Dawood Hercules

Adding Dimensions with Diverse Business Interests

3rd Quarter 2012 Accounts

Company Information

Board of Directors:

Mr. Hussain Dawood	Chairman
Mr. Shahid Hamid Pracha	Chief Executive Officer
Mr. Isar Ahmad	Director
Mr. Javed Akbar	Director
Mr. M. Abdul Aleem	Director
Mr. M. Aliuddin Ansari	Director
Mr. A. Samad Dawood	Director
Mr. Shahzada Dawood	Director
Mr. Parvez Ghias	Director
Mr. Saad Raja	Director

Board Audit Committee:

Mr. M. Abdul Aleem	Chairman
Mr. Isar Ahmad	Member
Mr. Javed Akbar	Member
Mr. Parvez Ghias	Member

Board Compensation Committee:

Mr. Hussain Dawood	Chairman
Mr. M. Aliuddin Ansari	Member
Mr. A. Samad Dawood	Member

Board Investment Committee:

Mr. A. Samad Dawood	Chairman
Mr. Shahid Hamid Pracha	Member
Mr. Ali Aamir	Member

Company Secretary:

Mr. Shafiq Ahmed

Chief Financial Officer:

Mr. Ali Aamir

Registered Office:

Dawood Center, M.T. Khan Road
Karachi-75530
Tel: +92-21-35686001
Fax: +92-21-35693416
Email: shafiq.ahmed@dawoodgroup.com
Web: www.dawoodhercules.com

Bankers:

Bank Al-Habib Limited
Barclays Bank PLC, Pakistan

Auditors:

A.F Ferguson & Co
Chartered Accountants
State Life Building No. 1-C
I.I. Chundrigar Road
Karachi - 74000, Pakistan
Tel: +92 (21) 32426682-6/32426711-5
Fax: +92 (21) 32415007/32427938

Shares Registrar:

M/s. Corplink (Pvt.) Limited
Wings Arcade, 1-K, Commercial
Model Town, Lahore
Tel: +92 (42) 35839182, 35916719
Fax: +92 (42) 35869037

Tax Consultants:

A.F Ferguson & Co
Chartered Accountants
State Life Building No. 1-C
I.I. Chundrigar Road
Karachi - 74000, Pakistan
Tel: +92 (21) 32426682-6/32426711-5
Fax: +92 (21) 32415007/32427938

Legal Advisors:

Hassan & Hassan (Advocates)
PAAF Building 7-D, Kashmir/Egerton Road,
Lahore
Tel: +92 (42) 36360800-03
Fax: +92 (42) 36360811-12

Contents

Directors' Report

The Directors are pleased to present their report for the third quarter ended 30 September 2012 together with the unaudited condensed interim financial statements of the Company for the third quarter and nine months ended 30 September 2012.

1. Business overview

(a) Fertilizers

DH Fertilizers Limited's (DHFL's) plant remained shut with no production throughout Q3 2012 as Sui Northern Gas Pipelines Limited (SNGPL) did not provide any feed gas. As compared with this, gas was supplied for 17 days in the immediately preceding quarter and 53 days in the corresponding quarter last year.

Unfortunately, the discrimination in the matter of gas supply to DHFL by SNGPL, which was evident last year, is being repeated this year as well and could also affect any prospects for further gas supply this year. The Company has made numerous representations to the GoP and SNGPL informing them of the inequitable distribution of gas amongst competing fertilizer customers on the SNGPL network as well as in comparison with the allocation given to industry and other less important sectors of the economy. This aspect is especially egregious given the GoP's overt commitment to fair competition and clear responsibility to operate a level playing field for all sectors of industry. Therefore, the Company had no choice but to opt for legal recourse in order to press its rightful claim to gas.

Domestic urea production was adversely impacted due to the severe and continuing gas shortages faced by the fertilizer sector (especially the SNGPL network plants) with aggregate Q3 production limited to just 0.95 million tonnes which is 0.45 million tonnes or 32% lower than the same quarter last year. In order to mitigate the effect of lower urea production in the country, the government imported a further quantity of 0.32 million tonnes during Q3 2012 which, combined with 0.89 million tonnes imported during the first two quarters resulted in an oversupplied market. After the heavy subsidy element on the price of imported urea, it was sold at a discount of Rs 50 to 100 per bag in comparison to domestic product.

Hearings in respect of the show cause notices issued by the Competition Commission of Pakistan (CCP) in June 2012 to all the fertilizer manufacturers in Pakistan regarding factors behind the rise in urea prices in 2011 and whether these price increases constitute “collective dominance” of all the fertilizer manufacturers of the urea market, were held during Q3 2012 and are still in progress. The CCP is hearing each company's case separately.

(b) Prospective sale of DH Fertilizers Limited

Although the Government of Pakistan (GoP) has recently moved a proposal to supply gas to the SNGPL network based plants from dedicated fields via an independent pipeline, implementation will take time, coordination and considerable investment estimated to be in the range of USD 300-400m. A short term solution to the fertilizer industry's gas needs can only come through a reversion to the established policy of gas supply priority or through more equitable distribution. Whilst the industry lobbies for its right to gas, prospects for a workable solution remain uncertain as does the future pricing of gas to the fertilizer industry. Given this background and the need to diversify the Company's investment portfolio, the Board of Directors authorized the management to sign a Memorandum of Understanding (MoU) with Pakarab Fertilizers Limited (Pakarab) for the sale of its entire shareholding in DHFL. The MoU was signed on 15 September 2012 and it stipulates certain “conditions precedent” for entering into the transaction which, amongst others, includes execution of definitive agreements and such approvals as may be required to give effect to the sale. A sum of Rs 500 million has been received by the Company from Pakarab as advance against the final sale price of DHFL shares which will be determined after completion of the due diligence exercise currently underway. The entire transaction is expected to be completed by the end of Q1 2013.

(c) Investments - Energy

Given the persistent decline in profitability of SNGPL and increasing influence of the GoP in its decision making process, it was decided to divest DHFL's shareholding in SNGPL. As a result, 57.4 million shares were sold in the market during Q3 2012 realizing aggregate sale proceeds of Rs 1,060 million which were mainly utilized by DHFL to acquire 22.88 million additional shares in the Hub Power Company Limited (Hubco). The remaining shares in SNGPL have been disposed off subsequent to the balance sheet date. A further 4.227 million shares of Hubco were acquired during Q3 2012 through long term financing obtained by the Company, bringing the Group's aggregate investment in Hubco as of 30 September 2012 to 164.847 million shares or 14.25% of the paid up share capital of that company. The Board is pleased to inform

Directors' Report

the members that, at the election of Directors of Hubco held at its Annual General Meeting in September 2012, the Group nominees attained a majority representation on the Board and Mr Hussain Dawood was subsequently elected as Chairman of the Board.

