

# OUR ENERGY



Quarterly Accounts (un-audited)  
for the quarter and nine months period ended September 30, 2014



Dawood Hercules

# Company Information

## Board of Directors

Mr. Hussain Dawood	Chairman
Mr. Samad Dawood	Chief Executive Officer
Mr. Javed Akbar	Director
Mr. M. Abdul Aleem	Director
Ms. Sabrina Dawood	Director
Mr. Shahzada Dawood	Director
Mr. Parvez Ghias	Director
Mr. Shahid Hamid Pracha	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

## Chief Financial Officer & Company Secretary

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

M/s. FAMCO Associates (Pvt.) Ltd.  
8-F, Next to Hotel Faran, Nursery, Block - 6,  
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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,  
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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 third quarter and nine months period ended September 30, 2014.

## 1. Financial performance

During the quarter ended September 30, 2014, the Group made a gross profit of Rs 147 million as compared to a profit of Rs 30 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 was also lower by Rs 405 million as compared to similar period last year mainly due to lower profitability at Engro Corporation Limited (Engro Corporation) on account of losses in its rice business.

After accounting for the consolidated tax charge of Rs 67 million for the quarter ended September 30, 2014, the Group's consolidated profit after taxation was Rs 281 million as compared to Rs 783 million for the corresponding quarter last year.

Earnings per share (EPS) of the Company for the nine months period ended were Rs 1.95 as compared to Rs 1.46 for the same period last year. Similarly, the consolidated EPS of the Group for the nine months period ended was Rs 3.21 (2013: Rs 5.59).

## 2. Business overview

### (a) Engro Corporation Limited

During the first half of the financial year, Engro Corporation reported an increase of 16% in revenues to Rs 77,540 million as against Rs 66,874 million for the similar period last year. The increase in revenue was mainly driven by higher production and sales at fertilizers business due to continued gas supply. The profit before tax of Rs 5,351 million showed a growth of 11% as compared to similar period last year. However, the increased profitability in fertilizers was partly offset by depressed gross margins at food and polymer businesses and loss sustained by rice business due to currency appreciation, weak market dynamics and challenges in business operations. Despite lower profitability, Engro Corporation announced an interim cash dividend of Rs 2.00 per share for the six months ended June 30, 2014.

### (b) The Hub Power Company Limited

The Hub Power Company Limited (HUBCO) turnover for the half year ended June 30, 2014 increased to Rs 86,104 million from Rs 77,276 million, an increase of 11%. The profitability declined to Rs 4,348 million for the current

half year from Rs 5,303 million in the prior corresponding period. The decrease in profits is primarily due to lower load factors caused by plant shutdowns on account of planned repairs of its boilers, which resulted in lower electricity generation and lower bonus therefrom, lower efficiency and higher repair and maintenance. Consolidated earnings per share of HUBCO dropped to Rs 3.59 as compared to Rs 4.46 for the same period last year. HUBCO's board has recommended a final cash dividend of Rs 4.00 per share for the approval of shareholders in its AGM.

**(c) DH Fertilizers Limited (DHFL)**

During the quarter, DHFL received 10 days of gas being the balance number of gas days out of the first rota arrangement agreed with SNGPL for DHFL and PAFL. In totality, DHFL received 30 days of gas up to Q3 2014 as compared to 56 days in the same period last year. This year being the worst year, as DHFL received gas for the lowest number of days in the history.

As a result of the above, the financial performance of DHFL was seriously impacted due to continuous production losses since 2010. During the nine months ended September 30, 2014, DHFL produced only 26,446 tonnes of urea as against 60,770 tonnes of urea in the similar period last year. During the quarter, DHFL produced only 8,303 tonnes of urea as compared to 24,425 tonnes in the similar period last year. Similarly urea sales were only 16,570 tonnes inclusive of brought forward inventory as compared to 36,182 tonnes for the similar period last year.

DHFL imported 36,059 tonnes of DAP and sold 22,941 tonnes during the quarter. Given the DHFL unabsorbed costs due to lower production and sales, it is under financial and cash flow pressure and is unable to meet its debt obligations. Due to the uncertain instance of the Government over the supply of gas to the fertilizer companies on SNGPL network, the future of DHFL has been made uncertain due to the government's indecisive role in taking key decisions of national importance. DHFL made an operating loss of Rs 124 million during the current nine months as compared to operating profit of Rs 358 million for the corresponding period last year. The loss after taxation for the nine months stood at Rs 224 million as compared to a profit of Rs 800 million for the similar period last year.

**(d) Investments - Other**

In the Rice Bran Oil (RBO) project, the Company has contributed its share of third equity call installment of Rs 31.20 million during the nine months period. Total investment so far has reached to Rs 206 million. The project has met with some last minute issues, which may result in some delays, however, it is expected that it will commence commercial production by the end of January 2015.

### 3. Change in Management:

Mr. Samad Dawood was appointed as Chief Executive Officer of the Company with effect from October 6, 2014 in place of Mr. Shahid Hamid Pracha who retired from the position of CEO. Mr. Samad Dawood is a graduate in Economics from University College London, UK. Prior to his appointment in the Company, he held the position of CEO of Cyan Limited for a period of four years.

