Dawood Hercules

Envisioning a **Brighter Future**

Quarterly Accounts (un-audited)
for the quarter ended March 31, 2013

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
Mr. Parvez Ghias	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

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Barclays Bank PLC, Pakistan

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Chartered Accountants
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Chartered Accountants
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Directors' Report

The Directors are pleased to present their report together with the unaudited condensed interim financial information of Dawood Hercules Corporation Limited (the Company) for the first quarter ended 31 March 2013.

1. Business overview

(a) Fertilizers

Domestic gas demand peaks during winter and with the ongoing energy crisis, the gas shortage was acutely felt by the SNGPL network based fertilizer industry. As a result, all such plants except DH Fertilizer (DHFL) remained closed during the entire quarter. Pursuant to active engagement with the Government at all levels highlighting the discriminatory treatment meted out by SNGPL to DHFL, supply of gas was finally restored to DHFL's plant on 10 March 2013 under the monthly rota arrangement put in place last year by the Ministry of Petroleum & Natural Resources (MP&NR). This gas supply was received uninterrupted for one month and was discontinued on 11 April 2013, during which period 36,245 tonnes of urea was produced. In all, the plant remained closed for 73 days in Q1 2013, and produced 22,775 tonnes of urea which was 18% lower as compared to 27,810 tonnes in the corresponding quarter last year.

Aggregate domestic urea production and sales of 1.034 million tonnes and 1.336 million respectively during Q1 2013 were 2% and 19% higher than the same quarter last year. The government imported 86,000 tonnes of urea during Q1 2013 which was substantially lower than 699,000 tonnes for the corresponding quarter last year. Despite high prices, aggregate domestic DAP production and sales during Q1 2013 of 0.145 million tonnes and 0.142 million tonnes respectively were 88% and 63% higher than Q1 2012.

Following the ECC's directive, the Four Fertilizer Manufacturers (FFMs) on the SNGPL network have been allocated the following fields for dedicated supply of 202 mmscfd natural gas to the FFMs:

	MMSCFD
Kunnar Pasaki Deep	130
Makori East	25
Mari	22
Bahu	15
Reti Maru	10

Allocation of this gas between the FFMs has been agreed as follows:

	MMSCFD
Engro	79
Pakarab	58
DHFL	40
Agritech	25

Except for Mari and Bahu fields, Gas Sales Purchase Agreements (GSPAs) and Gas Transportation (GTAs) have been signed by the FFMs with the concerned field operators and the two Sui companies respectively. The Joint Operating Agreement (JOA) between the FFMs is currently being finalized and is expected to be signed by the end of April while the application for relevant approvals from the Oil & Gas Regulatory Authority (OGRA) is also under process. Work on augmentation and laying of the pipelines is expected to commence in Q3 2013 and the entire project is slated for completion before mid 2014.

On 29 March 2013 the Competition Commission of Pakistan (CCP) issued its Order on its enquiry report and subsequent hearings on the increase in urea prices during 2011 and imposed fines on two fertilizer manufacturers.

Pursuant to the termination of the Memorandum of Understanding (MOU) signed by the Company with Pakarab Fertilizers Limited (Pakarab), a civil suit has been filed by Pakarab against the Company in the High Court of Sindh for specific performance under the terms of the MOU and claim for damages. The Company intends to vigorously contest these claims as no legally binding contract was ever signed by the Company for sale of DHFL's shares and a senior counsel has been engaged for this purpose.

(b) Energy

Despite severe liquidity constraints arising mainly from the "circular debt" and stuck up receivables from the National Transmission & Distribution Corporation (NTDC) related to its Narowal operations, the Hub Power Company Limited (Hubco) continued to operate both its plants at Hub and Narowal at 68% and 73% load factors respectively during Q4 2012. However, due to mounting receivables from its Narowal plant, Hubco was compelled to call on the government's sovereign guarantee and has also joined other IPP's set up under the 2002 power policy in their suit filed in the Supreme Court of Pakistan for recovery of overdue receivables from NTDC and to protect itself against imposition of liquidated damages in case of non-availability of the Narowal plant due to lack of fuel caused by the power purchaser's default in delaying payments against overdue receivables. Commissioning and testing activities continue at the 84 MW hydropower project being set up by Laraib Energy Limited, Hubco's 75% owned subsidiary, and COD is expected before June 2013.

(c) Other

The Company's associated entity Engro Corporation Limited's (ECL's) wholly owned subsidiary Engro Fertilizers Limited (EFL) was also subjected to severe gas curtailment during the quarter ended 31 December 2012. With a view to maximizing the benefit from its new and more efficient Enven plant, gas supply was diverted from its base plant, as a result of which the latter plant remained shut during all of Q4 2012, while its new plant received around 80 to 90% of its contracted quantity of gas. The other business segments of ECL continued to perform reasonably well during the quarter and full year ended 31 December 2012. However, this was offset to large extent by the negative impact of its fertilizer business on the overall results of that group.

Pursuant to the Company's decision to invest in a greenfield project, as disclosed in the previous report of the Directors, the Company has signed the Shareholders' Agreement (SHA) with the main sponsors of the Rice Bran Oil (RBO) project, e2escm (Pvt) Limited, and work on the project is expected to commence in earnest during Q2 2013 with plant commissioning targeted for the rice harvesting season in Q3 2014.

2. Financial performance

Although the Company's subsidiary, DHFL, produced 22,775 tonnes of urea during the month of March, sales were deferred to the subsequent quarter in order to accumulate a starting inventory as DHFL had completely exhausted stocks. Net sales of Rs 123.2 million during the quarter were therefore largely generated from the disposal of ammonia from the inventory in hand as compared to 27,810 tonnes of urea sold in the corresponding period last year. Cost of sales for the quarter includes Rs 157 million (2012: Rs 100 million) of fixed production overheads which have been treated as period costs due to lower than normal production, giving rise to a gross loss of Rs 58.5 million for Q1 2013 as compared to a gross profit of Rs 318.3 million for the corresponding quarter last year. Expenses in aggregate for Q1 2013 of Rs 123.3 million were 7% lower than Rs 132.3 million for Q1 2012 due to cost savings effected across the board. Other operating income for the quarter of Rs 13.9 million was lower than Rs 77.8 million for the same quarter last year mainly due to dividend received on SNGPL shares (which were subsequently sold) and unrealized gain on short term investments in Q1 2012.

