

QUARTERLY ACCOUNTS (un-audited)  
for the 1<sup>st</sup> quarter ended March 31, 2015

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



# COMPANY INFORMATION

## Board of Directors

Mr. Hussain Dawood	Chairman
Mr. Samad Dawood	Chief Executive Officer
Mr. Javed Akbar	Director
Mr. M. Abdul Aleem	Director
Mr. Shahzada Dawood	Director
Ms. Sabrina Dawood	Director
Mr. Parvez Ghias	Director
Mr. Hasan Reza Ur Rahim	Director
Mr. Saad Raja	Director
Mr. Muhammad Asif Saad	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

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)

## 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.) 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



## CONTENTS

Directors' Report	2
Unconsolidated condensed interim balance sheet	4
Unconsolidated condensed interim profit and loss account	5
Unconsolidated condensed interim statement of total comprehensive income	6
Unconsolidated condensed interim statement of changes in equity	7
Unconsolidated condensed interim cash flow statement	8
Notes to and forming part of the unconsolidated condensed interim financial statements	9
Consolidated condensed interim balance sheet	19
Consolidated condensed interim profit and loss account	20
Consolidated condensed interim statement of total comprehensive income	21
Consolidated condensed interim statement of changes in equity	22
Consolidated condensed interim cash flow statement	23
Notes to and forming part of the consolidated condensed interim financial statements	24

# DIRECTORS' REPORT

The Directors are pleased to present their report together with the unaudited unconsolidated condensed interim financial statements of the Company and the unaudited consolidated condensed interim financial statements of the Group for the first quarter ended March 31, 2015.

## 1. Business overview

### (a) Fertilizers

Engro Fertilizers Limited continued to receive gas during the fourth quarter of 2014 from its gas allocation of 60 mmscfd from Guddu/ Mari Shallow and accordingly, both of its plants continued to operate in fourth quarter. During the fourth quarter 2014, Engro Fertilizers produced 487 K Ton of urea as against 499K Tons of urea in the similar period last year.

On the other hand, DH Fertilizers (DHFL) continued to suffer adversely due to non availability of gas on SNGPL network. The plant was completely shut owing to this non availability. DHFL for the first quarter ended 31 March 2015 sustained an operating loss of PKR 216.38 million as against loss of PKR 193.56 million for the similar period last year. With dividend income of PKR 500.56 million, DHFL made profit before tax of PKR 122 million for the quarter as against PKR 37.46 million of 2014.

The negotiations with respect to the out of court settlement stalled due to certain factors beyond the control of the buyer. It is, however expected that the management will be able to close this matter by 30 June 2015.

The Ministry of Finance has demanded Gas Infrastructure Development Surcharge (GIDC) from all fertilizer manufacturers despite the fact that the matter is subjudiced in the Court of law. On demand, DHFL has agreed to pay 25% of the outstanding GIDC upfront and the balance will be paid in installment once the gas supply is resumed to the plant.

The recent import of LNG from Qatar was offered by Government to fertilizer sector at a cost of US\$ 10.90 per MMBTU (at DHFL plant). This cost being too high is unviable for DHFL unless the government increases per ton selling price of urea or provides LNG at a subsidised price or offers other similar financial concessions. The management is considering to approach the Ministry of Industries to help conserve foreign exchange reserves of the country and will offer to sell urea at international price through international tender. Other options are also being explored to operate the plant.

### (b) Foods

2014 was a year of change for Engro Foods (EFL), where EFL achieved a double digit growth in its sales. EFL had focused on further strengthening its position by gaining market share in UHT category to 56% in November 2014 as compared to 48% in December 2013. The Company has also successfully restored its distribution network which was damaged in the previous years. EFL in 2014 launched two new products, Olper's Lassi and Y Frooter. Both the products continued to make its place in the market where Lassi especially has not been introduced earlier in packaged form.

### (c) Energy and Energy infrastructure

The first shipment of Liquefied Natural Gas (LNG) from Qatar reached the shores of Karachi on 26 March 2015 carrying 148,517 cubic meters of the super-chilled fuel in a Floating Storage and Re-gasification Unit (FSRU) — a large ship which stores and converts LNG to gas — which will now permanently dock at the Engro Elengy Terminal. The FSRU has the capacity to process 600 million cubic feet per day (mmcf) of LNG, but the government initially aims to import 200 mmcf from Qatar, the world's biggest LNG producer.

The country's first LNG terminal under the flagship of Engro will help meet the rising demand of gas in the country and fuel economic growth and help alleviate the energy crisis that continues to impede industrial growth. After re-gasification, the gas will be injected into the Sui Southern Gas Company Ltd (SSGCL) network which will then transfer it to the Sui Northern Gas Pipelines Ltd (SNGPL) network.

During the quarter ended 31 December 2014, Hubco achieved a load factor of 53% as against 61% of the similar period last year. This lower load factor was due to the scheduled outages from October to December. Similarly, Narowal plant operated at an average load factor of 70% as against 86% for the similar period last year.

During the half year ended 31 December 2014, Hubco declared interim dividend of PKR 4 per share.

### 2. Financial performance

The Group incurred a gross loss of PKR 170 million in Q1 2015 as compared to PKR 127 million for the corresponding quarter last year. The aggregate share of profit from the Company's associated entities, E Corp and Hubco of PKR 1,436 million was Rs 379 million higher as compared to the same period last year.

After accounting for the consolidated tax charge of Rs 133 million for the quarter ended 31 March 2015, the Group's consolidated profit after taxation was PKR 576 million as compared to PKR 606 million for the corresponding quarter last year.

Earnings Per Share (EPS) of the Company for Q1 2015 was a loss of PKR 0.50 as compared to profit of PKR 2.16 for the same period last year. Similarly, the consolidated EPS for the Group in Q1 2015 was PKR 1.20 (2014: PKR 1.26).

### 3. Future outlook

The Company is in the process of hiring key management resources and is fully positioned to manage its investments and focus on the future strategies in the underlying companies.

The fertilizer operations under DHFL will be the key concern due to non-availability of gas on SNGPL network. Efforts will be made at the ministerial level to address the issues post LNG scenario.