### 4. Future outlook

The financial position of Engro Corporation has improved due to better profitability of its fertilizer business. However, the performance of its rice business is likely to negatively impact the consolidated results. The management is implementing a plan to turnaround the rice business to make it much more sustainable and has also introduced more stringent risk management measures to reduce losses. Furthermore, Engro Corporation is also developing a LNG terminal through its wholly owned subsidiary to mitigate the impact of the national gas crisis. The project is progressing well and is likely to be completed by the first quarter of next year.

The increased repairs and maintenance expenditures in Hubco will lead to better profitability in the future as boiler rehabilitation work starts yielding better operational performance. Once the rehabilitation has been completed, the profitability of Hubco will increase due to lower repair expenditure, better plant availability, improved generation and better efficiency. The impact of this initiative will become visible in the coming quarters. Hubco is also exploring various growth initiatives to create long-term shareholder's value through use of imported coal on Hub site as well as indigenous coal through investment in Sind Engro Coal Mining Company.

The introduction of imported gas into the national gas mix will improve gas availability, which may have a positive impact on the gas supply for DHFL. The management has repeatedly raised the issue of unfair gas curtailment with the Government, but has had little success in securing gas. The management is working on various long-term options for DHFL including the long-term gas supply from dedicated fields. With respect to the LTGSA, the four fertilizers manufacturers are continuously pursuing the matter with the government to commence the fieldwork to make the project operational by end 2015. However, no progress has been achieved on this front for the last three quarters.

Karachi: October 31, 2014

  
**Samad Dawood**  
Chief Executive Officer

# Unconsolidated condensed interim balance sheet


As at September 30, 2014

	Note	September 30, 2014 (Unaudited)	December 31, 2013 (Audited)
-----Rupees in '000-----			
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	6	70,055	57,607
Intangible assets		167	267
Long term investments	7	20,538,391	20,507,191
		20,608,613	20,565,065
<b>CURRENT ASSETS</b>			
Short term advances		1,276	983
Short term deposits and prepayments		7,174	16,626
Other receivables		27,893	6,504
Assets classified as held for sale	8	-	-
Dividend receivable from associated company		350,025	-
Cash and bank balances		3,857	13,727
		390,225	37,840
<b>TOTAL ASSETS</b>		<b>20,998,838</b>	<b>20,602,905</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised capital		10,000,000	10,000,000
Issued, subscribed and paid up capital		4,812,871	4,812,871
Revenue reserves		15,121,369	14,665,990
		19,934,240	19,478,861
<b>NON CURRENT LIABILITIES</b>			
Long term financing	9	242,585	304,918
Deferred liabilities		864	402
		243,449	305,320
<b>CURRENT LIABILITIES</b>			
Current portion of long term financing	9	87,880	33,880
Short term running finance	10	508,199	519,542
Trade and other payables	11	56,510	235,614
Accrued mark-up		39,398	28,081
Taxation - net		129,162	1,607
		821,149	818,724
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>20,998,838</b>	<b>20,602,905</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	12		

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

Karachi: October 31, 2014

  
M. A. Aleem  
Director

  
Samad Dawood  
Chief Executive Officer



# Unconsolidated condensed interim profit and loss account - unaudited


For the quarter and nine months period ended September 30, 2014

Note	Quarter ended		Nine months period ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
-----Rupees in '000-----				
Dividend income	350,025	178,681	1,494,118	922,406
Administrative expenses	(70,101)	(51,717)	(210,754)	(166,358)
	279,924	126,964	1,283,364	756,048
Other operating expenses	-	-	(433)	-
Other (loss) / income	(46,309)	704	(90,873)	13,733
Operating profit	233,615	127,668	1,192,058	769,781
Finance costs	(39,951)	(22,744)	(98,300)	(44,653)
Profit before taxation	193,664	104,924	1,093,758	725,128
Taxation	(45,165)	(13,402)	(157,092)	(24,294)
Profit after taxation	148,499	91,522	936,666	700,834
Earnings per share (Rupees) - basic and diluted	0.31	0.19	1.95	1.46

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

Karachi: October 31, 2014

  
M. A. Aleem  
Director

  
Samad Dawood  
Chief Executive Officer



# Unconsolidated condensed interim statement of comprehensive income - unaudited

For the quarter and nine months period ended September 30, 2014

	Quarter ended		Nine months period ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013 (Restated)
-----Rupees in '000-----				
Profit after taxation	148,499	91,522	936,666	700,834
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Remeasurements of staff retirement benefits	-	-	-	(442)
<i>Items that may be reclassified subsequently to profit or loss</i>				
Fair value reserve transferred to profit and loss account on disposal of investment classified as 'available for sale'	-	-	-	(1,269)
	-	-	-	(1,269)
Other comprehensive loss for the period	-	-	-	(1,711)
<b>Total comprehensive income</b>	<b>148,499</b>	<b>91,522</b>	<b>936,666</b>	<b>699,123</b>