(d) Investments - Other

For the half year ended June 30, 2012, the Company's associated entity Engro Corporation Limited (ECL) reported a net loss after tax of Rs 340m attributable to the Company's shareholders as compared to a profit after tax of Rs 3,381 million in the corresponding period last year. Profitability was impacted very largely by losses in ECL's fertilizer subsidiary but was offset to some extent by improving bottom lines in its foods, power generation, and polymers businesses.

2. Financial performance

The consolidated gross profit of the Company declined from Rs 1,205 million in Q3 2011 to Rs 250.4 million in Q3 2012 mainly due to complete curtailment of feed gas to DHFL's plant in the current quarter. Consolidated expenses in aggregate for Q3 2012 were 40% lower than the same quarter last year primarily due to lower charges for Workers' Welfare and Workers' Profit Participation Funds on the back of lower operating profit. Other operating income for the quarter was higher than the same quarter last year mainly due to a one-off gain of Rs 156 million on the sale of SNGPL shares.

ECL declared a consolidated profit after tax of Rs 247.9 million for the quarter ended 30 June 2012 (2011: Rs 1,274.1 million) of which the Group's share of Rs 94.5 million (2011: Rs 485.9 million) was better than the share of after tax loss of Rs 146 million in the previous quarter. This was mainly on account of a marginal improvement in the supply of gas to its old fertilizer plant.

Hubco declared a consolidated profit after tax of Rs 3,310 million for the quarter ended 30 June 2012 (2011: Rs 1,316.8 million) of which the Group's pro-rated share for 18 days to 30 June 2012 amounted to Rs 93.3 million (2011: Rs Nil). Hubco's substantially higher profitability for the year ended 30 June 2012 as compared to the previous year was predicated on the first full year's earnings kicking in from the start of commercial operations of its Narowal plant with effect from 22 April 2011. In addition, better efficiency gains, higher generation bonus and devaluation of the rupee versus the US dollar (partly offset by higher financing costs) also contributed to Hubco's improved performance. The major issue, however, continues to be the problem of “circular debt” facing most independent power producers in the country with trade debts of Hubco having increased by a massive 76% from Rs 86 billion as of 30 June 2011 to Rs 151 billion as of 30 June 2012. Despite liquidity constraints, Hubco has declared and approved a final dividend of Rs 3 per share for the year ended 30 June 2012 which has been accounted for in the Company's unconsolidated and consolidated condensed interim financial statements for Q3 2012.

3. Future outlook

With the onset of the winter season from around mid-November, supply of natural gas to consumers other than the residential/domestic sector will be heavily curtailed, particularly to the fertilizer industry. As a result, both DHFL and Engro Fertilizers will be adversely affected. While ECL's non-fertilizer businesses are expected to perform better or in line with past trends, its overall financial position will continue to remain strained due to reduced gas supplies to its fertilizer plants.

The new Board of Directors of Hubco is expected to provide fresh direction and a more focused approach in addressing the challenges facing that company. Although Hubco's profitability is expected to remain robust going forward, liquidity constraints arising mainly from the high trade debt levels at the Narowal operations will continue to place a drag on its cash flows.

Hussain Dawood
Chairman

Shahid Hamid Pracha
Chief Executive

Karachi: October 31, 2012

Condensed unconsolidated interim balance sheet (unaudited)

As at September 30, 2012

	Note	September 30, 2012 (Unaudited)	December 31, 2011 (Audited)
		(Rupees in thousand)	
Equity and liabilities			
Share capital and reserves			
Authorised capital			
1,000,000,000 ordinary shares of Rs 10 each		10,000,000	10,000,000
Issued, subscribed and paid up-capital		4,812,871	4,812,871
Revenue reserves		14,784,147	15,036,168
Surplus on revaluation of investment		1,173	-
		19,598,191	19,849,039
Non current liabilities			
Long term loan	5	169,148	-
Employees' retirement and other service benefits		3,356	6,509
Current liabilities			
Current maturity of long term loan		8,902	-
Trade and other payables	7	544,787	33,701
Accrued mark-up on finance facilities		7,381	-
Provision for taxation		39,000	78,000
		600,070	111,701
Contingencies	8	-	-
		20,370,765	19,967,249
Assets			
Non current assets			
Property, plant and equipment	9	67,258	42,809
Long term investments	10	19,727,295	18,435,618
		19,794,553	18,478,427
Current assets			
Loans, advances, deposits, prepayments and other receivables		2,421	1,941
Dividend receivable		119,121	-
Short term investments	11	323,484	971,818
Advance income tax		28,774	79,618
Cash and bank balances	12	102,412	435,445
		576,212	1,488,822
		20,370,765	19,967,249

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

Shahid Hamid Pracha
Chief Executive

M. Abdul Aleem
Director

Karachi: October 31, 2012

Condensed unconsolidated interim profit and loss account (unaudited)

For the quarter and nine months ended September 30, 2012

	Quarter ended September 30		Nine months ended September 30	
	2012	2011	2012	2011
	(Rupees in thousand)			
Divided Income	119,121	261,558	380,679	479,523
Administrative expenses	(56,117)	(49,795)	(169,285)	(146,102)
	63,004	211,763	211,394	333,421
Other operating income	2,900	30,162	71,364	88,042
Impairment on available for sale investments	-	(1,630)	-	(4,963)
Operating profit	65,904	240,295	282,758	416,500
Finance costs	(14,067)	-	(14,493)	-
Profit before taxation	51,837	240,295	268,266	416,500
Taxation	(12,000)	(26,156)	(39,000)	(47,952)
Profit after taxation	39,837	214,139	229,266	368,548
Earnings per share - basic and diluted (rupees)	0.08	0.44	0.48	0.77

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

Shahid Hamid Pracha
Chief Executive

M. Abdul Aleem
Director

Karachi: October 31, 2012

Condensed unconsolidated interim statement of comprehensive income (unaudited)

For the quarter and nine months ended September 30, 2012

	Quarter ended September 30		Nine months ended September 30	
	2012	2011	2012	2011
	(Rupees in thousand)			
Profit after taxation	**39,837**	214,139	**229,266**	368,548
Other comprehensive income				
Unrealised gain on investments classified as 'available for sale'	**154**	-	**1,173**	-
Total comprehensive income	**39,991**	214,139	**230,438**	368,548

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

Shahid Hamid Pracha
Chief Executive

M. Abdul Aleem
Director

Karachi: October 31, 2012

Condensed unconsolidated interim cash flow statement (unaudited)