  
Samad Dawood  
Chief Executive

# Unconsolidated condensed interim balance sheet

As at March 31, 2015

	Note	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
----- (Rupees in '000) -----			
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	6	92,950	77,926
Intangible assets		100	134
Long term investments	7	20,569,762	20,569,752
		<u>20,662,812</u>	<u>20,647,812</u>
<b>CURRENT ASSETS</b>			
Short term advances		2,254	1,423
Short term deposits and prepayments		149,004	11,304
Other receivables		11,828	11,459
Short term investments	8	-	175,000
Dividend receivable from associate		158,828	-
Interest accrued on bank deposits and investments		-	915
Cash and bank balances		2,479	10,253
		<u>324,393</u>	<u>210,354</u>
<b>TOTAL ASSETS</b>		<u><b>20,987,205</b></u>	<u><b>20,858,166</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised capital		<u>10,000,000</u>	<u>10,000,000</u>
Issued, subscribed and paid up share capital		4,812,871	4,812,871
Revenue reserves		14,805,001	15,044,945
		<u>19,617,872</u>	<u>19,857,816</u>
<b>NON CURRENT LIABILITIES</b>			
Long term financing	9	191,322	242,585
Deferred liabilities		655	423
		<u>191,977</u>	<u>243,008</u>
<b>CURRENT LIABILITIES</b>			
Current portion of long term financing	9	95,203	87,880
Short term running finance	10	651,844	436,011
Trade and other payables	11	393,952	197,292
Accrued mark-up		22,946	34,148
Taxation - net		13,411	2,011
		<u>1,177,356</u>	<u>757,342</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>20,987,205</b></u>	<u><b>20,858,166</b></u>
<b>CONTINGENCIES AND COMMITMENTS</b>	12		

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

Karachi  
April 29, 2015

  
**Samad Dawood**  
Chief Executive

  
**M. A. Aleem**  
Director

# Unconsolidated condensed interim profit and loss account - unaudited

for the quarter ended March 31, 2015

	Note	Quarter ended	
		March 31, 2015	March 31, 2014
-----(Rupees in '000)----			
Dividend income	13	158,828	1,144,093
Administrative expenses		(361,988)	(64,762)
Gross (loss) / profit		(203,160)	1,079,331
Other operating expenses		-	(240)
Other (loss) / income		(1,452)	13,355
Operating (loss) / profit		(204,612)	1,092,446
Finance costs		(23,420)	(25,552)
(Loss) / profit before taxation		(228,032)	1,066,894
Taxation		(11,912)	(24,946)
(Loss) / profit after taxation		(239,944)	1,041,948
(Loss) / earnings per share (Rupees) - basic and diluted		(0.50)	2.16

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

Karachi  
April 29, 2015

  
**Samad Dawood**  
Chief Executive

  
**M. A. Aleem**  
Director

# Unconsolidated condensed interim statement of total comprehensive income - unaudited

For the quarter ended March 31, 2015

	Quarter ended	
	March 31, 2015	March 31, 2014
	----- (Rupees in '000) -----	
(Loss) / profit after taxation	(239,944)	1,041,948
Other comprehensive income for the period		
<i>Items that will not be reclassified subsequently to profit and loss</i>		
Remeasurements of post-retirement benefits obligation	-	-
Other comprehensive income for the period	-	-
Total comprehensive (loss) / income for the period	<u>(239,944)</u>	<u>1,041,948</u>

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

Karachi  
April 29, 2015

  
**Samad Dawood**  
Chief Executive

  
**M. A. Aleem**  
Director

# Unconsolidated condensed interim statement of changes in equity - unaudited

For the quarter ended March 31, 2015

	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, 2014	4,812,871	700,000	13,965,990	14,665,990	-	19,478,861
<b>Total comprehensive income</b>						
Profit after taxation	-	-	1,041,948	1,041,948	-	1,041,948
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	1,041,948	1,041,948	-	1,041,948
Balance as at March 31, 2014	4,812,871	700,000	15,007,938	15,707,938	-	20,520,809
Balance as at January 1, 2015	4,812,871	700,000	14,344,945	15,044,945	-	19,857,816
<b>Total comprehensive loss</b>						
Loss after taxation	-	-	(239,944)	(239,944)	-	(239,944)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	(239,944)	(239,944)	-	(239,944)
Balance as at March 31, 2015	4,812,871	700,000	14,105,001	14,805,001	-	19,617,872

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

Karachi  
April 29, 2015

  
**Samad Dawood**  
Chief Executive

  
**M. A. Aleem**  
Director



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

For the quarter ended March 31, 2015

## 1. LEGAL STATUS AND OPERATIONS

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

## 2. BASIS OF PREPARATION AND PRESENTATION

2.1 These unconsolidated condensed interim financial statements of the Company for the quarter ended March 31, 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 unconsolidated 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).

2.2 These unconsolidated condensed interim financial statements comprise of the balance sheet as at March 31, 2015 and the unconsolidated condensed interim profit and loss account, the unconsolidated condensed interim statement of total comprehensive income, the unconsolidated condensed interim statement of changes in equity, the unconsolidated condensed interim cash flow statement and notes thereto for the quarter then ended.

2.3 The comparative balance sheet presented in these unconsolidated condensed interim financial statements as at December 31, 2014 has been extracted from the audited financial statements of the Company for the year then ended. The comparative unconsolidated condensed interim profit and loss account, unconsolidated condensed interim statement of total comprehensive income, unconsolidated condensed interim statement of changes in equity and unconsolidated condensed interim cash flow statement for the quarter ended March 31, 2014 have been extracted from the unconsolidated condensed interim financial statements of the Company for the quarter then ended.

## 3. ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of these unconsolidated condensed interim financial statements are the same as those applied in the preparation of the financial statements for the year ended December 31, 2014.

3.1 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 unconsolidated condensed interim financial statements.