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

Karachi: October 31, 2014

  
M. A. Aleem  
Director

  
Samad Dawood  
Chief Executive Officer

# Unconsolidated condensed interim statement of changes in equity - unaudited

For the nine months period ended September 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>Total comprehensive income</b>						
Profit after taxation	-	-	700,834	700,834	-	700,834
Other comprehensive income	-	-	(442)	(442)	(1,269)	(1,711)
Total comprehensive income for the period	-	-	700,392	700,392	(1,269)	699,123
Final cash dividend for the year ended December 31, 2012 (Rs 1 per ordinary share)	-	-	(481,287)	(481,287)	-	(481,287)
<b>Balance as at September 30, 2013</b>	4,812,871	700,000	14,236,821	14,936,821	-	19,749,692
Balance as at January 1, 2014	4,812,871	700,000	13,965,990	14,665,990	-	19,478,861
<b>Total comprehensive income</b>						
Profit after taxation	-	-	936,666	936,666	-	936,666
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	936,666	936,666	-	936,666
Final cash dividend @10% for the year ended December 31, 2013 (Rs 1 per ordinary share)	-	-	(481,287)	(481,287)	-	(481,287)
<b>Balance as at September 30, 2014</b>	4,812,871	700,000	14,421,369	15,121,369	-	19,934,240

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

Karachi: October 31, 2014

  
M. A. Aleem  
Director

  
Samad Dawood  
Chief Executive Officer

# Unconsolidated condensed interim cash flow statement

- unaudited For the nine months period ended September 30, 2014

	Note	Nine months period ended	
		September 30, 2014	September 30, 2013
-----Rupees in '000-----			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash utilized in operations	14	(392,627)	(169,390)
Finance cost paid		(86,983)	(34,698)
Taxes paid		(29,537)	(10,524)
Employees retirement and other service benefits paid		(2,091)	(11,676)
Net cash utilized in operating activities		(511,238)	(226,288)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment		(25,601)	(2,970)
Investment in associate		(31,200)	(116,646)
Proceeds from disposal of property, plant and equipment		5,469	1,630
Proceeds from disposal of short term investments		-	6,209
Proceeds from disposal of assets classified as held for sale		952,690	-
Income received from bank deposits		204	199
Dividends received		99,268	138,974
Net cash generated from investing activities		1,000,830	27,396
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Long term finance acquired		26,000	117,000
Long term finance repaid		(34,333)	(14,752)
Dividends paid		(479,786)	(480,001)
Net cash utilized in financing activities		(488,119)	(377,753)
Net increase / (decrease) in cash and cash equivalents		1,473	(576,645)
Cash and cash equivalents at the beginning of the period		(505,815)	(25,912)
Cash and cash equivalents at the end of the period		(504,342)	(602,557)

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

Karachi: October 31, 2014

  
M. A. Aleem  
Director

  
Samad Dawood  
Chief Executive Officer

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

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

## 2. BASIS OF PREPARATION AND PRESENTATION

2.1 These unconsolidated condensed interim financial statements of the Company for the nine months period ended September 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 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 balance sheet as at September 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 nine months period then ended. These unconsolidated condensed interim financial statements also include the condensed interim profit and loss account and the condensed interim statement of comprehensive income for the quarter ended September 30, 2014.

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 nine months period ended September 30, 2013 have been extracted from the unconsolidated condensed interim financial statements of the Company for the nine months period then ended. The comparative condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarter ended September 30, 2013 are also included in these unconsolidated condensed interim financial statements.

## 3. ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of these unconsolidated condensed interim financial statements are the same as those applied in the preparation of the financial statements for the year ended December 31, 2013.

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

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

For the nine months period ended September 30, 2014

## 4. ACCOUNTING ESTIMATES

The preparation of unconsolidated condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and 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 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 estimating 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	September 30, 2014 (Unaudited)	December 31, 2013 (Audited)
-----Rupees in '000-----			
<b>6. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets	6.1	45,621	57,607
Capital work-in-progress	6.2	24,434	-
		<u>70,055</u>	<u>57,607</u>
<b>6.1</b>			
Net book value at the beginning of the period / year		57,607	65,227
Add: Additions during the period / year	6.1.1	1,167	3,939
		<u>58,774</u>	<u>69,166</u>
Less: Disposals during the period / year - net book value	6.1.2	4,411	40
Depreciation charged during the period / year		8,742	11,519
		<u>13,153</u>	<u>11,559</u>
Net book value at the end of the period / year		<u>45,621</u>	<u>57,607</u>

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

For the nine months period ended September 30, 2014

	September 30, 2014 (Unaudited)	December 31, 2013 (Audited)
	-----Rupees in '000-----	
<b>6.1.1</b>	<b>Additions during the period / year</b>	
Furniture, fittings and equipment	52	1,236
Motor vehicles	-	123
Data processing equipment	1,115	2,580
	<u>1,167</u>	<u>3,939</u>
<b>6.1.2</b>	<b>Disposals during the period / year - net book value</b>	
Motor vehicles	4,046	40
Data processing equipment	365	-
	<u>4,411</u>	<u>40</u>

6.2 This represents advance payment for purchase of a motor vehicle and civil works.

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

## 7. LONG TERM INVESTMENTS

Investment in a subsidiary company	7.1	1,615,119	1,615,119
Investment in associates - quoted	7.2	18,716,926	18,716,926
Investment in an associate - unquoted	7.3	206,346	175,146
		<u>20,538,391</u>	<u>20,507,191</u>
<b>7.1</b>	<b>Investment in a subsidiary company</b>		
DH Fertilizers Limited - unquoted			
100,000,000 (December 31, 2013:			
100,000,000) ordinary shares of Rs 10 each		1,615,119	1,615,119

