Dawood Hercules

Adding Dimensions with Diverse Business Interests

Half Yearly 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

Company Secretary

Mr. Shafiq Ahmed

Chief Financial Officer

Mr. Ali Aamir

Registered Office

Dawood Center, M.T. Khan Road
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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
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I.I. Chundrigar Road
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Tel: +92 (21) 32426682-6/32426711-5
Fax: +92 (21) 32415007/32427938

Shares Registrar

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Model Town, Lahore
Tel: +92 (42) 35839182, 35916719
Fax: +92 (42) 35869037

Tax Consultants

A.F Ferguson & Co
Chartered Accountants
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Legal Advisors

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Directors' Report

The Directors are pleased to present their report for the second quarter ended 30 June 2012 together with the unaudited condensed interim financial statements for the second quarter and half year ended 30 June 2012.

1. Business overview

(a) Fertilizers

The Company's wholly owned subsidiary DH Fertilizers Limited (DHFL) continued to suffer severe gas curtailment during Q2 2012 with production of urea restricted to just 17 days or 18,967 tonnes as compared to 70 days or 68,705 tonnes during the corresponding quarter last year. Even when supplied, gas throughput was restricted by Sui Northern Gas Pipelines Limited (SNGPL) to about 80% of the contractual quantity. Furthermore, DHFL was particularly discriminated against by SNGPL in supplying a lower quantity of gas versus some of the other fertilizer manufacturers on the same network as stated below in paragraph 3 on future outlook. This unprecedented curtailment of gas supply adversely affected all fertilizer plants based on SNGPL's network, as a result of which aggregate domestic urea production during Q2 2012 of 1.14 million tonnes was 0.14 million tonnes or 11% lower as compared to 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 0.24 million tonnes during Q2 2012 which, combined with 0.65 million tonnes imported during the first quarter and the heavy subsidy thereon, resulted in imported urea being sold at Rs50 to Rs100 per bag lower than locally manufactured product.

Country wide urea sales volume during Q2 2012 of 1.73 million tonnes was 0.28 million tonnes or 19% higher than the same quarter last year mainly due to the onset of the Kharif season and aggressive marketing efforts by the major producers to make up the slack from lower than normal sales in Q1 2012. Closing urea inventory as at 30 June 2012 was 0.44 million tonnes versus 0.07 million tonnes as at 30 June 2011. DHFL sold 11,680 tonnes of urea during Q2 2012 compared to 51,280 tonnes during the same quarter last year mainly due to lower production on account of the gas curtailment. During the quarter under review DHFL imported 37,000 tonnes of DAP of which 20,517 tonnes or 8% of national sales volume was sold up to 30 June 2012.

Based on an enquiry conducted by the Competition Commission of Pakistan (CCP), show cause notices have been issued to all the fertilizer manufacturers in the country, including DHFL, asking them to explain: (a) factors behind the steep rise in urea prices during 2011 and (b) whether these price increases in unison by all the fertilizer manufacturers constitute “collective dominance” of the urea market.

(b) Energy

As disclosed in the Directors' Report for Q1 2012, the Company and DHFL had collectively signed a Share Purchase Agreement with National Power International Holdings BV to acquire 137.74 million shares in Hub Power Company Limited (Hubco) representing 11.90% of its issued and subscribed ordinary share capital @ Rs 31 per share for a total consideration of Rs 4,270 million, subject to receipt of certain regulatory approvals. The Directors are pleased to inform that all the required regulatory approvals were received during the quarter and the transaction was consummated on 13 June 2012.

(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 as a result of which its new 1.3

Directors' Report

million tonnes Enven urea plant remained shut during most of Q2 2012. However, the other business segments of ECL are expected to perform reasonably well during the current quarter and although the fertilizer business profitability is likely to be impacted by the gas suspension, the foods business should continue its growth momentum.

2. Financial performance

As a result of the severe gas supply curtailment and consequent precipitous reduction in production and sales volumes, the consolidated gross profit of the Company fell from Rs 667 million in Q2 2011 to Rs 161 million in the current quarter. In order to partially mitigate the adverse financial impact from its fertilizer operations, the Company and DHFL have embarked on a major cost reduction drive. All administrative expenses are being closely scrutinized to cut unnecessary costs and all planned capital expenditure proposals have either been put on hold or abandoned to minimize cash outflows. As a result, despite strong inflationary pressures, consolidated administrative expenses for the quarter were marginally lower than the corresponding quarter last year with further reductions planned for Q3 & Q4 2012. With ECL declaring an after tax loss for the quarter ended 31 March 2012, mainly arising from the severe gas curtailment by SNGPL to its new Enven fertilizer plant, the Group's share of ECL's loss amounting to Rs146 million (2011: profit of Rs 778 million) has been accounted for in the consolidated financial statements for the current quarter. The consolidated taxation credit of Rs 49 million has arisen mainly due to the loss for the quarter and consequent reversal of the tax charge for the first quarter which was based on estimated taxable profit for the full year.