## 4. ACCOUNTING ESTIMATES

The preparation of unconsolidated condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the

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

For the quarter ended March 31, 2015

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, 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	March 31, 2015 (Unaudited) ------(Rupees in '000)-----	December 31, 2014 (Audited)
<b>6. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets	6.1	<u>92,950</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	<u>19,178</u>	<u>40,901</u>
		97,104	98,508
Less: Disposals during the period / year - net book value	6.1.2	-	9,220
Depreciation charged during the period / year		<u>4,154</u>	<u>11,362</u>
		4,154	20,582
Net book value at the end of the period / year		<u>92,950</u>	<u>77,926</u>
6.1.1 Additions during the period / year			
Leasehold improvements		-	10,406
Furniture, fittings and equipment		293	6,743
Motor vehicles		15,128	19,346
Data processing equipment		<u>3,757</u>	<u>4,406</u>
		<u>19,178</u>	<u>40,901</u>
6.1.2 Disposals during the period / year - net book value			
Motor vehicles		-	8,836
Data processing equipment		-	384
		-	<u>9,220</u>

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

For the quarter ended March 31, 2015

	Note	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
-----(Rupees in '000)----			
<b>7. LONG TERM INVESTMENTS</b>			
Investment in subsidiary companies	7.1	1,615,129	1,615,119
Investment in associates - quoted	7.2	18,716,926	18,716,926
Investment in associate - unquoted	7.3	237,707	237,707
		<u>20,569,762</u>	<u>20,569,752</u>
<b>7.1 Investment in subsidiary companies</b>			
DH Fertilizers Limited - unquoted	7.1.1	1,615,119	1,615,119
Bubber Sher (Private) Limited	7.1.2	10	-
		<u>1,615,129</u>	<u>1,615,119</u>
<b>7.1.1 DH Fertilizers Limited - unquoted</b>			
100,000,000 (December 31, 2014: 100,000,000) ordinary shares of Rs 10 each		1,615,119	1,615,119
Percentage of holding 100% (December 31, 2014: 100%)			
<b>7.1.1.1 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.</b>			
<b>7.1.1.2 In 2012, the Company had signed a Memorandum of Understanding (MoU) with Pakarab Fertilizers Limited (Pakarab) for the disposal of its entire shareholding (100 million ordinary shares of Rs 10 each) in its wholly owned subsidiary, DH Fertilizers Limited (DHFL). However, the Board of Directors (the Board) in its meeting held on December 10, 2012 decided that the Company does not intend to pursue the transaction for commercial reasons. Subsequently, Pakarab filed a suit against the Company in Sindh High Court (the Court) for the enforcement of the said MoU. The single bench of the Court in its interim order dated October 23, 2014 passed an injunction order against the Company. The Company has filed an appeal against the said interim order.</b>			
<b>7.1.1.3 During the period, the Company has recommenced negotiations with Pakarab to reach an out of court settlement for the said suit. The negotiations are currently in progress and it is expected that a definitive solution will be achieved by the end of June 2015.</b>			
		March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
-----(Rupees in '000)----			
<b>7.1.2 Bubber Sher (Private) Limited</b>			
1,000 (December 31, 2014: Nil) ordinary shares of Rs 10 each		10	-
Percentage of holding 100% (December 31, 2014: Nil)			

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

For the quarter ended March 31, 2015

7.1.2.1 Bubber Sher (Private) Limited, a wholly owned subsidiary of the Company, is a private limited company incorporated under the Ordinance on February 27, 2015. Its principal activity will be sale, marketing and distribution of fertilizers and its derivatives, insecticides, pesticides, and all kind of agricultural, fruit growing and other chemicals. Out of the issued capital of the subsidiary company, three (3) shares are held by directors as nominees.

	Note	March 31, 2015 (Unaudited)	December 31, 2014 (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, 2014:  
175,012,555) ordinary shares of Rs 10 each

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

	17,425,249	17,425,249
--	------------	------------

7.2.1.1 The market value of investment in ECL as at March 31, 2015 was Rs 44,961 million (December 31, 2014: Rs 38,767 million).

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

Bank	As at March 31, 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) -----	
Bank AL Habib Limited	5,540	55,400	1,423,226	5,540	55,400	1,227,165
United Bank Limited	1,900	19,000	488,110	1,900	19,000	420,869
Meezan Bank Limited	29,000	290,000	7,450,100	29,000	290,000	6,423,790

	Note	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
--	------	----------------------------------	-----------------------------------

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

7.2.2 The Hub Power Company Limited

39,707,000 (December 31, 2014:  
39,707,000) ordinary shares of Rs 10 each

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

	1,291,677	1,291,677
--	-----------	-----------

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

For the quarter ended March 31, 2015

7.2.2.1 The Company effectively has 14.25% (December 31, 2014: 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.

7.2.2.2 The market value of investment in The Hub Power Company Limited (HUBCO) as at March 31, 2015 was Rs 3,390 million (December 31, 2014: Rs 3,111 million).

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

Bank	As at March 31, 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>Long term:</b>						
Allied Bank Limited	12,581	125,810	1,074,166	12,581	125,810	985,847
<b>Short term:</b>						
Bank AL Habib Limited	13,500	135,000	1,152,630	13,500	135,000	1,057,860
United Bank Limited	10,000	100,000	853,800	10,000	100,000	783,600

Note **March 31, 2015** December 31, 2014  
(Unaudited) (Audited)  
----- (Rupees in '000) -----

7.3 Investment in associate - unquoted

e2e Business Enterprises (Private) Limited 23,770,701 (December 31, 2014: 23,770,701) ordinary shares of Rs 10 each	7.3.1	<b>237,707</b>	<b>237,707</b>
---	-------	----------------	----------------

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 green field project having annual production capacity of 9,700 tons of RBO.

Note **March 31, 2015** December 31, 2014  
(Unaudited) (Audited)  
----- (Rupees in '000) -----

## 8. SHORT TERM INVESTMENTS

Term deposit receipts - held till maturity		
- Bank AL Habib (7 days)	-	25,000
- Bank AL Habib (30 days)	-	150,000
	-	<b>175,000</b>

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

For the quarter ended March 31, 2015

8.1 These carry Nil mark-up rates (December 31, 2014: 7.5% to 8.6%) per annum.

Note	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
	------(Rupees in '000)-----	

## 9. LONG TERM FINANCING

Balance as at January 1	330,465	338,798
Acquired during the period / year	-	26,000
Repayments during the period / year	(43,940)	(34,333)
	<u>286,525</u>	<u>330,465</u>
Less : Current portion of long term financing	95,203	(87,880)
	<u>191,322</u>	<u>242,585</u>

9.1 This represents utilised portion of long term finance facility under mark-up arrangement from Allied Bank Limited 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 as more fully explained in note 7.2.2.3 with 50% margin. 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.