For the nine months ended September 30, 2012

	Note	Nine month ended September 30, 2012	September 30, 2011
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	13	415,100	(122,360)
Finance cost paid		(7,112)	-
Taxes paid		(27,156)	(26,079)
Employees retirement and other service benefits paid		(8,032)	(3,473)
Long term loans and advances		-	(184)
Net cash generated from / (used in) operating activities		372,800	(152,096)
Cash flows from investing activities			
Fixed capital expenditure		(33,501)	(4,883)
Proceeds from disposal of property, plant and equipment		7,363	1,491
Proceeds from disposal of short term investments		2,083,025	153,412
Investments made		(2,722,479)	(477,000)
Dividend received		261,558	217,965
Net cash used in investing activities		(404,034)	(99,762)
Cash flows from financing activities			
Long term loan obtained		178,050	-
Dividends paid		(479,850)	(120,977)
Net cash used in financing activities		(301,800)	(120,977)
Net decrease in cash and cash equivalents		(333,033)	(372,835)
Cash and cash equivalents at the beginning of the period		435,445	383,956
Cash and cash equivalents at the end of the period		102,412	11,121

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

Shahid Hamid Pracha
Chief Executive

M. Abdul Aleem
Director

Karachi: October 31, 2012

Condensed unconsolidated interim statement of changes in equity (unaudited)

For the nine months ended September 30, 2012

	Issued subscribed and paid-up capital	Revenue reserves			Surplus on revaluation of Investments	Total
		General reserve	Un-appropriated Profit	Total		
	(Rupees in thousand)					
Balance as at January 1, 2011	1,203,218	700,000	17,505,345	18,205,345	-	19,408,563
Total comprehensive income	-	-	368,548	368,548	-	368,548
Final cash dividend @ 10% for the year ended December 31, 2010	-	-	(120,322)	(120,322)	-	(120,322)
Final stock dividend @ 300% for the year ended December 31, 2010	3,609,653	-	(3,609,653)	(3,609,653)	-	-
	3,609,653	-	(3,729,975)	(3,729,975)	-	(120,322)
Balance as at September 30, 2011	4,812,871	700,000	14,143,918	14,843,918	-	19,656,789
Balance as at January 1, 2012	4,812,871	700,000	14,336,168	15,036,168	-	19,849,039
Total comprehensive income	-	-	229,266	229,266	1,173	230,439
Final cash dividend @ 10% for the year ended December 31, 2011	-	-	(481,287)	(481,287)	-	(481,287)
Balance as at September 30, 2012	4,812,871	700,000	14,084,147	14,784,147	1,173	19,598,191

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

Shahid Hamid Pracha
Chief Executive

M. Abdul Aleem
Director

Karachi: October 31, 2012

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

For the nine months ended September 30, 2012

1. Legal status and operations

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

The Board of Directors in their meeting held on June 16, 2010 decided to divide the Company into two companies by separating its Fertilizer Undertaking from the rest of the undertaking, that is to be retained in the Company (Retained Undertaking). In this regard a wholly owned subsidiary named DH Fertilizers Limited (subsidiary company) was incorporated on August 2, 2010. The division was effected on January 1, 2011 through a Scheme of Arrangement under Section 284 to 288 of the Companies Ordinance, 1984, which was approved by the Honourable Lahore High Court on July 23, 2011, whereby:

(a) the Fertilizer Undertaking has been transferred and vested in DH Fertilizers Limited against the issuance of ordinary shares of DH Fertilizers Limited.

(b) the retention of Retained Undertaking in the Company along with the change of name of the Company to Dawood Hercules Corporation Limited. Dawood Hercules Corporation Limited henceforth will function as a holding company to oversee the business of the new fertilizer subsidiary.

2. Basis of preparation

2.1 These condensed unconsolidated interim financial statements of the Company for the nine months ended September 30, 2012 have been prepared in accordance with the requirements of the International Accounting Standard 34 - "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

2.2 These condensed unconsolidated interim financial statements comprise of the balance sheet as at September 30, 2012 and the profit and loss account, the statement of comprehensive income, the statement of changes in equity, the cash flow statement and notes thereto for the nine months then ended. These unconsolidated condensed interim financial statements also include the profit and loss account for the quarter ended September 30, 2012.

2.3 The comparative balance sheet as at December 31, 2011 presented in these condensed unconsolidated interim financial statements has been extracted from the audited financial statements of the Company for the year then ended. The comparative profit and loss account, statement of changes in equity and cash flow statement for the nine months ended September 30, 2011 have been extracted from the condensed unconsolidated interim financial statements of the Company for the nine months then ended. The comparative profit and loss account for the quarter ended September 30, 2011 is also included in these condensed unconsolidated interim financial statements.

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

For the nine months ended September 30, 2012

2.4 Standards, interpretations and amendments to approved accounting standards that are effective but not relevant:

Certain standards, amendments and interpretations to approved accounting standards are effective for accounting periods beginning on or after January 1, 2012 but are considered not to be relevant or have any significant effect on the Company's operations and are therefore not detailed in these condensed unconsolidated interim financial statements.

2.5 Standards, interpretations and amendments to published approved accounting standards that are not yet effective:

There are certain amendments to the approved accounting standards and interpretations that are mandatory for the Company's accounting periods beginning on or after January 1, 2013 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these condensed unconsolidated interim financial statements.

3. Accounting policies

The accounting policies and the methods of computation adopted in the preparation of these condensed unconsolidated interim financial statements are the same as those applied in the preparation of the financial statements for the year ended December 31, 2011.

4. Accounting estimates

The preparation of these condensed unconsolidated interim financial statements requires the use of certain accounting estimates. It also requires management to exercise its judgments in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.

During the preparation of these condensed unconsolidated interim financial statements, significant judgments made by management in applying the Company's accounting policies and key sources of estimation were the same as those applied to the financial statements for the year ended December 31, 2011.

	Note	September 30, 2012 (Unaudited)	December 31, 2011 (Audited)
		(Rupees in thousand)	
5. Long term loan		178,050	-
Less: Current maturity		(8,902)	-
		169,148	-

This represents utilized portion of a long term finance facility of Rs 380 million (December 2011: Nil) obtained from Allied Bank Limited. The finance facility is secured by way of hypothecation charge over all present and future assets of the Company with 25% margin and pledge of Hubco shares with 50% margin. Markup at the rate of six months ask side KIBOR plus 200 bps is payable semi annually in arrears and the first payment is due on 4th January 2013, whereas repayment of the first installment of principal is due in July 2013.

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

For the nine months ended September 30, 2012

6. Running finance under mark-up arrangements

Running finance facility of Rs 300 million (December 2011: Nil) has been obtained under mark-up arrangements from Bank Al-Habib Limited. The facility carries markup at 3 months KIBOR plus 100 bps and expires on April 30, 2013. The facility is secured against pledge of 5.54 million ordinary shares of Engro Corporation Limited. As at September 30, 2012, the facility amount remained unutilized (December 31, 2011: Nil).