ECL's consolidated profit after tax for the quarter and year ended 31 December 2012 of Rs 1,901.7 million and Rs 1,797.2 million respectively were substantially lower than Rs 2,377.9 million and Rs 7,811.4 million for the corresponding periods in 2011 – mainly on account of severe gas curtailment by SNGPL during 2012 at EFL. However, profitability improved in Q4 2012 as compared to the immediately preceding nine months to 30 September 2012 because of diversion of Mari gas by EFL to its new and more efficient Enven plant. The old plant, however, remained shut during this quarter due to the gas curtailment by SNGPL. Consequently, ECL did not declare a dividend for the year ended 31 December 2012.

Hubco continued its robust performance during the quarter and half year ended 31 December 2012 declaring profit after tax of Rs 2.6 billion and Rs 4.7 billion which were 53% and 59% higher respectively compared with their corresponding periods last year. This was mainly due to tariff indexation and Narowal profitability kicking in during the period under review. As a result, the company declared an interim dividend of Rs 3.5 per share for the half year ended 31 December 2012.

After accounting for the consolidated tax charge of Rs 123.8 million for the quarter ended 30 March 2013, the Group's consolidated profit after taxation of Rs 634.9 million was 27% lower than Rs 871.1 million for the corresponding quarter last year.

3. Future outlook

The country is expecting a bumper wheat crop this year owing to extremely favorable weather conditions in late spring. This should auger well for the country's food security and for continued demand for urea and DAP in the Kharif season and is main bright spot in the otherwise bleak economic scenario. Uncertainty abounds emanating from both the security situation in the country and, more particularly, the outcome of the general elections scheduled to be held on 11 May 2013.

Severe electricity shortages due to the ballooning "circular debt" problem will place extreme pressure on both the caretaker and the incoming governments to direct maximum supply of gas towards power generation. Gas curtailment of the fertilizer plants on the SNGPL network will, therefore, remain the most convenient and politically painless option, albeit, there is now better understanding of negative economics of fertilizer import and the unaffordable physical subsidy these require by Government. Unless curtailment is shared equitably and strictly in accordance with gas allocation policy, supply to DHFL is likely to remain sporadic, even with the resumption of supplies in March on rotation.

EFL should fare relatively better in gas supply in comparison to last year and once again, ECL's non-fertilizer businesses are expected to perform better or in line with past trends

Hubco's Narowal plant was shut down from end March 2013 due to lack of fuel supply caused by liquidity constraints on account of default in payments against overdue receivables by the power purchaser. As a result, profitability of the company could be marginally constrained depending on the time period for which the plant remains unavailable. Laraib's 84 MW hydropower project was commissioned in March 2013 and is expected to partially mitigate the adverse impact of the Narowal plant closure. Liquidity constraints arising mainly from the high trade debt levels at the Narowal operations will, therefore, continue to place a drag on Hubco's cash flows.

Karachi: April 30, 2013

Hussain Dawood
Chairman

Shahid Hamid Pracha
Chief Executive

Condensed unconsolidated interim balance sheet (unaudited)

As at March 31, 2013

	Note	March 31, 2013	December 31, 2012	December 31, 2011
		(unaudited)	(audited) (Restated)	(audited) (Restated)
		----------------(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	10,000,000
Issued, subscribed and paid up-capital		4,812,871	4,812,871	4,812,871
Revenue reserves		14,795,696	14,717,716	15,032,479
Surplus on revaluation of investments		1,346	1,269	-
		19,609,913	19,531,856	19,845,350
Non-current liabilities				
Long term loan	5	160,244	169,147	-
Employees' retirement and other service benefits	3.1	9,344	9,026	10,198
Current liabilities				
Current maturity of long term loan		17,806	8,903	-
Short term running finance	6	106,816	32,299	-
Trade and other payables	7	522,789	47,802	33,701
Accrued mark-up on finance facilities		6,490	12,405	-
Provision for taxation		12,175	372	-
		666,076	101,781	33,701
Contingencies	8	-	-	-
		20,445,577	19,811,810	19,889,249
Assets				
Non-current assets				
Property and equipment	9	63,050	65,227	42,809
Long term investments	10	19,727,295	19,727,295	18,435,618
		19,790,345	19,792,522	18,478,427
Current assets				
Short term loans and advances		438	308	368
Short term deposits and prepayments		4,838	9,486	1,573
Other receivables		886	492	-
Due from associated undertakings		9,389	-	-
Dividends receivable from associated undertakings		633,659	-	-
Short term investment	11	2,692	2,615	971,818
Taxation - net		-	-	1,618
Cash and bank balances	12	3,330	6,387	435,445
		655,232	19,288	1,410,822
		20,445,577	19,811,810	19,889,249

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

Karachi: April 30, 2013

Hussain Dawood
Chairman

Shahid Hamid Pracha
Chief Executive

Condensed unconsolidated interim profit and loss account (unaudited)

For the quarter ended March 31, 2013

	Note	Quarter ended March 31, 2013	Quarter ended March 31, 2012
		-------(Rupees in thousand)-------	
Dividend income	13	633,659	261,558
Administrative expenses		(63,958)	(58,385)
		569,701	203,173
Other operating income		8,262	38,823
Operating profit		577,963	241,996
Finance costs		(6,770)	(49)
Profit before taxation		571,193	241,947
Taxation		(11,926)	(37,100)
Profit after taxation		559,267	204,847
Earnings per share - basic and diluted (rupees)		1.16	0.43

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

Karachi: April 30, 2013

Hussain Dawood
Chairman

Shahid Hamid Pracha
Chief Executive

Condensed unconsolidated interim statement of comprehensive income (unaudited)