As a result of the above, consolidated loss after taxation of Rs 214 million for the quarter ended 30 June 2012 represents a reversal of over Rs 1 billion when compared with the consolidated profit after taxation of Rs 919 million for the corresponding quarter last year.

3. Future outlook

The country's energy scenario (particularly supply of natural gas) continues to present a bleak outlook with little or no certainty if or when or indeed for how long gas supplies would be curtailed to the fertilizer plants on the SNGPL network. Despite strong representations to the government at very senior levels of the ministries of petroleum, water and power and industries, gas supply to fertilizer plants on the SNGPL network was restricted to an average of just 30 days per plant (with DHFL and Engro being the worst hit at only 17 days each) out of a total of 91 days and that too at about 80% of the contractual quantity. Furthermore, in order to tackle the electricity generation crisis in the country, the government has, on an apparently ad hoc basis, relegated the fertilizer sector from second in priority under the 2005 Natural Gas Allocation Policy to third, effectively equating it with general industry. Power producers, on the other hand, have replaced the fertilizer sector in second position after domestic and commercial consumers. Despite putting the fertilizer sector in the same priority order as the rest of the industry, gas supply to the SNGPL network plants continues to remain shut whereas the rest of the industry enjoys 5 days a week of gas supply. Furthermore, the CNG sector which supplies gas mainly to private motor vehicle owners and is an unnecessary drain on this precious resource, also continues to enjoy government patronage both in its pricing policy and in its supply. All these factors combined with the government's move to place increasing reliance on imported urea, are clear indicators that gas supply to SNGPL based fertilizer plants will not be resumed in the near future or until such time that alternate sources such as LNG import or new gas discoveries are in place. Consequently both DHFL and ECL will remain under severe financial strain during most of H2 2012.

From an investment perspective, the travails of Engro's fertilizer business are expected to weigh down on its profitability and cash position. The company has recently announced its intention to seek a

Directors' Report

rescheduling of its long term loans. This will inevitably restrict dividends in the short term. However, if as expected, a solution is found to the gas imbroglio and supplies resumed to Engro's Enven plant, the business is expected to turn around rapidly. The Group's investment in Hubco, on the other hand, is exceeding expectations with the share price having increased by about Rs 13 or 42% over its acquisition price since the transaction was consummated in June 2012. Furthermore, Hubco has just declared a final dividend of Rs 3 per share which should partially mitigate the negative impact of gas curtailment on the Group's earnings and cash flows in Q4 2012.

The Company has always operated within the bounds of the law and intends to defend its case vigorously at the Competition Commission and will also continue to aggressively pursue its stance with the Government of Pakistan for resumption of gas supply to its fertilizer plant. At the same time, in line with its new Vision and Mission statements, it is also focusing on exploring new investment opportunities to diversify its risk profile and improve the returns to its shareholders.

Hussain Dawood
Chairman

Shahid Hamid Pracha
Chief Executive

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A.F. FERGUSON & CO.

Auditors' report to the members on review of interim financial information

Introduction

We have reviewed the accompanying unconsolidated condensed interim balance sheet of Dawood Hercules Corporation Limited (Formerly Dawood Hercules Chemicals Limited) ("the company") as at June 30, 2012 and the related unconsolidated condensed interim profit and loss account, unconsolidated condensed interim statement of comprehensive income, unconsolidated condensed interim cash flow statement, unconsolidated condensed interim statement of changes in equity, together with the notes forming part thereof for the six months period then ended (here-in-after referred to as the unconsolidated condensed interim financial information). Management is responsible for the preparation and presentation of the unconsolidated condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this unconsolidated condensed interim financial information based on our review. The figures included in the unconsolidated condensed interim profit and loss account and unconsolidated condensed interim statement of comprehensive income for the quarters ended June 30, 2012 and 2011 have not been reviewed as we are required to review only the cumulative figures for the six months period ended June 30, 2012.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of unconsolidated condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unconsolidated condensed interim financial information as of and for the six months period ended June 30, 2012 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

The financial statements of the company for the six months period ended June 30, 2011 and for the year ended December 31, 2011 were reviewed and audited by KPMG Taseer Hadi & Co., Chartered Accountants who through their report dated August 10, 2011 and February 15, 2012, expressed an unqualified conclusion and opinion thereon.