7. Trade and other payables

	Note	September 30, 2012 (Unaudited)	December 31, 2011 (Audited)
		(Rupees in thousand)	
Accrued expenses		21,180	14,232
Unclaimed dividends		20,820	19,383
Advance received	7.1	500,000	-
Others		2,788	86
		544,787	33,701

7.1 The Company has signed a Memorandum of Understanding (MoU) with Pakarab Fertilizers Limited ("Pakarab") for the sale of its entire shareholding (100,000,000 ordinary shares of Rs. 10 each) in DH Fertilizers Limited. The consummation of the transaction is subject to satisfaction of certain conditions precedent, execution of definitive agreements and such approvals as may be required to give effect to the sale. As per the terms of MoU, Pakarab has paid an advance of Rs 500 million in respect of the transaction.

8. Contingencies

The Company has issued a corporate guarantee to a syndicate of financial institutions through Meezan Bank Limited acting as investment agent to guarantee up to a maximum of Rs 6,400 million relating to a diminishing Musharika Finance Facility of Rs 4,800 million availed by the Company's wholly owned subsidiary DH Fertilizers Limited. The corporate guarantee will remain in full force and effect for a period of five years commencing from December 27, 2011.

9. Property, plant and equipment

	Note	September 30, 2012 (Unaudited)	December 31, 2011 (Audited)
		(Rupees in thousand)	
Net book value as at the beginning of the period / year		42,809	1,871,708
Less: transferred to DH Fertilizers Limited		-	(1,826,671)
Net book value of assets retained		42,809	45,037
Additions during the period / year	9.1	33,501	7,165
Disposals during the period / year	9.2	(12,714)	(7,251)
		63,596	44,951
Depreciation charged during the period / year		(6,739)	(6,662)
Depreciation on assets disposed off during the period / year		10,401	4,520
Net book value at the end of the period / year		67,258	42,809

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

For the nine months ended September 30, 2012

	Note	Nine month ended September 30, 2012	December 31, 2011
		(Rupees in thousand)	
9.1 Additions during the period			
Furniture, fittings and equipment		116	175
Motor vehicles		32,694	5,616
Data processing equipment		691	1,151
		33,501	6,942
9.2 Disposals during the period			
Motor vehicles		11,683	2,500
Data processing equipment		1,031	601
		12,714	3,101

Property, plant and equipment having net book value of Rs 2.25 million (2011: Rs 0.75 million) was sold to employees as per the Company's policy.

	Note	September 30, 2012 (Unaudited)	December 31, 2011 (Audited)
		(Rupees in thousand)	
10. Long term investments			
Investment in subsidiary company	10.1	1,615,119	1,615,119
Investment in associates	10.2	18,112,176	16,820,499
		19,727,295	18,435,618
10.1 Investment in subsidiary company			
DH Fertilizers Limited - unquoted 100,000,000 (2011:100,000,000) ordinary shares of Rs 10 each Percentage of holding 100% (2011:100%)		1,615,119	1,615,119

DH Fertilizers Limited is a public limited company incorporated under the Companies Ordinance, 1984 and its principal activity is production, purchase and sale of fertilizers.

During the period the Company signed a Memorandum of Understanding with Pakarab Fertilizers Limited for the sale of its entire shareholding of DH Fertilizers Limited as more fully explained in note 7.1 above.

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

For the nine months ended September 30, 2012

	Note	September 30, 2012 (Unaudited)	December 31, 2011 (Audited)
		(Rupees in thousand)	
10.2 Investment in associate - quoted			
Engro Corporation Limited	10.2.1	16,820,499	16,820,499
The Hub Power Company Limited	10.2.2	1,291,677	-
		18,112,176	16,820,499

10.2.1 Engro Corporation Limited

170,012,555 (2011: 130,778,890) ordinary shares of Rs 10 each. Percentage of holding 33.25% (2011: 33.25%)	16,820,499	16,820,499

The Company received 39.23 million bonus shares (2011: 21.79 million) from Engro Corporation Limited (ECL) during the nine months ended September 30, 2012.

The market value of investment in ECL as at September 30, 2012 was Rs 18,152 million (2011: Rs 12,123 million).

As at September 30, 2012, 5.54 million ordinary shares of ECL (2011: Nil) having market value of Rs 591 million (2011: Rs 1,779 million) were pledged as security against short-term finance facility from Bank Al Habib Limited.

	Note	September 30, 2012 (Unaudited)	December 31, 2011 (Audited)
		(Rupees in thousand)	
10.2.2 The Hub Power Company Limited			
39,707,000 (2011: Nil) ordinary shares of Rs 10 each. Percentage of holding 3.43% (2011: Nil)		1,291,677	-

The Company purchased 35.48 million ordinary shares of The Hub Power Company Limited (Hubco) from National Power International Holdings BV (NPIH) at an agreed price of Rs 31 per share based on the share purchase agreement dated March 23, 2012 signed between the Company and NPIH.

The market value of investment in Hubco as at September 30, 2012 was Rs 1,861 million (2011: Nil)

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

As at September 30, 2012, 8.67 million ordinary shares of Hubco having market value of Rs 406.50 million (2011: Nil) were pledged as security against the finance facility aggregating Rs 380 million obtained by the Company from Allied Bank Limited.

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

For the nine months ended September 30, 2012

	Note	September 30, 2012 (Unaudited)	December 31, 2011 (Audited)
		(Rupees in thousand)	
11. Short term investments			
Available for sale	11.1	2,519	2,536
Financial assets at fair value through profit or loss	11.2	320,965	969,282
		323,484	971,818

11.1 Available for sale

Southern Electric Power Company Limited - quoted 3,622,900 (2011: 3,622,900) ordinary shares of Rs 10 each - at cost	68,431	68,431
Cumulative impairment loss	(65,895)	(60,352)
Balance at the beginning of the period / year	2,536	8,079
Less: investment disposed off 1,700,000 (2011: Nil) ordinary shares	(1,190)	-
	1,346	8,079
Increase / (decrease) in fair value during the period / year	1,173	(5,543)
Balance at the end of the period / year 1,922,900 (2011: 3,622,900) ordinary shares of Rs 10 each at fair value	2,519	2,536
Percentage of holding 1.40% (2011: 2.65%)		

11.2 Financial assets at fair value through profit and loss account

ABL Income Fund		
Nil (2011: 18,242,324) units of Rs 10 each	-	166,198
Adjustment arising from measurement to fair value	-	16,561
	-	182,759
Meezan Cash Fund-Growth Units		
Nil (2011: 4,163,996) units of Rs 50 each	-	187,966
Adjustment arising from measurement to fair value	-	20,817
	-	208,783
UBL Liquidity Plus Fund-Class C		
1,167,127 (2011: 2,960,961) units of Rs 100 each	120,000	270,202
Adjustment arising from measurement to fair value	303	27,329
	120,303	297,531
ABL Cash Fund		
20,017,513 (2011: 27,952,179) units of Rs 10 each	200,000	250,502
Adjustment arising from measurement to fair value	662	29,707
	200,662	280,209
	320,965	969,282