For the quarter ended March 31, 2013

	Quarter ended	
	March 31, 2013	March 31, 2012
	--------(Rupees in thousand)--------	
Profit after taxation	559,267	204,847
Other comprehensive income		
Actuarial losses of the previous period	-	(219)
Unrealised gain on investments classified as 'available for sale'	77	3,478
	77	3,259
Total comprehensive income	559,344	208,106

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

Karachi: April 30, 2013

Hussain Dawood
Chairman

Shahid Hamid Pracha
Chief Executive

Condensed unconsolidated interim statement of changes in equity (unaudited)

For the quarter ended March 31, 2013

	Issued, subscribed and paid-up capital	Revenue reserves: General reserve	Revenue reserves: Actuarial losses	Revenue reserves: Un-appropriated Profit	Revenue reserves: Total	Surplus on revaluation of investments	Total
	(Rupees in thousand)						
Balance as at January 1, 2011 (as previously reported)	1,203,218	700,000	-	17,505,345	18,205,345	135,765	19,544,328
Transfer of fair value reserve to fertilizer undertaking	-	-	-	-	-	(135,765)	(135,765)
Profit for the year	-	-	-	560,798	560,798	-	560,798
Other comprehensive income note 3.1	-	-	(3,689)	-	(3,689)	-	(3,689)
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 December 31, 2011 (restated)	4,812,871	700,000	(3,689)	14,336,168	15,032,479	-	19,845,350
Balance as at January 1, 2012 (restated)	4,812,871	700,000	(3,689)	14,336,168	15,032,479	-	19,845,350
Profit for the year				166,743	166,743	-	166,743
Other comprehensive for the year as restated	-	-	(219)	-	(219)	1,269	1,050
Final cash dividend @10% for the year ended December 31, 2011	-	-		(481,287)	(481,287)	-	(481,287)
Balance as at December 31, 2012 (restated)	4,812,871	700,000	(3,908)	14,021,624	14,717,716	1,269	19,531,856
Balance as at January 1, 2012 (restated)	4,812,871	700,000	(3,689)	14,336,168	15,032,479	-	19,845,350
Profit for the year	-	-	-	204,847	204,847	-	204,847
Other comprehensive income	-	-	(219)	-	(219)	3,478	3,259
Final cash dividend @ 10% for the year ended December 31, 2011	-	-	-	(481,287)	(481,287)	-	(481,287)
Balance as at March 31, 2012 (restated)	4,812,871	700,000	(3,908)	14,059,728	14,755,820	3,478	19,572,169
Balance as at January 1, 2013 (restated)	4,812,871	700,000	(3,908)	14,021,624	14,717,716	1,269	19,531,856
Total comprehensive income	-	-	-	559,267	559,267	77	559,344
Final cash dividend @ 10% for the year ended December 31, 2012	-	-	-	(481,287)	(481,287)	-	(481,287)
Balance as at March 31, 2013	4,812,871	700,000	(3,908)	14,099,604	14,795,696	1,346	19,609,913

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

Karachi: April 30, 2013

Hussain Dawood
Chairman

Shahid Hamid Pracha
Chief Executive

Condensed unconsolidated interim cash flow statement (unaudited)

For the quarter ended March 31, 2013

	Note	Quarter ended March 31, 2013	Quarter ended March 31, 2012
		(Rupees in thousand)	
Cash flows from operating activities			
Cash used in operations	14	(63,334)	(57,588)
Finance cost paid		(12,677)	(49)
Taxes paid		(123)	(1,758)
Employees retirement and other service benefits paid		(656)	(3,180)
Net cash used in operating activities		(76,790)	(62,575)
Cash flows from investing activities			
Fixed capital expenditure		(685)	(13,453)
Proceeds from disposal of property, plant and equipment		-	904
Profit on time deposit		68	10,673
Profit on disposal of available for sale investments		-	671,212
Short term investments at fair value through profit and loss		-	(920,253)
Net cash used in investing activities		(617)	(250,917)
Cash flows from financing activities			
Short term finance obtained		74,517	-
Dividends paid		(167)	(79)
Net cash generated from /(utilized in) financing activities		74,350	(79)
Net decrease in cash and cash equivalents		(3,057)	(313,571)
Cash and cash equivalents at the beginning of the period		6,387	435,445
Cash and cash equivalents at the end of the period		3,330	121,874

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

Karachi: April 30, 2013

Hussain Dawood
Chairman

Shahid Hamid Pracha
Chief Executive

1. Legal status and operations

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

2. Basis of preparation

2.1 These condensed unconsolidated interim financial statements of the Company for the quarter ended March 31, 2013 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 March 31, 2013 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 quarter then ended.

2.3 The comparative balance sheet as at December 31, 2012 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 quarter ended March 31, 2012 have been extracted from the condensed unconsolidated interim financial statements of the Company for the quarter then ended.

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, 2013 but are considered not to be relevant or have any significant effect on the Company's operations and are therefore not detailed in these unconsolidated condensed 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.

2.6 Standards, interpretations and amendments to published approved accounting standards that are effective January 1, 2013:

Effective January 1, the Company has adopted International Accounting Standard, IAS 19 (Revised), 'Employee Benefits', which requires recognition of all actuarial gains and losses in 'other comprehensive income' as they occur and immediate recognition of all past service to the profit and loss account. Further, the recognition and disclosure of interest cost and expected return on plan assets has been replaced with a net interest amount calculated by applying the discount rate to the net defined liability.

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, 2012 except for the adoption of IAS 19, as fully explained in paragraph 2.6.

3.1 Change in accounting policy

The Company has adopted IAS 19 (Revised) 'Employee Benefits' from the current year. The amendment requires an entity to recognize actuarial gains and losses immediately in 'other comprehensive income'. Actuarial gains or losses were previously amortized over the expected future service of the employees.