9.2 During the quarter, a syndicated term finance facility of Rs 4,000 million (December 31, 2014: Nil) has been obtained from a syndicate of banks led by Allied Bank Limited as investment agent. The unutilized amount of the said facility was Rs 4,000 million (December 31, 2014: Nil). The facility will be secured against shares of HUBCO at a 50% margin to be pledged at the time of drawdown. 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.

## 10. SHORT TERM RUNNING FINANCE

This represents utilised 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, 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 125 basis points (December 31, 2014: three months KIBOR plus 100 to 125 basis points) per annum.

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

For the quarter ended March 31, 2015

	Note	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
-----(Rupees in '000)----			
11.	<b>TRADE AND OTHER PAYABLES</b>		
	Creditors	321,834	2,958
	Accrued expenses	48,681	169,963
	Unclaimed dividend	23,358	23,466
	Others	79	905
		<u>393,952</u>	<u>197,292</u>

## 12. CONTINGENCIES AND COMMITMENTS

### 12.1 Contingent liabilities

12.1.1 During the year ended December 31, 2012, the Company had signed a Memorandum of Understanding (MoU) with Pakarab Fertilizers Limited (Pakarab) for the disposal of its entire shareholding (100 million ordinary shares of Rs. 10 each) in its wholly owned subsidiary, DH Fertilizers Limited (DHFL). However, the Board of Directors (the Board) in its meeting held on December 10, 2012 decided that the Company does not intend to pursue the transaction for commercial reasons. Subsequently, Pakarab filed a suit against the Company in Sindh High Court (the Court) for the enforcement of the said MoU. The single bench of the Court in its interim order dated October 23, 2014 passed an injunction order against the Company. The Company has filed an appeal against the interim order. Further, the Company has recommenced negotiations with Pakarab to reach an out of court settlement for the said suit.

12.1.2 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 the subsidiary company. The corporate guarantee will remain in full force and effect for a period of seven and a half years commencing from December 27, 2011. During the year 2014, the Company had pledged 29 million shares of ECL as security for the subject finance facility which was restructured on December 26, 2014 for a further period of two and a half years.

	Note	March 31, 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>

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

For the quarter ended March 31, 2015

	Note	Quarter ended	
		March 31, 2015 (Unaudited)	March 31, 2014 (Unaudited)
-----(Rupees in '000)----			
<b>13. DIVIDEND INCOME</b>			
Engro Corporation Limited	13.1	-	1,044,825
The Hub Power Company Limited		158,828	99,268
		<u>158,828</u>	<u>1,144,093</u>
13.1	This include the receipt of Nil specie dividend (December 31, 2014: one share of Engro Fertilizers Limited for every ten shares of ECL amounting to Rs 1,045 million).		

	Note	Quarter ended	
		March 31, 2015 (Unaudited)	March 31, 2014 (Unaudited)
-----(Rupees in '000)----			
<b>14. CASH UTILIZED IN OPERATIONS</b>			
(Loss) / profit before taxation		(228,032)	1,066,894
Adjustments for non cash expenses and other items:			
Depreciation and amortization		4,187	3,091
Finance cost		23,420	25,552
Unrealized exchange loss / (gain)		1,947	(13,271)
Dividend income		(158,828)	(1,144,093)
Provision for employees' retirement and other service benefits		1,286	769
Income received from bank deposits		(495)	(69)
Working capital changes	14.1	56,837	(3,717)
Cash utilized in operations		<u>(299,678)</u>	<u>(64,844)</u>
14.1 Working capital changes			
(Increase) / decrease in current assets			
Short term advances		(831)	379
Short term deposits and prepayments		(137,700)	873
Other receivables		(369)	(4,204)
Interest accrued on bank deposits and investments		915	-
		<u>(137,985)</u>	<u>(2,952)</u>
Increase / (decrease) in trade and other payables		194,822	(765)
		<u>56,837</u>	<u>(3,717)</u>

## 15. FINANCIAL RISK MANAGEMENT AND FINANCIAL DISLOSURES

### 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.

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

For the quarter ended March 31, 2015

These unconsolidated 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.

## 16. RELATED PARTY TRANSACTIONS

Significant transactions with related parties are as follows:

	Quarter ended	
	March 31, 2015 (Unaudited)	March 31, 2014 (Unaudited)
	-----(Rupees in '000)----	
<b>Subsidiary company</b>		
Reimbursement of expenses by the Company	26	-
Reimbursement of expenses to the Company	428	6,018
Sale of goods and services	159	159
Investment in subsidiary - Bubber Sher (Private) Limited	10	-
<b>Associates</b>		
Purchase of goods and services	5,439	3,442
Sale of goods and services	1,442	1,489
Dividend income	158,828	1,144,093
Reimbursement of expenses from associates	1,439	1,289
Reimbursement of expenses to associates	380	570
Membership fee and other subscriptions	-	235
<b>Key management personnel</b>		
Salaries and other short term employee benefits	49,050	28,192
Post retirement benefit plans	3,597	2,149