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

For the nine months ended September 30, 2012

	Note	September 30, 2012 (Unaudited)	December 31, 2011 (Audited)
		(Rupees in thousand)	
12. Cash and bank balances			
Cash in hand		250	250
With banks in local currency			
Current accounts		2,252	-
Deposit accounts	12.1	99,910	435,195
		102,412	435,445

12.1 Profit on these account ranges from 5% to 10.5% per annum (2011: 5% to 10.5%)

	Note	Nine month ended September 30, 2012 (Unaudited)	September 30, 2011 (Unaudited)
		(Rupees in thousand)	
13. Cash generated from operations			
Profit before taxation		268,266	416,500
Adjustments for non cash expenses and other items:			
Depreciation		6,739	4,702
Finance cost		14,493	-
Profit on sale of property, plant and equipment		(5,050)	(564)
Profit on sale of short term investments		(1,752)	(8,911)
Unrealised gain on investments at fair value through profit and loss		(964)	(69,214)
Impairment loss on available for sale investments		-	4,963
Dividend income		(380,679)	(479,523)
Provision for employees retirement and other service benefits		4,879	2,720
Profit on short term deposits		-	(9,253)
Working capital changes	13.1	509,169	16,220
		415,100	(122,360)

13.1 Working capital changes

Decrease / (increase) in current assets:		
Loans, advances, deposits, prepayments and other receivables	(480)	(35,117)
	(480)	(35,117)
Increase in current liabilities:		
Trade and other payables	509,649	51,337
	509,169	16,220

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

For the nine months ended September 30, 2012

14. Related party transactions

Significant transactions with related parties are as follows :

	Note	Nine month ended September 30, 2012 (Unaudited)	Nine month ended September 30, 2011 (Unaudited)
		(Rupees in thousand)	
Subsidiary Company			
Reimbursement of expenses by the Company		351	48,602
Reimbursement of expenses to the Company		1,392	5,692
Purchase of good and services		8,000	-
Guarantee to a syndicate of financial institutions	8	-	-
Associates			
Purchase of Property, plant and equipment and services		13,356	5,775
Disposal of Property, plant and equipment		11	-
Dividend income		380,679	479,523
Reimbursement of expenses from associates		1,260	-
Reimbursement of expenses to associates		1,070	695
Other related parties			
Key management personnel compensation		84,397	78,468
Employees' retirement and other service benefits		6,281	5,873

15. Corresponding figures

Figures have been rounded off to the nearest thousands of rupees except as stated otherwise.

Corresponding figures have been rearranged where necessary for better presentation as per reporting framework

16. Date of authorisation for issue

These condensed unconsolidated interim financial statements were authorised by the Board of Directors on October 31, 2012.

Shahid Hamid Pracha
Chief Executive

M. Abdul Aleem
Director

Karachi: October 31, 2012

Condensed consolidated interim financial statements

For the 3rd quarter and nine months ended September 30, 2012

Condensed consolidated interim balance sheet (unaudited)

As at September 30, 2012

	Note	September 30, 2012 (Unaudited)	December 31, 2011 (Audited)
		(Rupees in thousand)	
Equity and liabilities			
Share capital & reserves			
Authorized capital			
1,000,000,000 ordinary shares of Rs. 10 each		10,000,000	10,000,000
Issued, subscribed and paid up capital		4,812,871	4,812,871
Revenue reserves		20,821,542	20,495,916
Others		(103,707)	(180,731)
Fair value reserve		80,730	-
		25,611,436	25,128,056
Non- current liabilities			
Long term loans	5	6,935,648	4,800,000
Deferred taxation		917,317	869,117
Employees' retirement and other service benefits		45,920	53,059
		7,898,886	5,722,176
Current liabilities			
Short term finance - secured	6	500,000	-
Current maturity of long term loans		112,402	-
Trade and other payables		979,377	641,025
Accrued mark-up		283,965	8,614
Provision for taxation		113,000	466,000
		1,988,744	1,115,639
Contingencies & commitments	7		
		35,499,066	31,965,871
Assets			
Fixed capital expenditure			
Property, plant and equipment	8	2,046,567	2,116,634
Long term investments	9	30,464,167	24,701,636
Long term loans & advances		1,946	2,200
		32,512,680	26,820,470
Current assets			
Stores, spares and loose tools		807,378	800,608
Stock in trade		331,564	151,267
Trade debts		58	2,686
Loans, advances, deposits, prepayments and other receivables		69,628	71,682
Dividend receivable		494,541	-
Advance income tax		191,056	437,322
Short term investments	10	655,025	2,951,088
Cash and bank balances	11	437,136	730,748
		2,986,386	5,145,401
		35,499,066	31,965,871

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

Shahid Hamid Pracha
Chief Executive

M. Abdul Aleem
Director

Karachi: October 31, 2012

Condensed consolidated interim profit and loss account (unaudited)

For the quarter and nine months ended September 30, 2012

	Quarter ended September 30		Nine months ended September 30	
	2012	2011	2012	2011
	(Rupees in thousand)			
Sales - net	**1,398,328**	3,009,659	**3,840,169**	5,364,477
Cost of sales	**(1,147,920)**	(1,804,345)	**(3,110,357)**	(3,156,884)
Gross profit	**250,408**	1,205,314	**729,812**	2,207,593
Selling and distribution expenses	**(19,886)**	(12,409)	**(56,302)**	(54,420)
Administrative expenses	**(106,070)**	(92,907)	**(330,094)**	(290,496)
Impairment loss	**-**	(1,630)	**-**	(352,074)
Other operating expenses	**(1,807)**	(71,668)	**(3,382)**	(108,703)
Other operating income	**180,240**	85,170	**353,934**	211,703
Results from operating activities	**302,885**	1,111,870	**693,968**	1,613,603
Finance costs	**(271,528)**	(197,374)	**(683,132)**	(605,197)
Profit before share of profit from associates and tax	**31,358**	914,496	**10,837**	1,008,406
Share of profit from associates, net of tax	**187,825**	485,895	**948,725**	2,173,054
Profit before taxation	**219,183**	1,400,391	**959,562**	3,181,460
Taxation	**(69,054)**	(384,066)	**(152,648)**	(723,495)
Profit after taxation	**150,128**	1,016,325	**806,913**	2,457,965
Earnings per share- basic and diluted (rupees)	**0.31**	2.11	**1.68**	5.11

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

Shahid Hamid Pracha
Chief Executive

M. Abdul Aleem
Director

Karachi: October 31, 2012

Condensed consolidated interim statement of comprehensive income (unaudited)