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

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

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

For the nine months period ended September 30, 2014

	Note	September 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	<u>17,425,249</u>	<u>17,425,249</u>

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

7.2.1.1 The market value of investment in ECL as at September 30, 2014 was Rs 28,902 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 September 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 (---(Rupees in '000) ---)	Number of shares pledged (in '000)	Face value of pledged shares (---(Rupees in '000) ---)	Market value of pledged shares (---(Rupees in '000) ---)
Bank AL Habib Limited	5,540	55,400	914,876	5,540	55,400	878,059
United Bank Limited	1,900	19,000	313,766	-	-	-

	September 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	<u>1,291,677</u>
		<u>1,291,677</u>

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

7.2.2.1 The Company effectively has 14.25% (December 31, 2013: 14.25%) of the voting power in the Hub Power Company Limited (HUBCO) by virtue of investment by its wholly owned subsidiary, DHFL of 10.82%. Due to the representation of the Company's nominees on the Board of Directors of HUBCO and participation in policy making process and being the single largest private shareholder, the Company has significant influence over HUBCO.



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

For the nine months period ended September 30, 2014

7.2.2.2 The market value of investment in The Hub Power Company Limited (HUBCO) as at September 30, 2014 was Rs 2,540 million (December 31, 2013: 2,411 million).

7.2.2.3 The details of shares pledged against various finance facilities are as follows:

Bank	As at September 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 ----(Rupees in '000) ----	Number of shares pledged (in '000)	Face value of pledged shares ----(Rupees in '000) ----	Market value of pledged shares ----(Rupees in '000) ----
<b>Long term:</b>						
Allied Bank Limited	12,580	125,800	804,868	12,580	125,800	763,858
<b>Short term:</b>						
Bank AL Habib Limited	13,500	135,000	863,730	13,500	135,000	819,720
United Bank Limited	10,000	100,000	639,800	-	-	-

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

7.3 Investment in an associate - unquoted

e2e Business Enterprises (Private) Limited  
20,634,633 (December 31, 2013:  
17,514,633) ordinary shares of  
Rs 10 each

7.3.1 **206,346** **175,146**

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

7.3.1 The Company paid an amount of Rs 31.200 million on May 28, 2014 representing the third tranche of the total investment in e2e Business Enterprises (e2eBE) and has received 3.120 million shares against this payment.

## 8. ASSETS CLASSIFIED AS HELD FOR SALE

8.1 During the period, the Company had received 17,501,255 shares of a listed associated entity as 'specie dividend' as more fully explained in note 13.1 to these unconsolidated condensed interim financial statements. These were measured at lower of carrying amount and fair value less costs to sell and were classified as held for sale in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'. These shares were disposed off during the period.

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

## 9. LONG TERM FINANCING

Balance as at January 1	<b>338,798</b>	178,050
Acquired during the year	<b>26,000</b>	175,500
Repayments during the period	<b>(34,333)</b>	(14,752)
	<b>330,465</b>	338,798
Less : Current portion of long term financing	<b>87,880</b>	33,880
	<b>242,585</b>	304,918



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

For the nine months period ended September 30, 2014

- 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 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.

## 10. SHORT TERM RUNNING FINANCE

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.

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

## 11. TRADE AND OTHER PAYABLES

Creditors	147	192,092
Accrued expenses	32,749	21,421
Unclaimed dividend	23,567	22,066
Others	47	35
	<u>56,510</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.

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

### 12.2 Commitments

- investment in e2eBE	31,287	102,487
- in respect of operating lease not later than one year	3,651	3,651



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

For the nine months period ended September 30, 2014

	Note	Nine months period ended September 30, 2014 (Unaudited) -----Rupees in '000-----	September 30, 2013 (Unaudited) -----Rupees in '000-----
<b>13. DIVIDEND INCOME</b>			
Engro Corporation Limited	13.1	1,394,850	-
The Hub Power Company Limited		99,268	317,656
DH Fertilizers Limited		-	604,750
		<u>1,494,118</u>	<u>922,406</u>
13.1	This include the receipt of one share of Engro Fertilizers Limited (E Fert) for every ten shares of ECL as 'specie dividend' amounting to Rs 1,045 million.		
	Note	Nine months period ended September 30, 2014 (Unaudited) -----Rupees in '000-----	September 30, 2013 (Unaudited) -----Rupees in '000-----
<b>14. CASH UTILIZED IN OPERATIONS</b>			
Profit before taxation		1,093,758	725,128
Adjustments for non cash expenses and other items:			
Depreciation and amortization		8,842	8,819
Finance cost		98,300	44,653
Dividend income		(1,494,118)	(922,406)
Profit on sale of short term investments		-	(4,862)
Loss on sale of assets classified as held for sale		92,135	-
Profit on disposal of property, plant and equipment		(1,058)	(1,590)
Provision for employees' retirement and other service benefits		2,553	2,811
Income received from bank deposits		(204)	(199)
Working capital changes	14.1	(192,835)	(21,744)
Cash utilised in operations		<u>(392,627)</u>	<u>(169,390)</u>
14.1	Working capital changes		
(Increase) / decrease in current assets			
Short term advances		(293)	(1,140)
Short term deposits and prepayments		9,452	2,476
Other receivables		(21,389)	(393)
Due from associated undertakings		-	(8,344)
		<u>(12,230)</u>	<u>(7,401)</u>
Decrease in trade and other payables		(180,605)	(14,343)
		<u>(192,835)</u>	<u>(21,744)</u>

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

For the nine months period ended September 30, 2014

## 15. FINANCIAL RISK MANAGEMENT AND FINANCIAL DISCLOSURES

### 15.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including 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 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 year end.