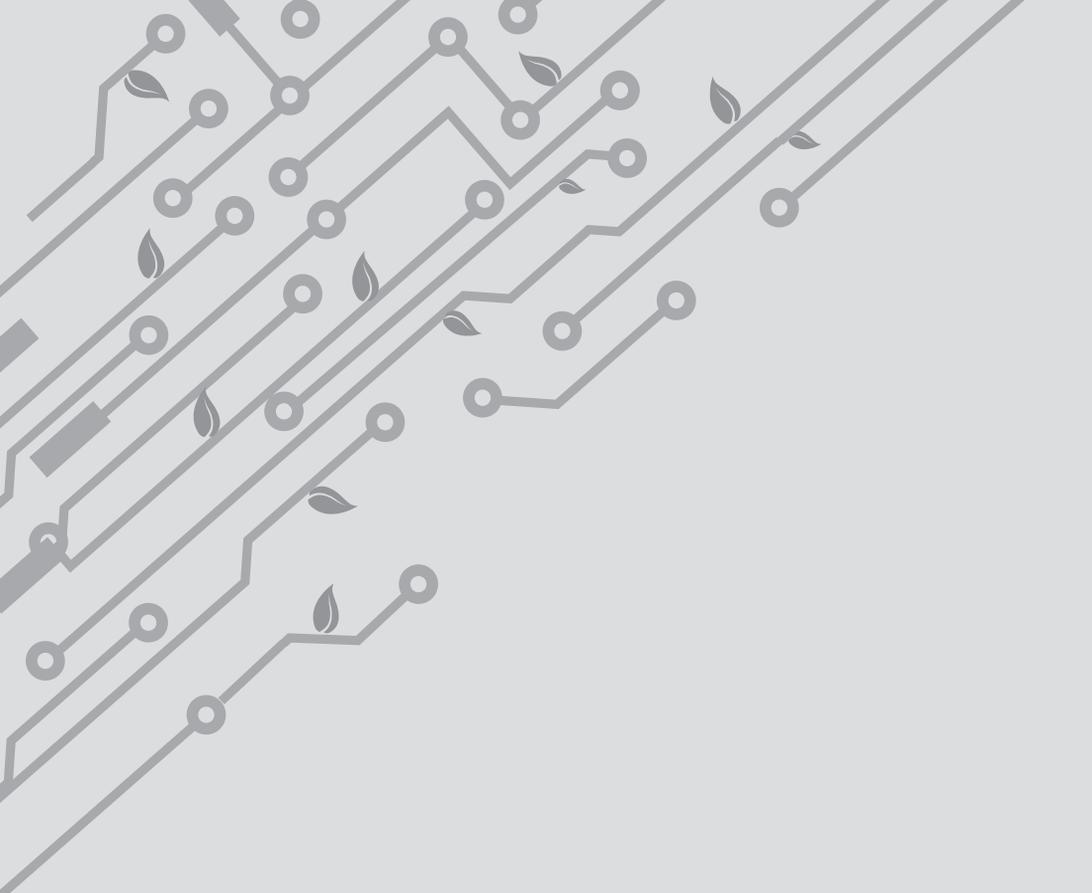
## 17. GENERAL

- 17.1 All financial information, except as otherwise stated, has been rounded to the nearest thousand rupees.
- 17.2 The Board of Directors in its meeting held on March 7, 2015 proposed a cash dividend of Rs 1 per share for the year ended December 31, 2014 which was approved by the members at the Annual General Meeting held on April 24, 2015. These unconsolidated condensed interim financial statements do not recognize the declared dividend as deduction from unappropriated profit.
- 17.3 These unconsolidated condensed interim financial statements were authorised for issue by the Board of Directors on April 29, 2015.

Karachi  
April 29, 2015

  
**Samad Dawood**  
Chief Executive

  
**M. A. Aleem**  
Director



# Consolidated condensed interim financial statements

For the quarter ended March 31, 2015

# Consolidated condensed interim balance sheet

as at March 31, 2015

	Note	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
----- (Rupees in '000) -----			
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	5	1,910,561	1,939,822
Intangible assets		2,786	3,133
Investment in associates	6	37,077,832	36,306,035
		<u>38,991,179</u>	<u>38,248,990</u>
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		718,895	728,416
Stock in trade		42,712	60,679
Trade debts		204	146
Short term loans and advances		21,908	17,082
Short term deposits and prepayments		159,387	15,506
Dividend receivable from associate		659,388	-
Other receivables		54,246	24,577
Interest accrued on bank deposits and investments		-	915
Taxation - net		341,527	389,217
Short term investments		-	175,000
Cash and bank balances		17,461	127,870
		<u>2,015,728</u>	<u>1,539,408</u>
<b>TOTAL ASSETS</b>		<u>41,006,907</u>	<u>39,788,398</u>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised capital		<u>10,000,000</u>	<u>10,000,000</u>
Issued, subscribed and paid up capital		4,812,871	4,812,871
Revenue reserves		27,009,828	26,438,200
		<u>31,822,699</u>	<u>31,251,071</u>
<b>NON CURRENT LIABILITIES</b>			
Long term financing	7	4,143,922	4,195,185
Deferred taxation		1,440,978	1,358,756
Deferred liabilities		83,591	83,416
		<u>5,668,491</u>	<u>5,637,357</u>
<b>CURRENT LIABILITIES</b>			
Current portion of long term financing	7	1,334,853	1,327,530
Short term running finance	8	973,744	436,011
Trade and other payables		1,031,892	1,080,584
Accrued mark-up		175,228	55,845
		<u>3,515,717</u>	<u>2,899,970</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>41,006,907</u>	<u>39,788,398</u>
<b>CONTINGENCIES &amp; COMMITMENTS</b>	9		

The annexed notes 1 to 13 form an integral part of these consolidated condensed interim financial statements.

Karachi  
April 29, 2015

  
**Samad Dawood**  
Chief Executive

  
**M. A. Aleem**  
Director

# Consolidated condensed interim profit and loss account - unaudited

For the quarter ended March 31, 2015

	Quarter ended	
	March 31, 2015	March 31, 2014
	------(Rupees in '000)-----	
Net sales	53,797	122,253
Cost of sales	(223,314)	(249,279)
Gross loss	(169,517)	(127,026)
Selling and distribution expenses	(5,270)	(12,041)
Administrative expenses	(403,586)	(119,251)
Other operating expenses	(3,750)	(2,308)
Other income	16,685	57,820
Operating loss	(565,438)	(202,806)
Finance cost	(161,905)	(239,359)
Share of profit of associates	1,435,703	1,056,740
Profit before taxation	708,360	614,575
Taxation	(132,679)	(8,205)
Profit after taxation	575,681	606,370
Earnings per share (Rupees) - basic and diluted	1.20	1.26

The annexed notes 1 to 13 form an integral part of these consolidated condensed interim financial statements.

Karachi  
April 29, 2015

  
**Samad Dawood**  
Chief Executive

  
**M. A. Aleem**  
Director

# Consolidated condensed interim statement of total comprehensive income - unaudited

For the quarter ended March 31, 2015

	Quarter ended	
	March 31, 2015	March 31, 2014
	----- (Rupees in '000) -----	
Profit after taxation	575,681	606,370
Other comprehensive income		
<i>Items that may be subsequently reclassified to profit and loss</i>		
Share of other comprehensive income of associates	(4,518)	(26,593)
Impact on taxation	465	2,649
Other comprehensive loss for the period	(4,053)	(23,944)
Total comprehensive income for the period	571,628	582,426

The annexed notes 1 to 13 form an integral part of these consolidated condensed interim financial statements.