Chartered Accountants
Karachi: 31 July 2012

Audit Engagement Partner: Khurshid Hasan

Unconsolidated condensed interim balance sheet (Unaudited - note 2)

As at June 30, 2012

	Note	(Un-audited) June 30 2012	(Audited) December 31 2011
		(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		14,744,309	15,036,168
Surplus on revaluation of investments		1,019	-
		19,558,199	19,849,039
Non current liabilities			
Employee retirement and other service benefits		3,356	6,509
Current liabilities			
Running finance under mark-up arrangements	5	23,825	-
Trade and other payables	6	41,609	33,701
Accrued mark-up on running finance facilities		321	-
Provision for taxation		27,000	78,000
		92,755	111,701
Contingencies	7		
		19,654,310	19,967,249
Assets			
Non current assets			
Property, plant and equipment	8	63,200	42,809
Long term investments	9	19,549,252	18,435,618
		19,612,452	18,478,427
Current assets			
Loans, advances, deposits, prepayments and other receivables		5,458	1,941
Short term investments	10	2,365	971,818
Advance income tax		28,728	79,618
Cash and bank balances	11	5,307	435,445
		41,858	1,488,822
		19,654,310	19,967,249

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

Shahid Hamid Pracha
Chief Executive

M. Abdul Aleem
Director

Karachi: 31 July 2012

Unconsolidated condensed interim profit and loss account (Unaudited - note 2)

For the quarter and six months period ended June 30, 2012

	Quarter ended		Six months period ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
	(Rupees in thousand)			
Dividend income	-	-	261,558	217,965
Administrative expenses	(54,783)	(64,611)	(113,168)	(96,307)
	(54,783)	(64,611)	148,390	121,658
Other operating income	29,641	31,110	68,464	57,880
Impairment on available for sale investments	-	(1,196)	-	(3,333)
Operating (loss) / profit	(25,142)	(34,697)	216,854	176,205
Finance costs	(377)	-	(426)	-
(Loss) / profit before taxation	(25,519)	(34,697)	216,428	176,205
Taxation	-	-	(27,000)	(21,796)
(Loss) / profit after taxation	(25,519)	(34,697)	189,428	154,409
(Loss) / earnings per share - basic and diluted	(0.05)	(0.07)	0.39	0.32

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

Shahid Hamid Pracha
Chief Executive

M. Abdul Aleem
Director

Karachi: 31 July 2012

Unconsolidated condensed interim statement of comprehensive income (Unaudited - note 2)

For the quarter and six months period ended June 30, 2012

	Quarter ended		Six months period ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
	------------------- (Rupees in thousand) -------------------			
(Loss) / profit after taxation	(25,519)	(34,697)	189,428	154,409
Other comprehensive income				
Unrealised (loss) / gain on investments classified as 'available for sale'	(2,459)	-	1,019	-
Total comprehensive (loss) / income	(27,978)	(34,697)	190,447	154,409

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

Shahid Hamid Pracha
Chief Executive

M. Abdul Aleem
Director

Karachi: 31 July 2012

Unconsolidated condensed interim cash flow statement (Unaudited - note 2)

For the six months period ended June 30, 2012

	Note	Six months period ended June 30 2012	June 30 2011
		(Rupees in thousand)	
Cash flows from operating activities			
Cash used in operations	12	(38,680)	(15,077)
Finance cost paid		(105)	-
Taxes paid		(27,110)	(25,149)
Employees retirement and other service benefits paid		(8,219)	(2,024)
Long term loans and advances		-	(184)
Net cash used in operating activities		(74,114)	(42,434)
Cash flows from investing activities			
Fixed capital expenditure		(25,505)	(3,650)
Proceeds from disposal of property, plant and equipment		5,188	1,491
Income received from short term deposits		-	7,949
Proceeds from disposal of short term investments		2,083,025	-
Investments made		(2,224,435)	(440,000)
Dividend received		261,558	217,965
Net cash generated from / (used in) investing activities		99,831	(216,245)
Cash flows from financing activities			
Running finance under mark-up arrangements		23,825	-
Dividend paid		(479,680)	(120,729)
Net cash used in financing activities		(455,855)	(120,729)
Net decrease in cash and cash equivalents		(430,138)	(379,408)
Cash and cash equivalents at the beginning of period		435,445	383,956
Cash and cash equivalents at the end of period		5,307	4,548

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

Shahid Hamid Pracha
Chief Executive

M. Abdul Aleem
Director

Karachi: 31 July 2012

Unconsolidated condensed interim statement of changes in equity (Unaudited - note 2)
For the six months period ended June 30, 2012

	Issued subscribed and paid-up capital	General reserve (Revenue reserves)	Un-appropriated profit (Revenue reserves)	Total (Revenue reserves)	Surplus on revaluation of investments	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						
Profit for the period	-	-	154,409	154,409	-	154,409
Other comprehensive income	-	-	-	-	-	-
	-	-	154,409	154,409	-	154,409
Transactions with owners						
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 June 30, 2011	4,812,871	700,000	13,929,779	14,629,779	-	19,442,650
Balance as at January 1, 2012	4,812,871	700,000	14,336,168	15,036,168	-	19,849,039
Total comprehensive income						
Profit for the period	-	-	189,428	189,428	-	189,428
Other comprehensive income	-	-	-	-	1,019	1,019
	-	-	189,428	189,428	1,019	190,447
Transaction with owners						
Final cash dividend @ 10% for the year ended December 31, 2011	-	-	(481,287)	(481,287)	-	(481,287)
Balance as at June 30, 2012	4,812,871	700,000	14,044,309	14,744,309	1,019	19,558,199