## 16. RELATED PARTY TRANSACTIONS

Significant transactions with related parties are as follows:

	Nine months period ended September 30, 2014 (Unaudited)	September 30, 2013 (Unaudited)
	-----Rupees in '000-----	
<b>Subsidiary company</b>		
Reimbursement of expenses by the Company	-	139
Reimbursement of expenses to the Company	16,170	10,797
Sale of goods and services	743	3,025
Purchase of goods and services	444	-
Specie dividend	-	604,750
<b>Associates</b>		
Purchase of goods and services	9,904	10,128
Sale of goods and services	4,676	7,559
Dividend income	1,494,118	317,657
Reimbursement of expenses from associates	8,317	2,426
Reimbursement of expenses to associates	1,538	2,146
Investment in e2eBE	31,200	116,646
Donations	487	-
Membership fee and other subscriptions	1,818	1,447
Investment committed in e2eBE	31,287	161,000
<b>Key management personnel</b>		
Salaries and other short term employee benefits	99,645	80,264
Post retirement benefit plans	7,136	7,415
Sale of property, plant and equipment	5,254	-
<b>Other related parties</b>		
Reimbursement of expenses from other related parties	2,199	-

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

For the nine months period ended September 30, 2014

## 17. GENERAL

- 17.1 All financial information, except as otherwise stated, has been rounded to the nearest thousand rupees.
- 17.2 These unconsolidated condensed interim financial statements were authorised for issue by the Board of Directors on October 31, 2014.

Karachi: October 31, 2014



**M. A. Aleem**  
Director



**Samad Dawood**  
Chief Executive Officer

# Consolidated condensed interim financial statements

For the quarter and nine months period ended  
September 30, 2014

# Consolidated condensed interim balance sheet


As at September 30, 2014

	Note	September 30, 2014 (Unaudited) -----Rupees in '000-----	December 31, 2013 (Audited)
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	5	1,886,664	2,008,375
Intangible assets		3,476	267
Investment in associates	6	35,309,469	34,392,814
		<u>37,199,609</u>	<u>36,401,456</u>
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		751,503	767,782
Stock in trade		1,017,235	72,357
Trade debts		166,304	39,819
Short term loans and advances		44,008	13,714
Short term deposits and prepayments		68,101	21,125
Dividend receivable from associated company		389,945	-
Other receivables		150,297	36,898
Taxation -net		192,949	235,798
Short term investments	7	-	1,334,515
Assets classified as held for sale	8	-	-
Cash and bank balances		57,953	142,771
		<u>2,838,295</u>	<u>2,664,779</u>
<b>TOTAL ASSETS</b>		<u>40,037,904</u>	<u>39,066,235</u>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised capital		10,000,000	10,000,000
Issued, subscribed and paid up capital		4,812,871	4,812,871
Revenue reserves		25,148,506	24,110,912
		29,961,377	28,923,783
<b>NON CURRENT LIABILITIES</b>			
Long term financing	9	3,884,585	5,005,668
Deferred taxation		1,255,002	1,199,211
Deferred liabilities		87,366	91,071
		5,226,953	6,295,950
<b>CURRENT LIABILITIES</b>			
Current portion of long term financing	9	2,205,380	1,996,130
Short term running finance	10	998,199	905,055
Trade and other payables		1,406,239	891,782
Accrued mark-up		239,756	53,535
		4,849,574	3,846,502
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>40,037,904</u>	<u>39,066,235</u>
<b>CONTINGENCIES &amp; COMMITMENTS</b>	11		

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

Karachi: October 31, 2014

  
M. A. Aleem  
Director

  
Samad Dawood  
Chief Executive Officer

# Consolidated condensed interim profit and loss account


- unaudited For the quarter and nine months period ended September 30, 2014

	Quarter ended		Nine months period ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
-----Rupees in '000-----				
Net sales	1,842,449	179,715	2,075,392	3,302,773
Cost of sales	(1,695,375)	(149,931)	(1,961,307)	(2,717,372)
Gross profit	147,074	29,784	114,085	585,401
Selling and distribution expenses	(60,896)	(9,421)	(84,536)	(60,107)
Administrative expenses	(115,341)	(107,297)	(363,940)	(333,913)
Other operating expenses	(12,594)	(34,215)	(54,847)	(69,965)
Other (loss) / income	(19,059)	165,907	25,498	216,042
Operating (loss) / profit	(60,816)	44,758	(363,740)	337,458
Finance cost	(243,938)	(232,033)	(694,290)	(623,215)
Share of profit of associates	653,125	1,057,856	2,882,637	3,326,590
Profit before taxation	348,371	870,581	1,824,607	3,040,833
Taxation	(67,163)	(87,106)	(277,665)	(349,658)
Profit after taxation	281,208	783,475	1,546,942	2,691,175
Earnings per share (Rupees) - basic and diluted	0.58	1.63	3.21	5.59