The change in accounting policy has been applied retrospectively with effect from January 1, 2011 (the earliest period possible i.e the effective date of demerger of the Company under the order of Honorable Lahore High Court). The effect of the change is as follows:

	March 31, 2012	March 31, 2011
	(Rupees in thousand)	
Profit and loss account		
Profit for the quarter as previously reported	204,847	189,102
Effect of change in accounting policy through other comprehensive income	(219)	(3,689)
Profit for the period as restated	204,628	185,413

	December 31 2012	December 31 2011
	(Rupees in thousand)	
Deferred liabilities		
Deferred liabilities as previously reported	5,118	6,509
Effect of change in accounting policy	3,908	3,689
Deferred liabilities as restated	9,026	10,198

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 judgment 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 recognized 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, 2012.

		March 31, 2013 (unaudited)	December 31, 2012 (audited)
		(Rupees in thousand)	
5.	Long term loan	178,050	178,050
	Less: current maturity	(17,806)	(8,903)
		160,244	169,147

This represents utilized portion of a long term finance facility of Rs 380 million (December 2012: Rs 380 million) 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,whereas repayment of the first installment of principal is due in July 2013.

	March 31, 2013 (unaudited)	December 31, 2012 (audited)
	(Rupees in thousand)	

6. Short term running finance

Running finance under markup arrangement	106,816	32,299

A running finance facility of Rs 1,000 million (December 2012: Rs 300 million) 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, 2014. The facility is secured against pledge of 13.5 million ordinary shares of Hubco with 50% margin and 5.54 million ordinary shares of Engro Corporation Limited with 50% margin.

	March 31, 2013 (unaudited)	December 31, 2012 (audited)
	(Rupees in thousand)	

7. Trade and other payables

Creditors	445	3,962
Accrued expense	20,338	23,014
Unclaimed dividend	20,638	20,804
Dividend payable	481,287	-
Due to associated undertakings	58	-
Others	23	22
	522,789	47,802

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.

		Note	March 31, 2013 (unaudited)	December 31, 2012 (audited)
			(Rupees in thousand)	
9.	Property and equipment			
	Net book value at the beginning of the period / year		65,227	42,809
	Additions during the period / year	9.1	685	34,284
	Disposals during the period / year	9.2	-	(2,335)
			65,912	74,758
	Depreciation charged during the period / year		(2,862)	(9,531)
	Net book value at the end of the period / year		63,050	65,227
9.1	Additions during the period			
	Furniture, fittings and equipment		346	160
	Motor vehicles		-	32,694
	Data processing equipment		339	1,430
			685	34,284
9.2	Disposals during the period -book values			
	Motor vehicles		-	2,306
	Data processing equipment		-	13
	Furniture, fittings and equipment			16
			-	2,335

Assets having net book value of Rs nil (2012: Rs 2.335 million) was sold to employees as per the Company's policy.

		Note	March 31, 2013 (unaudited)	December 31, 2012 (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	18,112,176
			19,727,295	19,727,295
10.1	Investment in subsidiary company			
	DH Fertilizers Limited - unquoted			
	100,000,000 (2012: 100,000,000) ordinary shares of Rs 10 each			
	Percentage of holding 100% (2012: 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.

		Note	March 31, 2013 (unaudited)	December 31, 2012 (audited)
10.2	Investment in associates - quoted			
	Engro Corporation Limited	10.2.1	16,820,499	16,820,499
	The Hub Power Company Limited	10.2.2	1,291,677	1,291,677
			18,112,176	18,112,176
10.2.1	Engro Corporation Limited			
	170,012,555 (2012: 170,012,555) ordinary shares of Rs 10 each.			
	Percentage of holding 33.25% (2012: 33.25%)		16,820,499	16,820,499

The Company received nil bonus shares (2012: 39.23 million) from Engro Corporation Limited (ECL) during the quarter ended March 31, 2013.

The market value of investment in ECL as at March 31, 2013 was Rs 21,931 million (2012: Rs 16,879 million).

As at March 31, 2013, 5.54 million ordinary shares of ECL (2012: 5.54 million) having market value of Rs 714.66 million (2012: Rs 509.90 million) were pledged as security against a short-term finance facility from Bank Al Habib Limited.

		March 31, 2013 (unaudited)	December 31, 2012 (audited)
		(Rupees in thousand)	
10.2.2	The Hub Power Company Limited		
	39,707,000 (2012: 39,707,000) ordinary shares of Rs 10 each. Percentage of holding 3.43% (2012: 3.43%)	1,291,677	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. However, remaining 4.227 million shares were purchased through open market.

The market value of investment in Hubco as at March 31, 2013 was Rs 1,995.67 million (2012: 1,796 million)

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 March 31, 2013, 8.67 million ordinary shares of Hubco having market value of Rs 435.75 million (2012: Rs. 392.23 million) were pledged as security against the finance facility of Rs 380 million obtained by the Company from Allied Bank Limited.

		Note	March 31, 2013 (unaudited)	December 31, 2012 (audited)
			(Rupees in thousand)	
11.	Short term investment			
	Available for sale	11.1	2,692	2,615
			2,692	2,615

		March 31, 2013 (unaudited)	December 31, 2012 (audited)
		(Rupees in thousand)	
11.1	Southern Electric Power Company Limited - quoted		
	1,922,900 (2012: 3,622,900) ordinary shares of		
	Rs 10 each - at cost	36,321	68,431
	Cumulative impairment loss	(34,975)	(65,895)
	Balance at the beginning of the period / year	1,346	2,536
	Less: investment disposed off		
	nil (2012: 1,700,000) ordinary shares	-	(1,190)
		1,346	1,346
	Increase in fair value during the period / year	1,346	1,269
	Balance at the end of the period / year		
	1,922,900 (2012: 1,922,900) ordinary shares of Rs 10 each at fair value (percentage holding 1.40%(2012:1.40%)	2,692	2,615

		Note	March 31, 2013 (unaudited)	December 31, 2012 (audited)
			(Rupees in thousand)	
12.	Cash and bank balances			
	Cash in hand		247	250
	Cheques in hand		-	991
	With banks in local currency			
	Current accounts		-	1,578
	Deposit accounts	12.1	3,083	3,568
			3,330	6,387

12.1 Profit on these account ranges from 5% to 9.5% per annum (2012: 5% to 10.5%)

		Note	Quarter ended March 31, 2013 (unaudited)	Quarter ended March 31, 2012 (unaudited)
			(Rupees in thousand)	
13.	Dividend income			
	Engro Corporation Limited		-	261,558
	The Hub Power Company Limited		138,975	-
	DH Fertilizers Limited	13.1	494,684	-
			633,659	261,558

13.1 The shareholders of DH Fertilizers Limited - a wholly owned subsidiary of the Company, at its 2nd Annual General Meeting held on March 25, 2013, approved a 'specie dividend' of 5 million ordinary shares of Engro Corporation Limited costing Rs 98.936 per share.