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

Shahid Hamid Pracha
Chief Executive

M. Abdul Aleem
Director

Karachi: 31 July 2012

Notes to and forming part of the unconsolidated condensed interim financial statements (Unaudited - note 2)

For the quarter and six months period ended June 30, 2012

1. Legal status and operations

Dawood Hercules Corporation Limited (formerly Dawood Hercules Chemicals 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 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 Retained Undertaking has been retained in the Company along with the change of name of Company to Dawood Hercules Corporation Limited, Which will henceforth function as a Holding Company to oversee the business of the new fertilizer subsidiary.

2. Basis of preparation

2.1 These unconsolidated condensed interim financial statements of the Company for the quarter and six months period ended June 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 unconsolidated condensed interim financial statements comprise of the balance sheet as at June 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 six months period then ended which have been subjected to a review in accordance with the Listing Regulations but not audited. These unconsolidated condensed interim financial statements also include the profit and loss account for the quarter ended June 30, 2012 which was not subjected to review.

2.3 The comparative balance sheet presented in these unconsolidated condensed interim financial statements as at December 31, 2011 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 six months period ended June 30, 2011 have been extracted from the unconsolidated condensed interim financial statements of the Company for the six months period then ended, which were subjected to review but unaudited. The comparative profit and loss account for the quarter ended June 30, 2011 is also included in these unconsolidated condensed interim financial statements.

Notes to and forming part of the unconsolidated condensed interim financial statements (Unaudited - note 2)

For the quarter and six months period ended June 30, 2012

2.4 Standards, interpretations and amendments to published 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 do not 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 unconsolidated condensed interim financial statements.

3. Accounting policies

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

4. Accounting estimates

The preparation of these unconsolidated condensed 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 unconsolidated condensed 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.

	June 30 2012	December 31 2011
	(Rupees in thousand)	
5. Running finance under mark-up arrangements	23,825	-

Running finance facility has been obtained under mark-up arrangements with Bank Al-Habib Limited. The facility carries mark-up at 3 months KIBOR plus 100 bps and expires on April 30, 2013. The facility is secured against pledge of 6 million ordinary shares of Engro Corporation Limited. Total facility available under mark-up arrangement aggregated Rs 300 million (December 31, 2011: Nil) out of which the amount unavailed at the period end was Rs 276.17 million (December 31, 2011: Nil).

Notes to and forming part of the unconsolidated condensed interim financial statements (Unaudited - note 2)

For the quarter and six months period ended June 30, 2012

	June 30 2012	December 31 2011
	(Rupees in thousand)	
6. Trade and other payables		
Accrued expenses	17,196	14,232
Dividend payable	1,699	-
Unclaimed dividends	19,291	19,383
Others	3,423	86
	41,609	33,701

7. 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:	June 30 2012	December 31 2011
		(Rupees in thousand)	
8. Property, plant and equipment			
Net book value as at 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	8.1	25,505	7,165
Disposals during the period / year	8.2	(8,564)	(7,251)
		59,750	44,951
Depreciation charged during the period / year		(3,973)	(6,662)
Depreciation on assets disposed off during the period / year		7,423	4,520
Net book value at the end of the period / year		63,200	42,809

	Six months period ended June 30 2012	June 30 2011
	(Rupees in thousand)	
8.1 Additions during the period		
Furniture, fittings and equipment	115	139
Motor vehicles	24,698	2,687
Data processing equipment	692	824
	25,505	3,650
8.2 Disposals during the period		
Motor vehicles	7,533	2,500
Data processing equipment	1,031	600
	8,564	3,100

Property, plant and equipment having net book value of Rs 1.07 million (2011: Rs 0.75 million) were sold to employees / directors as per the Company's policy.

Notes to and forming part of the unconsolidated condensed interim financial statements (Unaudited - note 2)

For the quarter and six months period ended June 30, 2012

	Note:	June 30 2012	December 31 2011
		(Rupees in thousand)	
9. Long term investments			
Investment in a subsidiary company	9.1	1,615,119	1,615,119
Investment in associates	9.2	17,934,133	16,820,499
		19,549,252	18,435,618
9.1 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

9.1.1 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.

		June 30 2012	December 31 2011
		(Rupees in thousand)	
9.2 Investment in associates			
Engro Corporation Limited - quoted	9.2.1	16,820,499	16,820,499
The Hub Power Company Limited - quoted	9.2.2	1,113,634	-
		17,934,133	16,820,499
9.2.1 Engro Corporation Limited - quoted			
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

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

9.2.1.2 The market value of investment in ECL as at June 30, 2012 was Rs 17,314 million (2011: Rs 12,123 million).

	June 30 2012	December 31 2011
	(Rupees in thousand)	
9.2.2 The Hub Power Company Limited - quoted		
35,480,000 (2011: Nil) ordinary shares of Rs 10 each.		
Percentage of holding 3.07% (2011: Nil)	1,113,634	-

9.2.2.1 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.