For the quarter and nine months ended September 30, 2012

	Quarter ended September 30		Nine months ended September 30	
	2012	2011	2012	2011
	(Rupees in thousand)			
Profit after taxation	150,128	1,016,325	806,913	2,457,965
Other comprehensive income				
Adjustment arising from measurement to fair value of available for sale investments	(6,997)	5,598	80,730	(124,568)
Share of other comprehensive income of associate	33,498	23,348	85,582	167,239
Deferred tax impact of other comprehensive income of associate	(3,350)	(2,335)	(8,558)	(16,724)
	30,148	21,013	77,024	150,515
Total comprehensive income	173,279	1,042,936	964,667	2,483,912

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

Shahid Hamid Pracha
Chief Executive

M. Abdul Aleem
Director

Karachi: October 31, 2012

Condensed consolidated interim cash flow statement (unaudited)

For the nine months ended September 30, 2012

	Note	Nine month ended September 30, 2012	September 30, 2011
		(Rupees in thousand)	
Cash flow from operating activities			
Cash generated from operations	12	782,293	1,873,902
Finance costs paid		(407,571)	(811,217)
Taxes paid		(219,733)	(414,185)
Employees' retirement and other service benefits paid		(24,181)	(16,699)
Increase in long term loans and advances		254	(5,765)
Net cash generated from operating activities		131,062	626,036
Cash flow from investing activities			
Fixed capital expenditure		(98,084)	(33,040)
Proceeds from sale of property, plant and equipment		30,891	8,507
Profit received on time deposits		19,986	101,054
Proceeds from disposal of available for sale investments		4,007,898	153,412
Investment in associated company		(5,522,721)	-
Investment in mutual funds		(1,430,802)	(1,277,000)
Dividend received		299,958	249,965
Net cash used in investing activities		(2,692,874)	(797,102)
Cash flow from financing activities			
Long term loans obtained/(repaid)		2,248,050	(660,500)
Short term borrowing		500,000	-
Dividend paid		(479,850)	(120,977)
Net cash generated from/(used in) financing activities		2,268,200	(781,477)
Net decrease in cash and cash equivalents		(293,612)	(952,543)
Cash and cash equivalents at the beginning of the period		730,748	1,204,538
Cash and cash equivalents at the end of the period		437,136	251,995

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

Shahid Hamid Pracha
Chief Executive

M. Abdul Aleem
Director

Karachi: October 31, 2012

Condensed consolidated interim statement of changes in equity (unaudited)

For the nine months ended September 30, 2012

	Share capital	Revenue reserves: General reserve	Revenue reserves: Unappropriated Profit	Revenue reserves: Sub total	Share of other comprehensive income	Fair value reserve	Total
	(Rupees in thousand)						
Balance as on January 01, 2011	**1,203,217**	**700,000**	**20,632,823**	**21,332,823**	**(312,225)**	**135,765**	**22,359,580**
Total comprehensive income	-	-	2,457,965	2,457,965	150,515	(124,568)	2,483,912
Final cash dividend @10% for the year ended December 31, 2010	-	-	(120,322)	(120,322)	-	-	(120,322)
Final stock dividend @300% for the year ended December 31, 2010	3,609,654	-	(3,609,654)	-	-	-	-
	3,609,654	-	(3,729,976)	(120,322)	-	-	(120,322)
Balance as on September 30, 2011	**4,812,871**	**700,000**	**19,360,812**	**23,670,466**	**(161,710)**	**11,197**	**24,723,170**
Balance as on January 01, 2012	**4,812,871**	**700,000**	**19,795,916**	**20,495,916**	**(180,731)**	**-**	**25,128,056**
Total comprehensive income	-	-	806,913	806,913	77,024	80,730	964,667
Final cash dividend @ 10% for the year ended December 31, 2011	-	-	(481,287)	(481,287)	-	-	(481,287)
Balance as on September 30, 2012	**4,812,871**	**700,000**	**20,121,542**	**20,821,542**	**(103,707)**	**80,730**	**25,611,436**

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

Shahid Hamid Pracha
Chief Executive

M. Abdul Aleem
Director

Karachi: October 31, 2012

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

For the nine months ended September 30, 2012

1 Legal status and nature of business

1.1 Dawood Hercules Corporation Limited - the holding company, is a public limited company incorporated in Pakistan under the Companies Ordinance, 1984 and is listed on Karachi, Lahore and Islamabad Stock Exchanges. The principal activity of the holding company is to manage investments in its subsidiary and associated companies, while the subsidiary company is engaged in the production, purchase and sale of fertilizer. The registered office of the holding company is situated at Dawood Centre, M.T Khan Road, Karachi.

1.2 The Group consists of :

The holding company: Dawood Hercules Corporation Limited; and

Subsidiary company: DH Fertilizers Limited is an unquoted public limited company incorporated under the Companies Ordinance, 1984 and is a wholly owned subsidiary of the holding company. The company is engaged in the business of production, purchase and sale of fertilizer and its registered office is situated at 35 A, Shahrah-e- Abdul Hameed Bin Badees (Empress Road), Lahore.

2 Basis of preparation

2.1 These condensed consolidated 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 Companies Ordinance 1984 (Ordinance). In case where the requirements differ, the provisions of or directives issued under the Ordinance have been followed.

2.2 These condensed consolidated 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 31 December 2011.

2.3 Standards, interpretations and amendments to approved accounting standards that are effective but not relevant:

Certain standards, amendments and interpretations to approved accounting standards are effective for accounting periods beginning on or after January 1, 2012 but are considered not to be relevant or have any significant effect on the Group's operations and are therefore not detailed in these condensed consolidated interim financial statements.

2.4 Standards, interpretations and amendments to approved accounting standards that are not yet effective:

There are certain amendments to the approved accounting standards and interpretations that are mandatory for the Group accounting periods beginning on or after January 1, 2013 but are considered not to be relevant or to have any significant effect on the Group's operations and are, therefore, not detailed in these condensed consolidated interim financial statements.

3 Accounting polices

The accounting policies and methods of computation adopted for the preparation of these condensed consolidated 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, 2011.

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

For the nine months ended September 30, 2012

4 Accounting estimates

The preparation of condensed consolidated interim financial statements requires management to make estimates, assumptions and judgments that affect the application of accounting policies in conformity with the approved accounting standards and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experiences and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognized prospectively commencing from the period of revision.

Significant judgments made by management in applying the Group's accounting policies and key sources of estimations were the same as those applied to the consolidated financial statements as at and for the year ended December 31, 2011.

	Note	September 30, 2012 (Unaudited)	December 31, 2011 (Audited)
		(Rupees in thousand)	
5 Long term loans			
Diminishing musharaka	5.1	4,800,000	4,800,000
Syndicated term finance	5.2	2,070,000	-
Long term finance	5.3	178,050	-
		7,048,050	4,800,000
Less: current maturity		112,402	-
		6,935,648	4,800,000

5.1 This represents a long term finance facility obtained by the subsidiary company from a consortium of banks led by Meezan Bank Limited for a period of 5 years, inclusive of a grace period of 2 years, starting from December 27, 2011. The musharaka investment share of the banks will be purchased by the subsidiary company in six equal semi annual installments in arrears. The first musharaka buyout will be due at the end of the 30th month from the date of drawdown. This 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. The profit is payable semi annually in arrears at the rate of six months ask side KIBOR plus 110 bps starting from 26 June 2012.