			Quarter ended	
			March 31, 2013 (unaudited)	March 31, 2012 (unaudited)
			(Rupees in thousand)	
14.	Cash used in operations			
	Profit before taxation		571,193	241,947
	Adjustments for non cash expenses and other items:			
	Depreciation		2,862	1,524
	Finance cost		6,762	49
	Profit on sale of property, plant and equipment		-	(884)
	Profit on sale of short term investments		-	(15,703)
	Unrealized gain on investments at fair value through profit and loss		-	(11,563)
	Dividend income		(633,659)	(261,558)
	Provision for employees retirement and other service benefits		1,142	1,689
	Profit on short term deposits		(68)	(10,673)
	Working capital changes	13.1	(11,566)	(2,416)
			(63,334)	(57,588)
14.1	Working capital changes			
	Increase in current assets:			
	Loans, advances, deposits, prepayments and other receivables		(5,266)	(7,767)
			(5,266)	(7,767)
	Increase/(decrease) in current liabilities:			
	Trade and other payables		(6,300)	5,351
			(11,566)	(2,416)

15. Related party transactions

Significant transactions with related parties are as follows

	Quarter ended March 31, 2013 (unaudited)	Quarter ended March 31, 2012 (unaudited)
	(Rupees in thousand)	
Subsidiary company		
Reimbursement of expenses by the Company	58	255
Reimbursement of expenses to the Company	1,604	194
Sale of goods and services	2,713	-
Specie dividend	494,684	-
Associates		
Purchase of goods and services	3,060	4,102
Sale of goods and services	4,996	-
Dividend income	138,975	261,558
Reimbursement of expenses from associates	132	932
Reimbursement of expenses to associates	828	1,192
Other related parties		
Key management personnel compensation	25,823	28,495
Employees' retirement and other service benefits	2,463	1,716

16. Corresponding figures

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

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

17. Date of authorization for issue

These condensed unconsolidated interim financial statements were authorized by the Board of Directors on April 30, 2013.

Karachi: April 30, 2013

Hussain Dawood
Chairman

Shahid Hamid Pracha
Chief Executive

Condensed consolidated interim financial statements

for the quarter ended March 31, 2013

Condensed consolidated interim balance sheet (unaudited)

As at March 31, 2013

	Note	March 31, 2013	December 31, 2012	December 31, 2011
		(unaudited)	(audited) (Restated)	(audited) (Restated)
		------------------	(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	10,000,000
Issued, subscribed and paid up capital		4,812,871	4,812,871	4,812,871
Revenue reserves		21,084,934	20,890,299	20,293,215
Fair value reserve		1,346	1,269	-
		25,899,151	25,704,439	25,106,086
Non- current liabilities				
Long term loans	5	6,823,244	6,832,147	4,800,000
Deferred taxation		973,692	897,963	859,274
Employees' retirement and other service benefits		92,518	91,780	84,872
		7,889,454	7,821,890	5,744,146
Current liabilities				
Short term finance - secured	6	106,816	32,299	-
Current maturity of long term loans		224,806	215,903	-
Trade and other payables		1,285,659	301,962	642,255
Accrued mark-up		203,735	32,283	8,614
Provision for taxation		-	-	28,678
		1,821,016	582,447	679,547
Contingencies & commitments	7	-	-	-
		35,609,621	34,108,776	31,529,779
Assets				
Fixed capital expenditure				
Property, plant and equipment	8	2,039,893	2,093,563	2,123,905
Long term investments	9	31,394,342	30,813,827	24,701,636
Long term loans & advances		217	1,383	2,200
		33,434,452	32,908,773	26,827,741
Current assets				
Stores, spares and loose tools		800,077	811,584	800,608
Stock in trade		360,206	52,100	151,267
Trade debts		334	329	2,686
Loans, advances, deposits, prepayments and other receivables		179,450	170,893	65,641
Dividend receivable from associated undertaking		576,965	-	-
Taxation -net		85,511	126,950	-
Short term investment	10	2,692	2,615	2,951,088
Cash and bank balances	11	169,934	35,532	730,748
		2,175,169	1,200,003	4,702,038
		35,609,621	34,108,776	31,529,779

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

Karachi: April 30, 2013

Hussain Dawood
Chairman

Shahid Hamid Pracha
Chief Executive

Condensed consolidated interim profit and loss account (unaudited)

For the quarter ended March 31, 2013

	Note	Quarter ended March 31, 2013	Quarter ended March 31, 2012
		-------(Rupees in thousand)-------	
Sales - net		123,156	819,282
Cost of sales	12	(181,671)	(500,933)
Gross (loss)/profit		(58,515)	318,349
Selling and distribution expenses		(11,870)	(13,453)
Administrative expenses		(107,651)	(110,890)
Other operating expenses		(3,862)	(7,991)
Other operating income		13,906	77,798
(Loss)/profit from operating activities		(167,992)	263,813
Finance costs		(185,180)	(157,300)
(Loss)/profit before share of profit from associates and tax		(353,172)	106,513
Share of profit from associates, net of tax		1,111,856	906,820
Profit before taxation		758,684	1,013,333
Taxation		(123,822)	(142,186)
Profit after taxation		634,862	871,147
Earnings per share- basic and diluted (rupees)		1.32	1.81