9.2.2.2 The market value of investment in HUBCO as at June 30, 2012 was Rs 1,486 million (2011: Nil)

Notes to and forming part of the unconsolidated condensed interim financial statements (Unaudited - note 2)

For the quarter and six months period ended June 30, 2012

9.2.2.3 The Company has effectively acquired 11.88% of the voting power of HUBCO by virtue of investment by its wholly owned subsidiary DH Fertilizers Limited of 8.81%. However, due to representation of its directors on the Board of Directors of HUBCO and participation in policy making processes and being the singal largest private shareholder, it has significant influence over HUBCO.

		Note:	June 30 2012	December 31 2011
			(Rupees in thousand)	
10	**Short term investments**			
	Available for sale	10.1	2,365	2,536
	Financial assets at fair value through profit or loss	10.2	-	969,282
			2,365	971,818
10.1	**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 Balance at the end of the period / year 1,922,900 (2011: 3,622,900) ordinary shares of Rs 10 each at fair value		1,019	(5,543)
	Percentage of holding 1.40% (2011: 2.65%)		2,365	2,536
10.2	**Financial assets at fair value through profit or loss**			
	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			
	Nil (2011: 2,960,961) units of Rs 100 each		-	270,202
	Adjustment arising from measurement to fair value		-	27,329
			-	297,531
	ABL Cash Fund			
	Nil (2011: 27,952,179) units of Rs 10 each		-	250,502
	Adjustment arising from measurement to fair value		-	29,707
			-	280,209
			-	969,282

Notes to and forming part of the unconsolidated condensed interim financial statements (Unaudited - note 2)

For the quarter and six months period ended June 30, 2012

	Note:	June 30 2012	December 31 2011
		(Rupees in thousand)	
11. Cash and bank balances			
Cash in hand		250	250
With banks in local currency			
Current accounts		723	-
Deposit accounts		4,334	435,195
		5,307	435,445

	Note	Six months period ended June 30 2012	June 30 2011
		(Rupees in thousand)	
12. Cash used in operations			
Profit before taxation		216,428	176,205
Adjustments for non cash expenses and other items:			
Depreciation		3,973	3,072
Finance cost		426	-
Profit on sale of property, plant and equipment		(4,047)	(564)
Profit on sale of short term investments		(1,752)	-
Unrealised gain on investments at fair value through profit and loss		-	(49,367)
Impairment loss on available for sale investments		-	3,333
Dividend income		(261,558)	(217,965)
Provision for employees retirement and other service benefits		5,066	1,889
Profit on short term deposits		-	(7,949)
Working capital changes	12.1	2,784	76,269
		(38,680)	(15,077)

	June 30 2012	June 30 2011
12.1 Working capital changes		
Decrease / (increase) in current assets		
Loans, advances, deposits, prepayments and other receivables	(3,517)	2,901
	(3,517)	2,901
Increase in current liabilities		
Trade and other payables	6,301	73,368
	6,301	73,368
	2,784	76,269

Notes to and forming part of the unconsolidated condensed interim financial statements (Unaudited - note 2)

For the quarter and six months period ended June 30, 2012

13. Related party transactions

Significant transactions with related parties are as follows :

	Note	Six months period ended June 30 2012	June 30 2011
		(Rupees in thousand)	
Subsidiary company			
Reimbursement of expenses made by the Company		328	73,800
Reimbursement of expenses made to the Company		196	-
Markup charged		-	762
Guarantee to a syndicate of financial institutions	7	-	-
Associates			
Purchase of property, plant and equipment and services		10,129	5,775
Disposal of property, plant and equipment		11	-
Dividend income		261,558	217,965
Reimbursement of expenses from associates		1,008	81
Reimbursement of expenses to associates		669	-
Other related parties			
Key management personnel compensation		58,195	43,768
Employee retirement and other service benefits		3,998	3,562

14. Corresponding figures

For better presentation the following reclassifications in the corresponding figures have been made:

From	To	June 30 2012	June 30 2011
		(Rupees in thousand)	
Other operating income	Dividend income	217,965	217,965
Administrative expenses and other operating expenses	Administrative expenses	96,307	96,307

15. Date of authorisation for issue

These unconsolidated condensed interim financial statements were authorised for issue on 31July 2012 by the Board of Directors of the Company.