Karachi  
April 29, 2015

  
**Samad Dawood**  
Chief Executive

  
**M. A. Aleem**  
Director

# Consolidated condensed interim statement of changes in equity - unaudited

For the quarter ended March 31, 2015

	Revenue reserves					Surplus on revaluation of investments	Total
	Issued, subscribed and paid up share capital	General reserve	Un-appropriated profit	Share of other comprehensive income of associates	Sub-total		
	----- Rupees in '000 -----						
Balance as at January 1, 2014	4,812,871	700,000	23,247,833	11,458	23,959,291	-	28,772,162
Total comprehensive income							
Profit after taxation	-	-	606,370	-	606,370	-	606,370
Other comprehensive loss	-	-	-	(23,944)	(23,944)	-	(23,944)
Total comprehensive income for the period	-	-	606,370	(23,944)	582,426	-	582,426
Balance as at March 31, 2014	4,812,871	700,000	23,854,203	(12,486)	24,541,717	-	29,354,588
Balance as at January 1, 2015	4,812,871	700,000	25,742,455	(4,255)	26,438,200	-	31,251,071
Total comprehensive income							
Profit after taxation	-	-	575,681	-	575,681	-	575,681
Other comprehensive loss	-	-	-	(4,053)	(4,053)	-	(4,053)
Total comprehensive income for the period	-	-	575,681	(4,053)	571,628	-	571,628
Balance as at March 31, 2015	4,812,871	700,000	26,318,136	(8,308)	27,009,828	-	31,822,699

The annexed notes 1 to 13 form an integral part of these consolidated condensed interim financial statements.

Karachi  
April 29, 2015

  
**Samad Dawood**  
Chief Executive

  
**M. A. Aleem**  
Director

# Consolidated condensed interim cash flow statement - unaudited

For the quarter ended March 31, 2015

Note	Quarter ended	
	March 31, 2015	March 31, 2014
	-----(Rupees in '000)----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
	(711,771)	(164,619)
10	(42,522)	(28,964)
	(2,302)	(5,121)
	(4,335)	(4,981)
	(760,930)	(203,685)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
	(19,178)	(11,901)
	53	1,342
	961	2,191
	-	22,237
	(18,164)	13,869
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
	(43,940)	(16,940)
	(108)	(43)
	(44,048)	(16,983)
	(823,142)	(206,799)
	(133,141)	(762,284)
	<u>(956,283)</u>	<u>(969,083)</u>

The annexed notes 1 to 13 form an integral part of these consolidated condensed interim financial statements.

Karachi  
April 29, 2015

  
**Samad Dawood**  
Chief Executive

  
**M. A. Aleem**  
Director

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

For the quarter ended March 31, 2015

## 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

Company name	%age of direct holding		Principal activity
	March 31, 2015	March 31, 2014	

### Subsidiaries:

- DH Fertilizers Limited (note 1.3)	100.00%	100.00%	Production, purchase and sale of fertilizers.
- Bubber Sher (Private) Limited	100.00%	-	To sell, distribute and market fertilizers and chemicals.

### Associates:

- Engro Corporation Limited	37.22%	38.13%	Manage investments in its subsidiary companies and joint ventures engaged in fertilizers, PVC resin manufacturing, food, energy, exploration, LNG and chemical terminal and storage business.
- The Hub Power Company Limited	14.25%	14.25%	Develop, own, operate and maintain power stations.
- e2e Business Enterprises (Private) Limited	39.00%	39.00%	Own, manage and operate Rice Bran Oil (RBO) extraction facility and operate the sales and distribution facilities of the produced RBO.

1.3 In 2012, the Holding Company had signed a Memorandum of Understanding (MoU) with Pakarab Fertilizers Limited (Pakarab) for the disposal of its entire shareholding (100 million ordinary shares of Rs 10 each) in its wholly owned subsidiary, DH Fertilizers Limited (DHFL). However, the Board of Directors (the Board) of the Holding Company in its meeting held on December 10, 2012 decided that the Holding Company does not intend to pursue the transaction for commercial reasons. Subsequently, Pakarab filed a suit against the Holding Company in Sindh High Court (the Court) for the enforcement of the said MoU. The single bench of the Court in its interim order dated October 23, 2014 passed an injunction order against the Holding Company. The Holding Company has filed an appeal against the interim order.

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

For the quarter ended March 31, 2015

During the period, the Holding Company has recommenced negotiations with Pakarab to reach an out of court settlement for the said suit. The negotiations are currently in progress and it is expected that a definitive solution will be achieved by the end of June 2015.

## 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, 2014 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 total comprehensive income, consolidated condensed interim statement of changes in equity and consolidated condensed interim cash flow statement for the quarter ended March 31, 2014 have been extracted from the consolidated condensed interim financial statements of The Group for the quarter then ended.
- 2.3 These consolidated condensed interim financial statements are being submitted to the shareholders in accordance with section 245 of the Ordinance and should be read in conjunction with the consolidated financial statements as at and for the year ended December 31, 2014.

## 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, 2014.

- 3.1 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 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.

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

For the quarter ended March 31, 2015

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, 2014.

	Note	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
----- (Rupees in '000) -----			
<b>5. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets	5.1	1,539,435	1,568,696
Capital work-in-progress		149,056	149,056
Major spare parts and stand-by equipment		222,070	222,070
		<u>1,910,561</u>	<u>1,939,822</u>
5.1 Net book value at the beginning of the period / year		1,568,696	1,725,664
Add: Additions during the period / year	5.1.1	19,178	50,983
Add: Transfers during the period / year		-	2,254
		<u>1,587,874</u>	<u>1,778,901</u>
Less: Disposals during the period / year		18	13,947
Assets written off during the period/year		-	198
Depreciation charged during the period / year		48,421	196,060
		<u>48,439</u>	<u>210,205</u>
Net book value at the end of the period / year		<u>1,539,435</u>	<u>1,568,696</u>
5.1.1 Additions during the period / year			
Plant and machinery		-	4,300
Furniture, fittings and equipment		293	6,964
Motor vehicles		15,128	21,773
Leasehold improvements		-	10,406
Data processing equipment		3,757	7,540
		<u>19,178</u>	<u>50,983</u>
<b>6. INVESTMENT IN ASSOCIATES</b>			
Engro Corporation Limited - quoted	6.1	31,407,449	30,430,714
The Hub Power Company Limited - quoted	6.2	5,443,593	5,643,701
e2e Business Enterprises (Private) Limited - unquoted	6.3	226,790	231,620
		<u>37,077,832</u>	<u>36,306,035</u>

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

For the quarter ended March 31, 2015

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
	------(Rupees in '000)-----	
6.1 Engro Corporation Limited (ECL) - quoted		
194,972,555 (December 31, 2014: 194,972,555) ordinary shares of Rs 10 each		
Opening balance	30,430,714	28,482,780
Share of post acquisition profit for the period / year	981,793	2,796,651
Share of other comprehensive loss	(5,059)	(15,301)
Gain on dilution of share	-	720,515
Dividend received during the period / year	-	(1,553,931)
	<u>976,735</u>	<u>1,947,934</u>
Closing balance	<u>31,407,449</u>	<u>30,430,714</u>
Percentage of holding 37.22% (December 31, 2014: 37.22%)		

6.1.1 Market value of investment in ECL as at March 31, 2015 was Rs 50,088 million (December 31, 2014: Rs 43,188 million).