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

Karachi: April 30, 2013

Hussain Dawood
Chairman

Shahid Hamid Pracha
Chief Executive

Condensed consolidated interim statement of comprehensive income (unaudited)

For the quarter ended March 31, 2013

	Quarter ended March 31, 2013	Quarter ended March 31, 2012
	--------(Rupees in thousand)--------	
Profit after taxation	634,862	871,147
Other comprehensive income		
Adjustment arising from measurement to fair value of available for sale investments	77	397,338
Actuarial losses of previous period	-	(1,719)
Share of other comprehensive income of associates	45,622	29,851
Deferred tax impact of other comprehensive income of associates	(4,562)	(2,985)
	41,059	26,866
Total comprehensive income	675,999	1,293,632

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

Karachi: April 30, 2013

Hussain Dawood
Chairman

Shahid Hamid Pracha
Chief Executive

Condensed consolidated interim cash flow statement (unaudited)

For the quarter ended March 31, 2013

	Note	Quarter ended March 31, 2013	March 31, 2012
		-----(Rupees in thousand)-----	
Cash flow from operating activities			
Cash generated from operations	13	86,700	242,061
Finance costs paid		(13,720)	(49)
Taxes paid		(11,146)	(56,082)
Employees' retirement and other service benefits paid		(4,880)	(7,995)
Increase in long term loans and advances		1,166	651
Net cash generated from operating activities		58,120	178,586
Cash flow from investing activities			
Fixed capital expenditure		(710)	(55,098)
Proceeds from sale of property, plant and equipment		2,058	6,307
Profit received on time deposits		584	16,366
Proceeds from disposal of available for sale investments		-	671,212
Investment in mutual funds		-	(1,279,303)
Dividends received		-	38,400
Net cash generated from/(used in) investing activities		1,932	(602,116)
Cash flow from financing activities			
Short term borrowings		74,517	-
Dividends paid		(167)	(79)
Net cash generated from/(used in) financing activities		74,350	(79)
Net increase/(decrease) in cash and cash equivalents		134,402	(423,609)
Cash and cash equivalents at the beginning of the period		35,532	730,748
Cash and cash equivalents at the end of the period		169,934	307,139

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

Karachi: April 30, 2013

Hussain Dawood
Chairman

Shahid Hamid Pracha
Chief Executive

Condensed consolidated interim statement of changes in equity (unaudited)

For the quarter ended March 31, 2013

	Share capital	Revenue reserves: General reserve	Revenue reserves: Actuarial losses	Revenue reserves: Unappropriated profit	Revenue reserves: Sub total	Share of other comprehensive income	Fair value reserve	Total
	-----	-----	-----	-----(Rupees in thousand)-----	-----	-----	-----	-----
Balance as at January 1, 2011 as previously reported	1,203,217	700,000	-	20,632,823	21,332,823	(312,226)	135,765	22,359,579
Profit for the year	-	-	-	2,893,069	2,893,069	-	(135,765)	2,757,304
Other comprehensive income/(loss) (note 3.2)	-	-	(21,970)	-	(21,970)	131,495	-	109,525
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)	-	-	-
	3,609,654	-	-	(3,729,976)	(3,729,976)	-	-	(120,322)
Balance as at December 31, 2011 (restated)	4,812,871	700,000	(21,970)	19,795,916	20,473,946	(180,731)	-	25,106,086
Balance as at January 01, 2012 (restated)	4,812,871	700,000	(21,970)	19,795,916	20,473,946	(180,731)	-	25,106,086
Profit for the year	-	-		982,458	982,458	-	-	982,458
Other comprehensive income/(loss)	-	-	(1,719)	-	(1,719)	97,632	1,269	97,182
Final cash dividend @10% for the year ended December 31, 2011	-	-		(481,287)	(481,287)	-	-	(481,287)
Balance as at December 31, 2012 (restated)	4,812,871	700,000	(23,689)	20,297,087	20,973,398	(83,099)	1,269	25,704,439
Balance as at January 01, 2012 (restated)	4,812,871	700,000	(21,970)	19,795,916	20,473,946	(180,731)	-	25,106,086
Profit for the period	-	-		871,147	871,147	-	-	871,147
Other comprehensive income/(loss)			(1,719)	-	(1,719)	26,866	397,338	422,485
Final cash dividend @ 10% for the year ended December 31, 2012	-	-	-	(481,287)	(481,287)	-	-	(481,287)
Balance as at March 31, 2012 (restated)	4,812,871	700,000	(23,689)	20,185,776	20,862,087	(153,865)	397,338	25,918,431
Balance as at January 01, 2013 (restated)	4,812,871	700,000	(23,689)	20,297,087	20,973,398	(83,099)	1,269	25,704,439
Total comprehensive income	-		-	634,862	634,862	41,059	77	675,999
Final cash dividend @ 10% for the year ended December 31, 2012	-	-	-	(481,287)	(481,287)	-	-	(481,287)
Balance as at March 31, 2013	4,812,871	700,000	(23,689)	20,450,662	21,126,973	(42,040)	1,346	25,899,151

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

Karachi: April 30, 2013

Hussain Dawood
Chairman

Shahid Hamid Pracha
Chief Executive

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

For the quarter ended March 31, 2013

1. Legal status and nature of business

1.1 Dawood Hercules Corporation Limited - the holding company, is a public limited company incorporated in Pakistan on April 17, 1968 under the Companies Act, 1913 (now Companies Ordinance, 1984 and its shares are 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. 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 The comparative consolidated balance sheet as at December 31, 2012 presented in these condensed consolidated interim financial statements has been extracted from the audited financial statements of the group for the year then ended. The comparative condensed consolidated profit and loss account, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the quarter ended March 31, 2012 have been extracted from the condensed consolidated interim financial statements of the Company for the quarter then ended.

2.3 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 December 31, 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, 2013 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.

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

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.