Shahid Hamid Pracha
Chief Executive

M. Abdul Aleem
Director

Karachi: 31 July 2012

Consolidated condensed interim financial statements

as at and for the six months ended June 30, 2012

Consolidated condensed interim balance sheet (Unaudited)

As at 30 June 2012

	Note	(Unaudited) June 30 2012	(Audited) December 31 2011
		(Rupees in thousand)	
Liabilities			
Share capital and 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		20,671,414	20,495,916
Others		(133,855)	(180,731)
Fair value reserve		87,727	-
		25,438,157	25,128,056
Non current liabilities			
Long term loans	5	6,766,500	4,800,000
Deferred taxation		909,417	869,117
Staff retirement and other service benefits		52,300	53,059
		7,728,217	5,722,176
Current liabilities			
Short term finances - secured	6	1,562,719	-
Current portion - long term loans		103,500	-
Trade and other payables		429,254	641,025
Accrued mark-up		56,736	8,614
Provision for taxation		48,500	466,000
		2,200,709	1,115,639
Contingencies and commitments	7		
		35,367,083	31,965,871
Assets			
Non current assets			
Property, plant and equipment	8	2,095,538	2,116,634
Long term investment	9	29,501,072	24,701,636
Long term loan & advances		1,827	2,200
		31,598,437	26,820,470
Current assets			
Stores, spares and loose tools		797,244	800,608
Stock in trade		1,238,550	151,267
Trade debts		58,795	2,686
Loans, advances, deposits, prepayments and other receivables		215,462	71,682
Advance income tax		178,429	437,322
Short term investments	10	1,244,285	2,951,088
Cash and bank balances	11	35,881	730,748
		3,768,646	5,145,401
		35,367,083	31,965,871

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

Shahid Hamid Pracha
Chief Executive

Karachi: 31 July 2012

M. Abdul Aleem
Director

Consolidated condensed interim profit and loss account (Unaudited)

For the quarter and six months period ended June 30, 2012

	Quarter ended		Six months period ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
	(Rupees in thousand)			
Sales - net	1,622,559	1,272,572	2,441,841	2,354,818
Cost of sales	(1,461,504)	(605,488)	(1,962,437)	(1,352,539)
Gross profit	161,055	667,084	479,404	1,002,279
Distribution expenses	(22,964)	(21,659)	(36,416)	(42,011)
Administrative expenses	(113,133)	(115,194)	(224,024)	(197,588)
Impairment loss	-	(1,196)	-	(350,445)
Other operating expenses	6,416	(33,406)	(1,575)	(37,035)
Other operating income	95,895	62,987	173,694	125,771
Profit from operations	127,269	558,616	391,083	500,971
Finance costs	(254,304)	(207,056)	(411,604)	(407,061)
(Loss)/profit before share of profit from associate	(127,035)	351,560	(20,521)	93,910
Share of (loss)/profit from associate (net of tax)	(145,920)	778,580	760,900	1,687,159
(Loss)/profit before taxation	(272,955)	1,130,140	740,379	1,781,069
Taxation	58,592	(211,240)	(83,594)	(339,429)
(Loss)/profit after taxation	(214,363)	918,900	656,785	1,441,640
(Loss)/earnings per share- basic and diluted (Rs)	(0.45)	1.91	1.36	3.00

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

Shahid Hamid Pracha
Chief Executive

Karachi: 31 July 2012

M. Abdul Aleem
Director

Consolidated condensed interim statement of comprehensive income (Unaudited)

For the quarter and six months period ended June 30, 2012

	Quarter ended		Six months period ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
	(Rupees in thousand)			
(Loss)/profit for the period	**(214,363)**	918,900	**656,785**	1,441,640
Other comprehensive income				
Adjustment arising from measurement to fair value of available for sale investments	**(309,611)**	5,598	**87,727**	(130,167)
Share of other comprehensive income of associate	**22,233**	94,607	**52,084**	143,891
Deferred tax impact of other comprehensive income of associate	**(2,223)**	(9,461)	**(5,208)**	(14,389)
	20,010	85,146	**46,876**	129,502
Total comprehensive (loss)/income for the period	**(503,964)**	1,009,644	**791,389**	1,440,975

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

Shahid Hamid Pracha
Chief Executive

Karachi: 31 July 2012

M. Abdul Aleem
Director

Consolidated condensed interim cash flow statement (Unaudited)

For the six months period ended June 30, 2012

	Note	Six months period ended June 30 2012	June 30 2011
		(Rupees in thousand)	
Cash flows from operating activities			
Cash (used in)/generated from operations	12	(1,066,183)	1,277,683
Finance costs paid		(363,481)	(403,557)
Taxes paid		(180,956)	(236,918)
Staff retirement and other service benefits paid		(6,606)	(10,587)
Increase in long term loans and advances		373	(6,986)
Net cash generated (used in) / from operating activities		(1,616,853)	619,635
Cash flows from investing activities			
Fixed capital expenditure		(84,651)	(23,523)
Proceeds from sale of property, plant and equipment		12,471	8,508
Profit on time deposits		15,427	57,376
Proceeds from disposal of available for sale investments		2,949,108	-
Investment made in associate company		(5,397,210)	(440,000)
Investment in mutual funds		866,083	-
Dividends received		273,802	249,965
Net cash (used in)/ generated from investing activities		(2,231,053)	(147,674)
Cash flows from financing activities			
Long term loan obtained		2,070,000	(200,000)
Short term borrowing		1,505,174	-
Dividends paid		(479,680)	(120,729)
Net cash from / (used in) financing activities		3,095,494	(320,729)
Net (decrease) / increase in cash and cash equivalents		(752,412)	151,232
Cash and cash equivalents at the beginning of period		788,293	1,250,263
Cash and cash equivalents at the end of period		35,881	1,401,495

