9.1 Balance as at January 1		330,465	338,798
Availed during the period / year	9.3	3,750,000	26,000
Repayments during the period / year		(87,880)	(34,333)
Balance as at September 30 / December 31		<b>3,992,585</b>	<b>330,465</b>

9.2 This represents utilized portion of long term finance facility under mark-up arrangement from Allied Bank Limited (ABL) aggregating Rs 380 million (December 31, 2014: 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 as more fully explained in note 7.2.2.6. The facility carries mark-up at the rate of six months KIBOR plus 200 basis points per annum. The facility is for the period of 5 years and is payable semi annually in arrears with the first principal repayment made on July 5, 2013. The facility will be repaid in full by July 2017.

9.3 This represents utilized portion of syndicated term finance facility of Rs 4,000 million (December 31, 2014: Nil) sanctioned by a syndicate of banks led by Allied Bank Limited as investment agent. The facility is secured against shares of HUBCO at 50% margin as detailed in note 7.2.2.6. The facility carries mark-up at the rate of six months KIBOR plus 200 basis points per annum payable semi annually. The facility is for a period of 5 years and the principal will be payable semi annually in equal installments at the expiry of the 2 years grace period commencing from May 2017.

## 10. SHORT TERM RUNNING FINANCE

This represents utilized portion of short term running finance facilities aggregating to Rs 3,000 million (December 31, 2014: Rs 2,000 million) from commercial banks obtained under mark-up arrangements expiring on various dates upto May 31, 2016. These facilities are secured by way of pledge of ECL and HUBCO shares as more fully explained in note 7.2.1.4 and 7.2.2.6. Rate of mark-up applicable to these facilities ranges between three months KIBOR plus 95 to 125 basis points (December 31, 2014: three months KIBOR plus 100 to 125 basis points) per annum.

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

For the nine months period ended September 30, 2015

September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
--------------------------------------	-----------------------------------

------(Rupees in '000)-----

## 11. TRADE AND OTHER PAYABLES

Creditors	348,851	2,958
Accrued expenses	339,056	169,963
Unclaimed dividend	25,228	23,466
Others	141	905
	<u>713,276</u>	<u>197,292</u>

## 12. CONTINGENCIES AND COMMITMENTS

### 12.1 Contingent liabilities

- 12.1.1 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 (December 31, 2014: Rs 6,400 million) relating to the Diminishing Musharaka Finance facility of Rs 4,800 million (December 31, 2014: Rs 4,800 million) availed by DHFL. The Diminishing Musharaka Finance Facility has been repaid in full and a formal request for release of the corporate guarantee has been made. The corporate guarantee will be released before December 31, 2015.

September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
--------------------------------------	-----------------------------------

------(Rupees in '000)-----

- 12.2 Commitments in respect of operating lease not later than one year

<u>5,332</u>	<u>2,315</u>
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# Notes to and forming part of the condensed interim financial statements - unaudited

For the nine months period ended September 30, 2015

	Note	Nine months period ended	
		September 30, 2015 (Unaudited)	September 30, 2014 (Unaudited) Restated Note 3.3
------(Rupees in '000)-----			
<b>13. INCOME</b>			
Dividend income - ex subsidiary	13.1	18,018,795	-
Share of profit of associates			
- Engro Corporation Limited		4,278,195	1,833,394
- Hub Power Company Limited		750,233	194,350
- e2e Business Enterprises (Private) Limited		(57,590)	-
		4,970,838	2,027,744
		<u>22,989,633</u>	<u>2,027,744</u>

13.1 This represents dividend income from DHFL - an ex wholly owned subsidiary.

	Note	Nine months period ended	
		September 30, 2015 (Unaudited)	September 30, 2014 (Unaudited) Restated Note 3.3
------(Rupees in '000)-----			
<b>14. CASH UTILIZED IN OPERATIONS</b>			
Profit before taxation		22,072,215	1,627,384
Adjustments for non cash expenses and other items:			
Depreciation and amortization		14,034	8,842
Finance cost		92,875	98,300
Gain on disposal of property, plant and equipment		(2,577)	(1,058)
Gain on disposal of subsidiary companies		(376,883)	-
Loss on disposal of assets classified as held for sale		-	92,135
Unrealized exchange loss		5,603	-
Income		(22,989,633)	(2,027,744)
Provision for staff retirement and other service benefits		4,036	2,553
Income received from bank deposits		(8,566)	(204)
Working capital changes	14.1	433,365	(192,835)
Cash utilized in operations		<u>(755,531)</u>	<u>(392,627)</u>

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

For the nine months period ended September 30, 2015

	Note	Nine months period ended	
		September 30, 2015 (Unaudited)	September 30, 2014 (Unaudited) Restated Note 3.3 ------(Rupees in '000)-----
14.1 Working capital changes			
(Increase) / decrease in current assets			
Short term advances		(7,298)	(293)
Short term deposits and prepayments		(68,540)	9,452
Other receivables		1,540	(21,389)
Interest accrued on bank deposits and investments		915	-
		<u>(73,383)</u>	<u>(12,230)</u>
Increase / (decrease) in current liabilities			
Trade and other payables		506,748	(180,605)
		<u>433,365</u>	<u>(192,835)</u>
<b>15. CASH AND CASH EQUIVALENTS</b>			
Cash and bank balance		3,209,684	3,857
Short term investments		-	-
Short term running finance	10	(12,679)	(508,199)
		<u>3,197,005</u>	<u>(504,342)</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.

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, 2014. There have been no changes in any risk management policies since the year end.

## 17. RELATED PARTY TRANSACTIONS

Significant transactions with related parties are as follows:



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

For the nine months period ended September 30, 2015

Nine months period ended	
September 30, 2015 (Unaudited)	September 30, 2014 (Unaudited)

------(Rupees in '000)-----

## Subsidiary companies

Reimbursement of expenses by the Company	46	-
Reimbursement of expenses to the Company	1,287	16,170
Sale of goods and services	159	743
Purchase of goods and services	12	444
Purchase of investments	18,018,795	-
Dividend income	18,018,795	-
Investment in subsidiary - BSPL	10	-

## Associates

Purchase of goods and services	16,517	9,904
Sale of goods and services	3,984	4,676
Dividend income	1,988,793	1,494,118
Reimbursement of expenses from associates	3,496	8,317
Reimbursement of expenses to associates	1,904	1,538
Investment in e2eBE	-	31,200
Commitment in respect of operating lease	5,332	3,651
Donations	-	487
Investment committed in e2eBE	-	31,287

## Key management personnel

Salaries and other short term employee benefits	142,356	99,645
Post retirement benefit plans	8,363	7,136
Sale of property, plant and equipment	75	5,254

## Other related parties

Reimbursement of expenses from other related parties	-	2,199
Reimbursement of expenses to other related parties	327	-
Membership fee and other subscriptions	1,586	1,818
Contribution to staff gratuity fund	4,036	2,553
Contribution to staff provident fund	7,366	4,583

## 18. GENERAL

- 18.1 All financial information, except as otherwise stated, has been rounded to the nearest thousand of rupees.
- 18.2 These condensed interim financial statements were authorized for issue by the Board of Directors on October 20, 2015.

Karachi  
Date: October 20, 2015

  
**Samad Dawood**  
Chief Executive

  
**M. A. Aleem**  
Director



Dawood Hercules Corporation Limited  
Dawood Centre, M.T. Khan Road, Karachi - 75530  
Tel: +92-21-35686001 Fax: +92-21-35633972  
[www.dawoodhercules.com](http://www.dawoodhercules.com)

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