6.1.2 Financial results of ECL for the quarter ended December 31, 2014 have been used for the application of equity method of accounting for consolidation purposes, since financial results of ECL for the quarter ended March 31, 2015 were not available till the finalization of these consolidated condensed interim financial statements.

6.1.3 The details of shares pledged as security against finance facilities obtained by the Group are as follows:

	As at March 31, 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)-----	-----
Long term:						
Meezan Bank Limited	29,000	290,000	7,450,100	29,000	290,000	6,423,790
Short term:						
Bank AL Habib Limited	5,540	55,400	1,423,226	5,540	55,400	1,227,165
United Bank Limited	1,900	19,000	488,110	1,900	19,000	420,869
Habib Metropolitan Bank	19,960	199,600	5,127,724	19,960	199,600	4,421,340

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

For the quarter ended March 31, 2015

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
	----- (Rupees in '000) -----	
6.2 The Hub Power Company Limited (HUBCO) - quoted 164,847,000 (December 31, 2014: 164,847,000) ordinary shares of Rs 10 each		
Opening balance	5,643,701	5,566,420
Share of post acquisition profit for the period / year	458,740	1,150,887
Share of other comprehensive income / (loss)	541	(2,100)
Dividend receivable / received during the period / year	(659,388)	(1,071,506)
	(200,108)	77,281
Closing balance	<u>5,443,593</u>	<u>5,643,701</u>
Percentage of holding 14.25% (December 31, 2014: 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 March 31, 2015 was Rs 14,075 million (December 31, 2014: Rs 12,917 million).

6.2.3 Financial results of HUBCO for the quarter ended December 31, 2014 have been used for the application of equity method of accounting for consolidation purposes as the financial results for the quarter ended March 31, 2015 were not available till the finalization of these consolidated condensed interim financial statements.

6.2.4 The details of shares pledged as security against finance facilities obtained by the Group are as follows:

	As at March 31, 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>Bank</b>						
<b>Long term:</b>						
Allied Bank Limited	87,001	870,010	7,428,145	87,001	870,010	985,847
<b>Short term:</b>						
Bank Al Habib Limited	13,500	135,000	1,152,630	13,500	135,000	1,057,860
United Bank Limited	10,000	100,000	853,800	10,000	100,000	783,600
Habib Metropolitan Bank	10,280	102,800	877,706	10,280	102,800	805,541
Habib Bank Limited	12,600	126,000	1,075,788	12,600	126,000	987,336

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

For the quarter ended March 31, 2015

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
	----- (Rupees in '000) -----	
6.3 e2e Business Enterprises (Private) Limited - unquoted		
Opening balance as at January 1	231,620	175,146
23,770,701 (2014: 17,514,633) ordinary shares of Rs 10 each		
Add: Nil (2014: 6,256,068) ordinary shares received during the period / year	-	62,561
	<u>231,620</u>	<u>237,707</u>
Share of post acquisition losses for the period / year	(4,830)	(6,087)
Closing balance	<u>226,790</u>	<u>231,620</u>
Percentage of holding 39% (December 31, 2014: 39%)		

6.3.1 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 consolidated condensed interim financial statements.

6.3.2 Condensed interim financial statements of e2eBE reflecting financial results as at March 31, 2015 have been used for the purpose of application of the equity method.

	Note	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
		----- (Rupees in '000) -----	
7. LONG TERM FINANCING			
Long term finance under mark-up arrangement	7.1	286,525	330,465
Diminishing Musharaka arrangement	7.3	3,691,500	3,691,500
Syndicated term finance	7.4	1,500,750	1,500,750
		<u>5,478,775</u>	<u>5,522,715</u>
Less: Current portion of long term financing		<u>1,334,853</u>	<u>1,327,530</u>
		<u>4,143,922</u>	<u>4,195,185</u>

7.1 The Holding Company has availed a long term finance facility under mark-up arrangement from Allied Bank Limited (ABL) aggregating to Rs 380 million (December 31, 2014: Rs 380 million). The finance facility is secured by way of hypothecation charge over all assets of the Holding Company with 25% margin and pledge of HUBCO shares. The facility carries markup at the rate of six months KIBOR plus 200 basis points per annum. The facility is for a 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.

7.2 During the quarter, a syndicated term finance facility of Rs 4,000 million (December 31, 2014: Nil) has been obtained by the Holding Company from a syndicate of banks led by Allied Bank Limited as investment agent. The unutilized amount of the said facility was Rs 4,000 million (December 31, 2014: Nil). The facility will be

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

For the quarter ended March 31, 2015

secured against shares of HUBCO at a 50% margin to be pledged at the time of drawdown. 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.

- 7.3 DH Fertilizers Limited (the Subsidiary Company) has obtained a long term finance facility of Rs 4,800 million (December 31, 2014: Rs 4,800 million) from a consortium of banks under Diminishing Musharaka arrangement with Meezan Bank Limited acting as Investment Agent. The facility was for a period of 5 years, inclusive of grace period of 2 years while the first Musharaka buyout became due and was paid on June 27, 2014. In December 2014, the Subsidiary Company entered into an agreement for the restructuring of said facility of the outstanding amount of Rs 4,000 million whereby tenure of loan has extended to 7.5 years from 5 years. 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. At the time of restructuring, the Holding Company also pledged 29 million shares of ECL in favour of Meezan Bank Limited as mentioned in note 6.1.3.
- 7.4 The Subsidiary Company also obtained a syndicated long term finance facility of Rs 2,070 million (December 31, 2014: Rs 2,070 million) from a consortium of banks led by Allied Bank Limited. The facility is for a period of 5 years, the first repayment became due and was paid on June 12, 2014. 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 as explained in note 6.2.4 and further ranking hypothecation charge over all present and future fixed assets of the Subsidiary Company.