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

Shahid Hamid Pracha
Chief Executive

Karachi: 31 July 2012

M. Abdul Aleem
Director

Consolidated condensed interim statement of changes in equity (Unaudited)

For the quarter and six months period ended June 30, 2012

	Share capital	General reserve	Un-appropriated profit	Sub total	Share of other comprehensive income	Fair value reserve	Total
		Revenue reserves					
	(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 for the period	-	-	1,441,640	1,441,640	129,502	(130,167)	1,440,975
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 June 30, 2011	**4,812,871**	**700,000**	**18,344,487**	**22,654,141**	**(182,723)**	**5,598**	**23,680,233**
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 for the period	-	-	656,785	656,785	-	87,727	744,512
Other comprehensive income for the period	-	-	-	-	46,876	-	46,876
Final cash dividend @ 10% for the year ended December 31, 2011	-	-	(481,287)	(481,287)	-	-	(481,287)
Balance as on June 30, 2012	**4,812,871**	**700,000**	**19,971,414**	**20,671,414**	**(133,855)**	**87,727**	**25,438,157**

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

Shahid Hamid Pracha
Chief Executive

Karachi: 31 July 2012

M. Abdul Aleem
Director

Selected notes to the consolidated condensed interim financial statements (Unaudited)

For the quarter and six months period ended June 30, 2012

1 Legal status and nature of business

1.1 Dawood Hercules Corporation Limited (formerly Dawood Hercules Chemicals 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 (formerly Dawood Hercules Chemicals 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 subsidiary company is engaged in the business of production, purchase and sale of fertilizers 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 consolidated condensed interim financial statements are un-audited and 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 consolidated condensed interim financial statements are being submitted to the shareholders in accordance with Section 245 of the Ordinance and should be read in conjunction with the consolidated financial statements as at and for the year ended 31 December 2011.

2.3 Standards, interpretations and amendments to published 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 this consolidated condensed interim financial statements.

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

There are certain amendments to the approved accounting standards and interpretation 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 consolidated condensed interim financial statements

Selected notes to the consolidated condensed interim financial statements (Unaudited)

For the quarter and six months period ended June 30, 2012

3 Accounting polices

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

4 Accounting estimates

The preparation of consolidated condensed interim financial statements requires management to make estimates, assumptions and judgments that affect the application of accounting policies 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	(Unaudited) June 30 2012	(Audited) December 31 2011
		(Rupees in thousand)	
5 Long term financing			
Diminishing musharaka	5.1	4,800,000	4,800,000
Syndicate term finance	5.2	2,070,000	-
		6,870,000	4,800,000
Less: current maturity		103,500	-
		6,766,500	4,800,000

5.1 This represents 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 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 from the date of draw down i.e June 13, 2012. The repayment of principal and markup is payable in nine semiannual installment in arrears. The finance facility is secured by ranking charge on all present and future moveable assets of the subsidiary company plus 25% margin and pledge over shares of The Hub Power Company Limited held by the subsidiary company with 50% margin. The markup is payable at a rate of 6 months KIBOR (ask side) plus 100 bps starting from June 13, 2012.

Selected notes to the consolidated condensed interim financial statements (Unaudited)

For the quarter and six months period ended June 30, 2012

		Note	(Unaudited) June 30 2012	(Audited) December 31 2011
			(Rupees in thousand)	
6	Short term finances - secured	6.1	1,562,719	-

6.1

Bank name	Facility	Sanctioned amount	Markup rate	Expiry date	Security
Habib Bank Limited	RF	Rs398 million	1M KIBOR +1%	30-Apr-12	pledge over SNGPL shares
Habib Metropolitan Bank Limited	RF	Rs500 million	3M KIBOR + 0.75%	30-Sep-12	Pledge over SNGPL and ECL shares
Bank Al Habib Limited	RF	Rs 300 million	3M KIBOR +1%	30-Apr-13	Pledge over ECL shares
Habib Metropolitan Bank Limited	FATR	Rs1,500 million	3M KIBOR +0.50%	30-Sep-12	Pledge over ECL & SNGPL shares &'Import Documents

6.2 The aggregate market value of the investments pledged as security against the finance facilities as at June 30, 2012 was Rs 4,081.92 million (2011: Rs 2,700 million).