2.6 Standards, interpretations and amendments to published approved accounting standards that are effective January 1, 2013:

Effective January 1, the Group has adopted International Accounting Standard, IAS 19 (Revised), 'Employee Benefits', which requires recognition of all actuarial gains and losses in other comprehensive income as they occur and immediate recognition of all past service to profit and loss account. Further, the recognition and disclosure of interest cost and expected return on plan assets has been replaced with a net interest amount calculated by applying the discount rate to the net defined liability.

3. Accounting policies

3.1 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, 2012 except for the adoption of IAS 19, as fully explained in paragraph 2.6 above.

3.2 Change in accounting policy

The Group has adopted IAS 19 (Revised) 'Employee Benefits' from the current year. The amendment requires an entity to recognize actuarial gains and losses immediately in 'other comprehensive income'. Actuarial gains or losses were previously amortized over the expected future service of the employees.

The change in accounting policy has been applied retrospectively with effect from January 1, 2011. The effect of the change is as follows:

	March 31, 2012 (unaudited)	March 31, 2011 (unaudited)
	(Rupees in thousand)	
Profit and loss account		
Profit for the quarter as previously reported	871,147	519,025
Effect of change in accounting policy through other comprehensive income (net of tax)	(1,719)	(21,970)
	869,428	497,055

	December 31 2012	December 31 2011
Deferred liabilities	(Rupees in thousand)	
	(audited)	(audited)
Deferred liabilities as previously reported	57,440	53,059
Effect of change in accounting policy	34,340	31,813
	91,780	84,872
Deferred taxation		
Deferred taxation as previously reported	908,614	869,117
Effect of change in accounting policy	(10,651)	(9,843)
	897,963	859,274

4. Accounting estimates

The preparation of condensed consolidated interim financial statements requires management to make estimates, assumptions and judgment 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, 2012.

	Note	March 31 2013 (unaudited)	December 31, 2012 (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	2,070,000
Long term finance	5.3	178,050	178,050
		7,048,050	7,048,050
Less: current maturity		(224,806)	(215,903)
		6,823,244	6,832,147

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 the 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 2012: 380 million) obtained by the holding company 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. 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 the first installment of principal is due in July 2013.

		Note	March 31, 2013 (Unaudited)	December 31, 2012 (Audited)
			(Rupees in thousand)	
6.	Short term finances - secured	6.1&6.2	106,816	32,299

6.1 Short-term running finances have been obtained by the subsidiary company under mark-up arrangements with banks aggregating Rs 2,398 million (2012: Rs 2,000 million) and expiring latest by December 31, 2013. These facilities have been arranged to meet working capital requirements and are secured by way of pledge of 24.96 million shares of Engro Corporation Limited (ECL) and 12.60 million shares of The Hub Power Company Limited (Hubco) (2012: 24.96 million shares of ECL and Hubco: Nil), having face value of Rs 249.6 million and Rs. 126 million respectively (2012: Rs 249.6 million of ECL) and market value of Rs 3,219.84 million and Rs. 633.28 million respectively (2012: Rs. 2,297.3 million of ECL). Rate of mark-up applicable to these facilities ranges between three months KIBOR plus 50 bps per annum to 100 bps (2012: three months KIBOR plus 50 bps per annum to 100 bps per annum) per annum. The facilities remained unutilized during the period ended March 31, 2013.

6.2 The holding company has an approved running finance facility of Rs 1,000 million (December 2012: Rs 300 million) which 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, 2014. The facility is secured against pledge of 5.56 million ordinary shares of ECL with 50% margin and 13.5 million ordinary shares of Hubco with 50% margin.

7. Contingencies and commitments

7.1 Contingencies

There are no material contingencies as at March 31, 2013.

7.2 Commitments

Commitments of the Group as at March 31, 2013 were Rs. 13.625 million (2012: Rs Nil) in respect of purchase of stores and spares.

	Note	March 31, 2013 (unaudited)	December 31, 2012 (audited)
		(Rupees in thousand)	
8. Property, plant and equipment			
Operating property, plant and equipment		1,889,672	1,943,368
Capital work in progress		150,221	150,195
		2,039,893	2,093,563
Opening net book value		1,943,368	2,093,015
Add: Additions during the period / year	8.1	685	82,393
Less: Assets disposed off during the period / year at book value		(1,313)	(21,892)
		1,942,740	2,153,516
Depreciation charged during the period / year		(53,068)	(210,148)
Closing net book value		1,889,672	1,943,368

	Note	March 31, 2013 (unaudited)	December 31, 2012 (audited)
		(Rupees in thousand)	
8.1 Additions during the period			
Plant & machinery		-	20,326
Furniture, fittings & office equipment		346	445
Data processing equipment		339	2,394
Vehicles		-	59,228
		685	82,393
9. Long term investments -associates			
Engro Corporation Limited - quoted	9.1	26,147,973	25,377,122
The Hub Power Company Limited - quoted	9.2	5,246,369	5,436,705
		31,394,342	30,813,827

	March 31, 2013 (unaudited)	December 31, 2012 (audited)
	(Rupees in thousand)	
9.1 Engro Corporation Limited (ECL)		
194,972,555 (2012: 194,972,555) ordinary shares of Rs. 10 each	25,377,122	24,701,636
Share of post acquisition profit	725,229	866,964
Share of other comprehensive income (net of tax)	45,622	108,480
	26,147,973	25,677,080
Less: dividend received during the period	-	(299,958)
194,972,555 (2012: 194,972,555) ordinary shares of Rs. 10 each	26,147,973	25,377,122
Percentage of equity held - 38.13% (2012: 38.13%)		

9.1.1 Market value of investment in ECL as at March 31, 2013 was Rs. 25,151 million (2012: Rs. 17,945 million).

9.1.2 The Group received nil (2012: 44,993,667) bonus shares from ECL during the first quarter ended March 31, 2013

9.1.3 'Financial results of ECL for the period from October 1, 2012 to December 31, 2012 have been used for the application of equity method of accounting for consolidation purposes, since financial results of ECL for the first quarter ended March 31, 2013 were not available till the finalization of these condensed consolidated interim financial statements.