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

Karachi: October 31, 2014

  
M. A. Aleem  
Director

  
Samad Dawood  
Chief Executive Officer

# Consolidated condensed interim statement of comprehensive income - unaudited


For the quarter and nine months period ended September 30, 2014

	Quarter ended		Nine months period ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
	-----Rupees in '000-----			
Profit after taxation	281,208	783,475	1,546,942	2,691,175
Other comprehensive income				
<i>Item that will not be reclassified subsequently to profit or loss</i>				
Remeasurements of staff retirement benefits	-	-	-	(1,487)
Impact on taxation	-	-	-	355
	-	-	-	(1,132)
<i>Items that may be reclassified subsequently to profit or loss</i>				
Share of other comprehensive income of associates	(3,988)	26,081	(31,133)	78,122
Impact on taxation	379	(2,608)	3,072	(7,812)
	(3,609)	23,473	(28,061)	70,310
Fair value reserve transferred to profit and loss account on disposal of investment classified as 'available for sale'	-	-	-	(1,269)
	(3,609)	23,473	(28,061)	69,041
Other comprehensive income for the period	(3,609)	23,473	(28,061)	67,909
Total comprehensive income for the period	277,599	806,948	1,518,881	2,759,084

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

Karachi: October 31, 2014

  
M. A. Aleem  
Director

  
Samad Dawood  
Chief Executive Officer



# Consolidated condensed interim statement of changes in equity - unaudited


For the nine months period ended September 30, 2014

	Revenue reserves					Surplus on revaluation of investment	Total
	Issued, subscribed and paid up capital	General reserve	Un-appropriated profit	Share of other comprehensive income of associates	Sub-total		
	-----Rupees in '000-----						
Balance as at January 1, 2013	4,812,871	700,000	20,273,397	(83,099)	20,890,298	1,269	25,704,438
<b>Total comprehensive income</b>							
Profit after taxation	-	-	2,691,175	-	2,691,175	-	2,691,175
Other comprehensive income	-	-	(1,132)	70,310	69,178	(1,269)	67,909
Total comprehensive income for the period	-	-	2,690,043	70,310	2,760,353	(1,269)	2,759,084
Final cash dividend for the year ended December 31, 2012 (Rs 1 per ordinary share)	-	-	(481,287)	-	(481,287)	-	(481,287)
<b>Balance as at September 30, 2013</b>	<b>4,812,871</b>	<b>700,000</b>	<b>22,482,153</b>	<b>(12,789)</b>	<b>23,169,364</b>	<b>-</b>	<b>27,982,235</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	-	-	1,546,942	-	1,546,942	-	1,546,942
Other comprehensive income	-	-	-	(28,061)	(28,061)	-	(28,061)
Total comprehensive income for the period	-	-	1,546,942	(28,061)	1,518,881	-	1,518,881
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 September 30, 2014</b>	<b>4,812,871</b>	<b>700,000</b>	<b>24,465,938</b>	<b>(17,432)</b>	<b>25,148,506</b>	<b>-</b>	<b>29,961,377</b>

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

Karachi: October 31, 2014

  
M. A. Aleem  
Director

  
Samad Dawood  
Chief Executive Officer



# Consolidated condensed interim cash flow statement - unaudited


For the nine months period ended September 30, 2014

Note	Nine months period ended	
	September 30, 2014	September 30, 2013
	-----Rupees in '000-----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash (used in) / generated from operations	12 (884,201)	318,263
Finance cost paid	(507,998)	(397,748)
Taxes paid	(175,954)	(189,166)
Employees' retirement and other service benefits paid	(24,567)	(24,316)
Decrease in long term loans, advances and prepayments	-	1,363
Net cash utilized in operating activities	(1,592,720)	(291,604)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to property, plant and equipment	(33,569)	(4,713)
Purchase of intangible assets	(3,723)	-
Proceeds from disposal of property, plant and equipment	18,224	16,426
Profit received on bank deposits	7,365	8,767
Proceeds from disposal of short term investments	1,876,668	6,209
Proceeds from disposal of assets classified as held for sale	1,060,494	
Investment in associate	(31,200)	(116,646)
Short term investments made	(500,000)	(1,599,760)
Dividends received	412,118	576,964
Net cash generated from / (used in) investing activities	2,806,377	(1,112,753)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long term finances received	26,000	117,000
Long term finances repaid	(937,833)	(118,252)
Dividends paid	(479,786)	(480,001)
Net cash used in financing activities	(1,391,619)	(481,253)
Net decrease in cash and cash equivalents	(177,962)	(1,885,610)
Cash and cash equivalents at the beginning of the period	(762,284)	3,233
Cash and cash equivalents at the end of the period	(940,246)	(1,882,377)

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

Karachi: October 31, 2014

  
M. A. Aleem  
Director

  
Samad Dawood  
Chief Executive Officer

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

For the nine months period ended September 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 changes in equity and consolidated condensed interim cash flow statement for the quarter and nine months period ended September 30, 2013 have been extracted from the consolidated condensed interim financial statements of The Group for the quarter and nine months period then ended.