Note	<b>March 31, 2015 (Unaudited)</b>	December 31, 2014 (Audited)
	----(Rupees in '000)----	

- |           |   |                |                |
|-----------|---|----------------|----------------|
| <b>8.</b> | <b>SHORT TERM RUNNING FINANCE 10.1 &amp; 10.2</b> | <b>973,744</b> | <b>436,011</b> |
|-----------|---|----------------|----------------|
- 8.1 This includes Rs 652 million (December 31, 2014: Rs 436 million) availed by the Holding Company from commercial banks out of the total finance facilities of Rs 3,000 million (December 31, 2014: Rs 2,000 million) under mark-up arrangements expiring on various dates upto May 31, 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, 2014: KIBOR plus 100 to 125 basis points) per annum.

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

For the quarter ended March 31, 2015

8.2 This includes Rs 322 million (December 31, 2014: Rs Nil) availed by the Subsidiary Company from commercial banks out of the total facility of Rs 2,500 million (December 31, 2014: Rs 2,500 million) and expiring on various dates upto December 31, 2015. 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 75 basis points (December 31, 2014: KIBOR plus 50 basis points to 75 basis points) per annum.

## 9. CONTINGENCIES AND COMMITMENTS

### 9.1 Contingent liabilities

9.1.1 In 2012, the Holding Company had signed a Memorandum of Understanding (MoU) with Pakarab Fertilizers Limited (Pakarab) for the disposal of its entire shareholding (100 million ordinary shares of Rs. 10 each) in its wholly owned subsidiary, DH Fertilizers Limited (DHFL). However, the Board of Directors (the Board) of the Holding Company in its meeting held on December 10, 2012 decided that the Holding Company does not intend to pursue the transaction for commercial reasons. Subsequently, Pakarab filed a suit against the Holding Company in Sindh High Court (the Court) for the enforcement of the said MoU. The single bench of the Court in its interim order dated October 23, 2014 passed an injunction order against the Holding Company. The Holding Company has filed an appeal against the interim order. Further, the Holding Company has recommenced negotiations with Pakarab to reach an out of court settlement for the said suit.

9.1.2 The Holding 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 DH Fertilizers Limited. The corporate guarantee will remain in full force and effect for a period of seven and a half years commencing from December 27, 2011. Further during the year 2014, the Holding Company had pledged 29 million shares of ECL as security for the subject finance facility which was restructured on December 26, 2014 for a further period of two and a half years.

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
	-----(Rupees in '000)----	
9.2 Commitments in respect of: - operating lease	<u>5,332</u>	<u>2,315</u>

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

For the quarter ended March 31, 2015

	Quarter ended March 31, 2015 (Unaudited)	March 31, 2014 (Unaudited)
	----- (Rupees in '000) -----	
<b>10. CASH UTILIZED IN OPERATIONS</b>		
Profit before taxation	708,360	614,575
Adjustment for non cash expenses and other items:		
Depreciation and amortization	48,767	49,228
Finance cost	161,905	239,359
Profit on disposal of property, plant and equipment	(35)	(761)
Gain on sale of investments at fair value through profit or loss	-	(3,944)
Un-realized gain due to remeasurement of investments at fair value through profit or loss	-	(23,488)
Unrealized exchange loss / (gain)	1,947	(13,271)
Share of profit from associates	(1,435,703)	(1,056,740)
Provision for employees' retirement and other service benefits	4,509	4,330
Provision for impairment of major spare parts and standby equipment	-	838
Income received from bank deposits	(961)	(2,191)
Working capital changes	(200,560)	27,446
Cash utilized in operations	<u>(711,771)</u>	<u>(164,619)</u>
<b>10.1 Working capital changes</b>		
Decrease / (increase) in current assets		
Stores, spares and loose tools	9,521	5,342
Stock in trade	17,967	25,834
Trade debts	(58)	39,764
Short term loans and advances	(4,826)	2,081
Short term deposits and prepayments	(143,881)	(1,235)
Other receivables	(29,669)	(1,983)
	915	-
	<u>(150,031)</u>	<u>69,803</u>
Decrease in trade and other payables	<u>(50,529)</u>	<u>(42,357)</u>
	<u>(200,560)</u>	<u>27,446</u>

## 11. FINANCIAL RISK MANAGEMENT AND FINANCIAL DISCLOSURES

### 11.1 Financial risk factors

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

The consolidated condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with The Group's annual financial statements as at December 31, 2014. There have been no changes in any risk management policies since the previous year end.

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

For the quarter ended March 31, 2015

## 12. RELATED PARTY TRANSACTIONS

Significant transactions during the period were as follows:

	Quarter ended March 31, 2015 (Unaudited)	March 31, 2014 (Unaudited)
	----- (Rupees in '000) -----	
<b>Associates</b>		
Dividend income	659,388	1,576,104
<b>Related parties</b>		
Markup on Musharika Loan - Meezan Bank Limited	166,438	58,253
Sale of goods and services	1,442	1,489
Purchase of goods and services	5,439	3,442
Sale of fixed assets	-	743
Reimbursement of expenses from related parties	2,346	7,896
Reimbursement of expenses to related parties	380	570
Rental income	-	3,600
Membership fees and other subscriptions	-	235
<b>Other related parties</b>		
Key management personnel compensation	114,860	101,089
Consulting professional fees	-	3,000
Contributions to employees' post retirement benefit plans	12,669	12,171

## 13. GENERAL

- 13.1 All financial information, except as otherwise stated, has been rounded to the nearest thousand of rupees.
- 13.2 The Board of Directors of the Holding Company in its meeting held on March 7, 2015 proposed a cash dividend of Rs 1 per share for the year ended December 31, 2014 which was approved by the members at the Annual General Meeting held on April 24, 2015. These consolidated condensed interim financial statements do not recognize the declared dividend as deduction from unappropriated profit.
- 13.3 These consolidated condensed interim financial statements were authorized for issue by the Board of Directors on April 29, 2015.

Karachi  
April 29, 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)

Making Food & Energy Available, Affordable & Sustainable