9.1.4 As at March 31, 2013, 30.50 million ordinary shares of ECL (2012: 30.50 million) having market value of Rs 3,934 million (2012: Rs 2,297 million) were pledged as security against various short-term finance facilities.

		March 31, 2013 (unaudited)	December 31, 2012 (audited)
		(Rupees in thousand)	
9.2	The Hub Power Company Limited		
	164,847,000 (2012:164,847,000) Ordinary shares of Rs 10/- each.	5,436,705	5,522,722
	Share of post acquisition profit for the period	386,628	408,524
		5,823,333	5,931,246
	Less: dividend declared during the period	(576,964)	(494,541)
	Percentage of equity held -14.25% (2012:14.25%)	5,246,369	5,436,705

9.2.1 During the year 2012, the Group purchased 137.74 million ordinary shares of 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 and representing 11.90% of the share capital of Hubco. A further quantity of 27.11 million shares of Hubco was acquired from the market by the Group bringing the total percentage of equity held to 14.25%.

9.2.2 The market value of the investment in Hubco as at March 31, 2013 was Rs. 8,285 million (2012: Rs. 7,457 million)

9.2.3 As at March 31, 2013, 123.53 million ordinary shares of Hubco having market value of Rs 6,209 million (2012: 110.93 million shares having market value of Rs 5,018 million) were pledged as security against the finance facilities aggregating Rs 2,848 million (2012: 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 period ended December 31, 2012 have been used for the application of equity method of accounting for consolidation purposes as the financial results for the quarter ended March 31, 2013 were not available till the finalization of these condensed consolidated financial statements.

		Note	March 31, 2013 (unaudited)	December 31, 2012 (audited)
			(Rupees in thousand)	
10.	Short term investments			
	Available for sale	10.1	2,692	2,615
			2,692	2,615
10.1	Available for sale - quoted			
	Sui Northern Gas Pipelines Limited	10.1.1	-	-
	Southern Electric Power Company Limited	10.1.2	2,692	2,615
			2,692	2,615
10.1.1	Sui Northern Gas Pipelines Limited (SNGPL)			
	Nil (2012: 73,481,262) ordinary shares of Rs. 10 each - at cost		-	4,376,964
	Percentage of equity held: nil (2012: 12.75%)			
	Cumulative impairment loss		-	(3,222,574)
			-	1,154,390
	Less: Investment disposed off during the period Nil (2012:73,481,262) ordinary shares		-	(1,154,390)
			-	-

		March 31, 2013 (unaudited)	December 31, 2012 (audited)
		(Rupees in thousand)	
10.1.2	Southern Electric Power Company Limited		
	1,922,900 (2012: 3,622,900) ordinary shares of Rs. 10 each - at cost	36,321	68,431
	Cumulative impairment loss	(34,975)	(65,895)
		1,346	2,536
	Less: investment disposed off during the period		
	Nil (2012: 1,700,000) ordinary shares	-	(1,190)
		1,346	1,346
	Fair value adjustment during the period	1,346	1,269
	1,922,900 (2012: 1,922,900) ordinary shares of Rs. 10 each at fair value.	2,692	2,615
	Percentage of equity held 1.40%(2012:1.40%)		

		Note	March 31, 2013 (unaudited)	December 31, 2012 (audited)
			(Rupees in thousand)	
11.	Cash & bank balances			
	Cash at bank			
	Current accounts		91,800	15,387
	Savings accounts			
	- local	11.1	76,377	17,364
	- foreign		820	820
			77,197	18,184
	Cash in hand		937	970
	Cheques in hand		-	991
			169,934	35,532

11.1 Profit on these accounts ranges from 5% to 9.5 % per annum.(2012: 5% to 10.5%)

12. Cost of sales

Fixed production overheads amounting to Rs. 157 million (2012: Rs. 100 million) have been treated as period cost and are charged to profit and loss account due to lower than normal production during the quarter.

		Quarter ended	
		March 31, 2013 (unaudited)	March 31, 2012 (unaudited)
		------(Rupees in thousand) ------	
13.	Cash (used in)/generated from operations		
	Profit before taxation	758,684	1,013,333
	Adjustment for non cash expenses and other items:		
	Depreciation	53,063	53,392
	Finance costs	185,172	157,300
	Profit on sale of property, plant and equipment	(745)	(4,788)
	Profit on sale of short term investments available for sale	-	(15,703)
	Un-realized gain due to fair value adjustment of investment through profit or loss	-	(35,689)
	Share of profit from associate, net of tax	(1,111,856)	(906,820)
	Provision for staff retirement and other service benefits	5,726	5,086
	Profit on time deposits with banks	(584)	(16,366)
		(869,224)	(763,588)
	(Loss)/profit before working capital changes	(110,540)	249,745
	Working capital changes		
	(Increase)/decrease in current assets:		
	Stocks, stores and spares	(296,599)	(39,689)
	Trade debts	(5)	(292)
	Loans, advances, deposits, prepayments and other receivables	(8,560)	3,169
	Increase in current liabilities:		
	Trade and other payables	502,404	29,128
		197,240	(7,684)
	Cash generated from operations	86,700	242,061

14. 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:

	Quarter ended	
	March 31, 2013 (unaudited)	March 31, 2012 (unaudited)
	(Rupees in thousand)	
Associates		
Sale of goods and services	7,042	9,999
Sale of fixed assets	860	-
Purchase of goods and services	307,941	359,420
Dividend income	576,965	299,958
Reimbursement of expenses from related parties	132	1,649
Reimbursement of expenses to related parties	1,474	1,194
Finance costs	54,629	68,587
Markup received	-	3,332
Rental income	3,600	6,931
Other related parties		
Key management personnel compensation	91,760	284,709
Contributions to employees' retirement benefits	11,964	36,083

15. General

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

16. Date of authorisation of issue

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on April 30, 2013.

Karachi: April 30, 2013

Hussain Dawood
Chairman

Shahid Hamid Pracha
Chief Executive

Notes

Notes

Dawood Hercules Corporation Limited

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