2.3 These consolidated condensed interim financial statements are being submitted to the shareholders in accordance with section 245 of the Ordinance and should be read in conjunction with the consolidated financial statements as at and for the year ended December 31, 2013.

## 3. ACCOUNTING POLICIES

The accounting policies and methods of computation adopted for the preparation of these consolidated condensed interim financial statements are consistent with those applied in the preparation of the consolidated financial statements of The Group as at and for the year ended December 31, 2013.

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

For the nine months period ended September 30, 2014

- 3.1 New standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2014 are considered not to be relevant or to have any significant effect on The Group's financial reporting and operations and are, therefore, not detailed in these consolidated condensed interim financial statements.

## 4. ACCOUNTING ESTIMATES

The preparation of consolidated condensed interim financial statements requires management to make estimates, assumptions and judgments that affect the application of accounting policies and reported amounts of assets, 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 key sources of estimating uncertainty were the same as those that were applied to the consolidated financial statements as at and for the year ended December 31, 2013.

	Note	September 30, 2014 (Unaudited)	December 31, 2013 (Audited)
-----Rupees in '000-----			
<b>5. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets	5.1	1,581,862	1,725,664
Capital work-in-progress		173,489	150,560
Major spare parts and stand-by equipment		131,313	132,151
		<u>1,886,664</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	11,774	6,053
		<u>1,737,438</u>	<u>1,949,421</u>
Less: Disposals during the period / year		7,739	2,794
Assets written off during the period / year		-	14,568
Depreciation charged during the period / year		147,837	206,395
		<u>155,576</u>	<u>223,757</u>
Net book value at the end of the period / year		<u>1,581,862</u>	<u>1,725,664</u>

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

For the nine months period ended September 30, 2014

		September 30, 2014 (Unaudited)	December 31, 2013 (Audited)
-----Rupees in '000-----			
5.1.1	Additions during the period / year		
	Plant and machinery	6,553	-
	Furniture, fittings and equipment	254	1,909
	Motor vehicles	2,427	123
	Data processing equipment	2,540	4,021
		11,774	6,053
6.	<b>INVESTMENT IN ASSOCIATES</b>		
	Engro Corporation Limited - quoted 6.1	29,143,026	28,651,248
	The Hub Power Company Limited - quoted 6.2	5,960,097	5,566,420
	e2e Business Enterprises (Private) Limited- unquoted 6.3	206,346	175,146
		35,309,469	34,392,814
6.1	<b>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	2,075,208	3,169,984
	Share of other comprehensive income	(29,499)	104,142
	Dividend received/receivable during the period / year 6.1.1	(1,553,931)	-
		491,778	3,274,126
	Closing balance	29,143,026	28,651,248
	Percentage of holding 38.13% (December 31, 2013: 38.13%)		
6.1.1	This include the receipt of one share of Engro Fertilizers Limited (E. Fert) for every ten shares of ECL as specie dividend amounting to Rs 1,164 million.		
6.1.2	Market value of investment in ECL as at September 30, 2014 was Rs 32,198 million (December 31, 2013: Rs 30,879 million).		

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

For the nine months period ended September 30, 2014

- 6.1.3** Financial results of ECL for the quarter and nine months period ended June 30, 2014 have been used for the application of equity method of accounting for consolidation purposes, since financial results of ECL for the quarter and nine months period ended September 30, 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 4,525 million (December 31, 2013: Rs 4,039 million) as security against various finance facilities obtained from the banks.

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

**6.2 The Hub Power Company Limited (HUBCO) - quoted**

164,847,000 (December 31, 2013: 164,847,000)  
ordinary shares of Rs 10 each

Opening balance	5,566,420	5,436,705
Share of post acquisition profit for the period / year	807,429	1,448,491
Share of other comprehensive income	(1,634)	-
Dividend received during the period / year	(412,118)	(1,318,776)
	<u>393,677</u>	<u>129,715</u>
Closing balance	<u>5,960,097</u>	<u>5,566,420</u>

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 September 30, 2014 was Rs 10,547 million (December 31, 2013: Rs 10,010 million).
- 6.2.3** Financial results of HUBCO for the quarter and nine months period ended June 30, 2014 have been used for the application of equity method of accounting for consolidation purposes as the financial results for the quarter and nine months period ended September 30, 2014 were not available till the finalization of these consolidated condensed interim financial statements.

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

For the nine months period ended September 30, 2014

- 6.2.4 The Group has pledged 133.38 million (December 31, 2013: 151.22 million) ordinary shares of HUBCO having face value of Rs 1,334 million (December 31, 2013: Rs 1,512 million) and market value of Rs 8,534 million (December 31, 2013: Rs 9,182 million) as security against various finance facilities obtained from the banks.

<b>September 30,</b> 2014	December 31, 2013
(Unaudited)	(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

206,346

175,146

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 and has received 3.12 million shares against this payment.