5.2 This represents a syndicated term finance facility obtained by subsidiary company from a consortium of banks led by Allied Bank Limited for a period of 5 years, inclusive of grace period of 6 months starting from the date of draw down i.e June 13, 2012. The repayment of principal is due in nine semiannual installments in arrears. The finance facility is secured by a ranking charge on all present and future fixed assets of the subsidiary company plus 25% margin and pledge over shares of Hub Power Company Limited (Hubco) held by the subsidiary company with 50% margin. The markup is payable semi annually in arrears at the rate of six months ask side KIBOR plus 100 bps starting from December 12, 2012.

5.3 This represents utilized portion of a long term finance facility of Rs 380 million (December 2011: Nil) obtained from Allied Bank Limited. The finance facility is secured by way of hypothecation charge over all present and future assets of the holding company with 25% margin and pledge of Hubco shares with 50% margin. The markup at the rate of six months ask side KIBOR plus 200 bps is payable semi annually in arrears and the first payment is due on 4th January 2013, whereas and the first installment of principal is due in July 2013.

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

For the nine months ended September 30, 2012

		Note	September 30, 2012 (Unaudited)	December 31, 2011 (Audited)
			(Rupees in thousand)	
6	**Short term finances - secured**	6.1	500,000	-

6.1	Bank name	Facility	Sanctioned amount	Markup rate	Expiry date	Security
	Habib Metropolitan Bank Limited	Running Finance	Rs500 million	3M KIBOR + 0.75%	31-Dec-12	Lien over Engro Corporation shares
	Habib Metropolitan Bank Limited	Import Finance	Rs1,500 million	3M KIBOR +0.50%	31-Dec-12	Lien over of Engro Corporation shares & Import Documents
	Bank Al Habib Limited	Running Finance	Rs 300 million	3M KIBOR +1%	30-Apr-13	Lien over Engro Corporation Shares

6.2 The aggregate market value of the investments pledged as security against the finance facilities as at September 30, 2012 was Rs 3,256 million (2011: Rs 2,330 million).

7 Contingencies and commitments

7.1 Contingencies

There are no material contingencies as at September 30, 2012.

7.2 Commitments

Commitments of the Group as at September 30, 2012 were Rs. 128.21million (2011:Rs Nil) in respect of contracts for capital expenditure and Rs. 1.29 million (2011: Rs. 0.25 million) in respect of purchase of stores and spares.

		Note	September 30, 2012 (Unaudited)	December 31, 2011 (Audited)
			(Rupees in thousand)	
8	Property, plant and equipment			
	Operating property, plant and equipment		1,977,724	2,093,015
	Capital work in progress		68,843	23,619
			2,046,567	2,116,634
	Opening net book value		2,093,010	1,871,708
	Add: Additions during the period / year	8.1	60,132	434,538
	Less: Assets disposed off during the period / year at book value		(17,500)	(19,384)
			2,135,642	2,286,862
	Depreciation charged during the period / year		(157,918)	(193,847)
	Closing net book value		1,977,724	2,093,015

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

For the nine months ended September 30, 2012

		Note	September 30, 2012 (Unaudited)	December 31, 2011 (Audited)
			(Rupees in thousand)	
8.1	Additions during the period			
	Plant & machinery		918	318,264
	Catalyst		-	87,062
	Furniture, fittings & office equipment		362	1,679
	Data processing equipment		1,655	2,753
	Vehicles		57,197	24,780
			60,132	434,538
9	Long term investments -associates			
	Engro Corporation Limited - quoted	9.1	25,342,703	24,701,636
	The Hub Power Company Limited - quoted	9.2	5,121,464	-
			30,464,167	24,701,636
9.1	Engro Corporation Limited (ECL)			
	149,978,890 (2011: 149,978,890) ordinary shares of Rs. 10 each		24,701,636	22,424,778
	Share of post acquisition profit		855,442	2,980,632
	Share of other comprehensive income (net of tax)		85,582	146,106
			25,642,660	25,551,516
	Less: dividend received during the period		(299,958)	(849,880)
	194,972,557 (2011: 149,978,890) ordinary shares of Rs. 10 each		25,342,702	24,701,636
	Percentage of equity held - 38.13% (2011: 38.13%)			

9.1.1 Market value of investment in ECL as at September 30, 2012 was Rs. 20,817 million (2011: Rs. 13,903 million).

9.1.2 The Group received 44,993,667 (2011: 24,996,481) bonus shares from ECL during the nine months ended September 30, 2012

9.1.3 Financial results of ECL for the period from October 1, 2011 to June 30, 2012 have been used for the application of equity method of accounting for consolidation purposes, since financial results of ECL for the nine months ended September 30, 2012 were not available till the finalization of these condensed consolidated interim financial statements.

9.1.4 As at September 30, 2012, 30.50 million ordinary shares of ECL (2011: 19.20 million) having market value of Rs 3,256 million (2011: Rs 1,779 million) were pledged as security against various short-term finance facilities.

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

For the nine months ended September 30, 2012

	Note	September 30, 2012 (Unaudited)	December 31, 2011 (Audited)
		(Rupees in thousand)	
9.2 The Hub Power Company Limited			
164,847,000 (2011:Nil) Ordinary shares of Rs 10/- each.		5,522,722	-
Share of post acquisition profit for the period from June 13, 2012 to June 30, 2012		93,283	-
		5,616,005	-
Less: dividend receivable during the period		(494,541)	-
Percentage of equity held -14.25% (2011:Nil)		5,121,464	-

9.2.1 During the period, the Group purchased 137.74 million ordinary shares of The Hub Power Company Limited (Hubco) from National Power International Holdings BV (NPIH) under a Share Purchase Agreement signed between the parties on March 22, 2012 at a price of Rs 31/- per share valuing Rs.4,270 million representing 11.90% of the share capital of Hubco. All legal and regulatory approvals from Competition Commission of Pakistan and National Electrical Power Regulatory Authority were obtained before the acquisition. A further quantity of 26.89 million shares of Hubco was acquired from the market by the Group during the quarter ended September 30, 2012 bringing the total percentage of equity held to 14.25%.

9.2.2 The market value of the investment in Hubco as at September 30, 2012 was Rs. 7,728 million (2011: Nil)

9.2.3 As at September 30, 2012, 110.93 million ordinary shares of Hubco having market value of Rs 5,200 million (2011: Nil) were pledged as security against the finance facilities aggregating Rs 2,450 million obtained by the Group from various banks.

9.2.4 Due to the representation of the Group's nominees on the Board of Directors of Hubco, participation in policy making processes and being the single largest private shareholder, the Group has significant influence over Hubco.

9.2.5 Financial results of Hubco for the year ended June 30, 2012 have been used for the application of equity method of accounting for consolidation purposes as the financial results for the quarter ended September 30, 2012 were not available till the finalization of these condensed consolidated financial statements.

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

For the nine months ended September 30, 2012

	Note	September 30, 2012 (Unaudited)	December 31, 2011 (Audited)
		(Rupees in thousand)	
10 Short term investments			
Available for sale	10.1	334,060	1,156,926
Financial assets at fair value through profit and loss account	10.2	320,925	1,794,162
		654,985	2,951,088
10.1 Available for sale - quoted			
Sui Northern Gas Pipelines Limited	10.1.1	331,541	1,154,390
Southern Electric Power Company Limited	10.1.2	2,519	2,536
		334,060	1,156,926
10.1.1 Sui Northern Gas Pipelines Limited (SNGPL)			
73,481,262 (2011: 73,481,262) ordinary shares of Rs. 10 each - at cost		4,376,964	4,376,964
Percentage of equity held: 12.75% (2011: 12.75%)			
Cumulative impairment loss		(3,222,574)	(3,222,574)
		1,154,390	1,154,390
Less: investment disposed off during the period 57,441,500 (2011:Nil) ordinary shares		(902,405)	-
		251,985	1,154,390
Fair value adjustment during the period		79,556	-
16,039,762 ordinary shares of Rs 10 each at fair value.		331,541	1,154,390
Percentage of equity held : 2.78% (2011: 12.75%)			

As at September 30, 2012, nil ordinary shares of SNGPL (2011: 20 million shares valuing to Rs 550 million) were pledged as security against various short-term finance facilities.

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

For the nine months ended September 30, 2012

	September 30, 2012 (Unaudited)	December 31, 2011 (Audited)
	(Rupees in thousand)	
10.1.2 Southern Electric Power Company Limited		
3,622,900 (2011: 3,622,900) ordinary shares of Rs. 10 each - at cost	68,431	68,431
Cumulative impairment loss	65,895	60,342
	2,536	8,089
Less: investment disposed off during the period 1,700,000 (2011: Nil) ordinary shares	1,190	-
	1,346	8,089
Fair value adjustment during the period	1,173	(5,553)
1,922,900 (2011: 3,622,900) ordinary shares of Rs. 10 each at fair value.	2,519	2,536
Percentage of equity held 1.40%(2011:2.65%)		

10.2 Financial assets at fair value through profit or loss account

	September 30, 2012 (Unaudited)	December 31, 2011 (Audited)
ABL - Income Fund		
Nil (2011: 18,242,324) units of Rs. 10 each	-	166,198
Adjustment arising from measurement to fair value	-	16,561
	-	182,759
ABL - Cash Fund		
20,017,513 (2011: 58,847,709) units of Rs. 10 each	200,000	550,724
Adjustment arising from measurement to fair value	622	39,021
	200,622	589,745
Meezan Cash Fund - Growth Units		
Nil (2011: 4,163,996) units of Rs. 50 each	-	187,966
Adjustment arising from measurement to fair value	-	20,817
	-	208,783
UBL - Liquidity Plus Fund-Class C		
1,167,127 (2011: 6,039,840) units of Rs. 100 each	120,000	570,234
Adjustment arising from measurement to fair value	303	36,678
	120,303	606,912
HBL Money Market Fund		
Nil (2011: 1,996,129) units of Rs. 100 each	-	200,012
Adjustment arising from measurement to fair value	-	5,951
	-	205,963
	320,925	1,794,162

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

For the nine months ended September 30, 2012

		Note	September 30, 2012 (Unaudited)	December 31, 2011 (Audited)
			(Rupees in thousand)	
11	**Cash & bank balances**			
	Cash at bank			
	- In deposit accounts	11.1	434,634	724,387
	- Others		2,252	5,420
			436,886	729,807
	In hand		250	941
			437,136	730,748

11.1 Profit on these accounts ranges from 5% to 10.5 % per annum.(2011: 5% to 10.5%)

		Note	Nine month ended September 30, 2012 (Unaudited)	September 30, 2011 (Unaudited)
			(Rupees in thousand)	
12	**Cash generated from operations**			
	Profit before taxation		959,562	3,181,460
	Adjustment for non cash expenses and other items:			
	Depreciation		157,918	146,635
	Finance costs		683,132	605,197
	Profit on sale of property, plant and equipment		(13,391)	(1,681)
	Profit on sale of short term investments available for sale		(157,300)	(8,911)
	Un-realized gain due to fair value adjustment of investment through profit or loss		(43,004)	(71,411)
	Impairment loss on available for sale investments		-	352,074
	Bad debts written off		623	-
	Share of profit from associate, net of tax		(948,725)	(2,173,054)
	Provision for staff retirement and other service benefits		17,044	14,708
	Profit on time deposits with banks		(19,986)	(101,054)
	Other non cash items		-	8,489
			(323,690)	(1,229,008)
	Profit before working capital changes		635,872	1,952,452
	Working capital changes			
	(Increase)/decrease in current assets:			
	Stocks, stores and spares		(187,067)	(123,455)
	Trade debts		2,003	(1,751)
	Loans, advances, deposits, prepayments and other receivables		(3,989)	12,516
	Increase in current liabilities:			
	Trade and other payables		335,474	34,140
			146,421	(78,550)
	Cash generated from operations		782,293	1,873,902

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

For the nine months ended September 30, 2012

13 Related party transactions

The related parties comprise of associated companies, related group companies, directors of the Group, companies where directors also hold directorships, and key management personnel. The Group in the normal course of business carries out transactions with various related parties. Significant transactions during the period were as follows:

	Note	Nine month ended September 30, 2012 (Unaudited)	September 30, 2011 (Unaudited)
		(Rupees in thousand)	
Associates			
Sale of goods and services		13,949	10,800
Sale of fixed assets		606	-
Purchase of goods and services		19,353	1,077,506
Dividend income		794,499	549,923
Reimbursement of expenses from related parties		2,742	1,475
Reimbursement of expenses to related parties		1,072	777
Markup received		6,049	95,691
Other related parties			
Key management personnel compensation		335,341	284,709
Contributions to employees' retirement benefits		38,334	36,083

14 General

Figures have been rounded to the nearest thousand rupee, except as stated otherwise.

15 Date of authorisation of issue

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on October 31, 2012.

Shahid Hamid Pracha
Chief Executive

M. Abdul Aleem
Director

Karachi: October 31, 2012

Dawood Hercules

Dawood Hercules Corporation Limited

Dawood Center, M.T. Khan Road, Karachi - 75530
Tel: +92-21-35686001 Fax: +92-21-35693416
www.dawoodhercules.com

YCOM 35810392-6