## 7. SHORT TERM INVESTMENTS

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

Name of investee	Note	As at	Purchased	Bonus	Sales /	As at	Carrying	Market
		January 1, 2014	during the period		Redemption during the period	Sep. 30, 2014	value as at Sep. 30, 2014	Fair value adjustment Sep. 30, 2014
		-----Number of units-----			-----Rupees in 000-----			
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	3,072,292	-	89,164	(3,161,456)	-	-	-
MCB Cash Management Optimizer	7.1.2	2,526,553	-	60,203	(2,586,756)	-	-	-
ABL Cash Fund	7.1.2	-	9,986,319	348,794	(10,335,113)	-	-	-
Atlas Money Market Fund	7.1.3	502,949	-	17,492	(520,441)	-	-	-

- 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 During the period, the Group had received 19,497,255 shares of a listed associated entity as 'specie dividend'. These were measured at lower of carrying amount and fair value less costs to sell and were classified as held for sale in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'. These shares were disposed off during the period.

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

For the nine months period ended September 30, 2014

	Note	September 30, 2014 (Unaudited)	December 31, 2013 (Audited)
-----Rupees in '000-----			
<b>9. LONG TERM FINANCING</b>			
Diminishing 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	330,465	338,798
		<b>6,089,965</b>	<b>7,001,798</b>
Less: Current portion of long term financing		2,205,380	1,996,130
		<b>3,884,585</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 HUBCO shares 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 Holding Company and pledge of HUBCO shares. The facility carries mark-up 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 nine months period ended September 30, 2014

	Note	September 30, 2014 (Unaudited)	December 31, 2013 (Audited)
-----Rupees in '000-----			
10.	<b>SHORT TERM RUNNING FINANCE</b>		
	10.1 & 10.2	<b>998,199</b>	<b>905,055</b>

10.1 This includes Rs 490 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.

10.2 This includes Rs 508 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.

## 11. CONTINGENCIES AND COMMITMENTS

### 11.1 Contingent liabilities

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

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



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

For the nine months period ended September 30, 2014

	Note	Nine months period ended	
		September 30, 2014	September 30, 2013
		(Unaudited)	(Unaudited)
		-----Rupees in '000-----	
<b>12. CASH (USED IN) / GENERATED FROM OPERATIONS</b>			
Profit before taxation		1,824,607	3,040,833
Adjustment for non cash expenses and other items:			
Depreciation and amortization		148,351	157,008
Finance cost		694,290	623,215
Profit on disposal of property, plant and equipment		(10,780)	(13,641)
Loss on sale of assets classified as held for sale		103,670	-
Profit on disposal of investments classified as available for sale		-	(6,463)
Gain on sale of investments at fair value through profit or loss		(42,332)	-
Un-realized gain due to remeasurement of investments at fair value through profit or loss		-	(30,096)
Share of profit from associates		(2,882,637)	(3,326,590)
Provision for employees' retirement and other service benefits		20,864	77,228
Income received from bank deposits		(7,365)	(8,767)
Working capital changes	12.1	(732,869)	(194,464)
Cash (used in)/generated from operations		<u>(884,201)</u>	<u>318,263</u>
<b>12.1 Working capital changes</b>			
(Increase) / decrease in current assets			
Stores, spares and loose tools		16,279	(90,448)
Stock in trade		(944,878)	(494,482)
Trade debts		(126,485)	142
Short term loans and advances		(30,294)	(27,737)
Short term deposits and prepayments		(46,976)	(2,615)
Other receivables		(113,399)	10,660
		<u>(1,245,753)</u>	<u>(604,480)</u>
Decrease in trade and other payables		512,884	410,016
		<u>(732,869)</u>	<u>(194,464)</u>
<b>13. FINANCIAL RISK MANAGEMENT AND FINANCIAL DISCLOSURES</b>			
<b>13.1 Financial risk factors</b>			
<p>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.</p> <p>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.</p>			

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

For the nine months period ended September 30, 2014

## 14. RELATED PARTY TRANSACTIONS

Significant transactions during the period were as follows:


Note	Nine months period ended	
	September 30, 2014	September 30, 2013
	(Unaudited)	(Unaudited)
	-----Rupees in '000-----	
<b>Associates</b>		
Dividend income	1,966,049	1,318,777
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	166,438	163,829
Sale of goods and services	5,789	13,434
Purchase of goods and services	9,904	861,551
Sale of fixed assets	743	-
Reimbursement of expenses from related parties	17,708	1,914
Reimbursement of expenses to related parties	1,538	1,443
Donations	487	-
Rental income	10,800	10,800
Membership fees and other subscriptions	1,818	1,447
<b>Other related parties</b>		
Key management personnel compensation	339,710	209,891
Consulting professional fees	3,000	-
Reimbursement of expenses from other related parties	2,199	-
Sale of property, plant and equipment	13,000	-
Post retirement benefit plans	43,130	87,607

## 15. GENERAL

- 15.1 All financial information, except as otherwise stated, has been rounded to the nearest thousand of rupees.
- 15.2 These consolidated condensed interim financial statements were authorized for issue by the Board of Directors on October 31, 2014.

Karachi: October 31, 2014

  
M. A. Aleem  
Director

  
Samad Dawood  
Chief Executive Officer