7 Contingencies and commitments

7.1 Contingencies

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

7.2 Commitments

Commitments of the group as at June 30, 2012 were Rs. 13 million (2011:Rs 246 million) in respect of stores purchases and Rs. 126 million (2011: Rs. Nil) in respect of contract for capital expenditures.

		Note	(Unaudited) June 30 2012	(Audited) December 31 2011
			(Rupees in thousand)	
8	Property, plant and equipment			
	Operating property, plant and equipment	8.1	2,027,171	2,093,015
	Capital work in progress		68,367	23,619
			2,095,538	2,116,634
8.1	Opening net book value		2,093,020	1,871,708
	Add: Additions during the period / year	8.2	43,506	434,538
	Less: Assets disposed off during the period / year		(23,445)	(30,844)
			2,113,081	2,275,402
	Depreciation charged during the period / year		(106,027)	(193,847)
	Depreciation on assets disposed off during the period/year		20,117	11,460
	Closing net book value		2,027,171	2,093,015

Selected notes to the consolidated condensed interim financial statements (Unaudited)
For the quarter and six months period ended June 30, 2012

		Note	(Unaudited) June 30 2012	(Audited) December 31 2011
			(Rupees in thousand)	
8.2	**Additions during the period**			
	Plant & machinery		185	318,264
	Catalyst		-	87,062
	Furniture, fittings & office equipment		297	1,679
	Data processing equipment		1,538	2,753
	Vehicles		41,486	24,780
			43,506	434,538
9	**Long term investments -associates**			
	Engro Corporation Limited - quoted	9.1	25,214,664	24,701,636
	The Hub Power Company Limited - quoted	9.2	4,286,408	-
			29,501,072	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 profits		760,900	2,980,632
	Share of other comprehensive income (net of tax)		52,084	146,106
			25,514,621	25,551,516
	Less: dividend received during the period		(299,958)	(849,880)
	194,972,557 (2011: 149,978,889) ordinary shares of Rs. 10 each		25,214,663	24,701,636

Percentage of equity held - 38.13% (2011: 38.13%)

9.1.1 Market value of investment in ECL as at June 30, 2012 was Rs. 19,856 million (2011: Rs. 24,484 million).

9.1.2 The group received 44,993,667 (2011: 24,996,481) bonus shares from ECL during the half year ended June 30, 2012

9.1.3 Financial results of ECL for the period from October 1, 2011 to March 31, 2012 have been used for the purpose of application of equity method of accounting for consolidation purposes for consistency.

9.1.4 As at June 30, 2012, 30.96 million ordinary shares of ECL (2011: Nil) were pledged as security against various short-term finance facilities.

Selected notes to the consolidated condensed interim financial statements (Unaudited)

For the quarter and six months period ended June 30, 2012

		(Unaudited) June 30 2012	(Audited) December 31 2011
		(Rupees in thousand)	
9.2	The Hub Power Company Limited		
	137,740,000 (2011:Nil) Ordinary shares of Hub Power Company Limited @ Rs 31.026 per share.	4,286,408	-

9.2.1 During the period, the group has purchased 137.74 million ordinary shares of The Hub Power Company Limited (Hubco) from National Power International Holdings BV (NPIH) under the 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 Securities & Exchange Commission of Pakistan, Stock Exchanges, Competition Commission of Pakistan and National Electrical Power Regulatory Authority were obtained before the acquisition.

9.2.2 The market value of investment in Hub Power Company Limited as at June 30, 2012 was Rs 5,769.92 million (2011: Nil)

9.2.3 As at June 30, 2012, 102.27 million ordinary shares of Hubco (2011: Nil) were pledged as a security against the finance facility of Rs 2,070 million obtained by the group.

		Note	(Unaudited) June 30 2012	(Audited) December 31 2011
			(Rupees in thousand)	
10	Short term investments			
	Available for sale	10.1	1,243,463	1,156,926
	Financial assets at fair value through profit and loss account	10.2	822	1,794,162
			1,244,285	2,951,088
10.1	Available for sale			
	Sui Northern Gas Pipelines Limited	10.2.1	1,241,098	1,154,390
	Southern Electric Power Company Limited	10.2.2	2,365	2,536
			1,243,463	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
	Fair value adjustment during the period		86,708	-
			1,241,098	1,154,390

Selected notes to the consolidated condensed interim financial statements (Unaudited)

For the quarter and six months period ended June 30, 2012

As at June 30, 2012, 55 million ordinary shares of SNGPL (2011: 20 million) were pledged as security against various short-term finance facilities.

		(Unaudited) June 30 2012	(Audited) December 31 2011
		(Rupees in thousand)	
10.1.2	**Others - quoted**		
	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
	Opening balance as at 1.1.2012	2,536	8,089
	Less: investment disposed off		
	1,700,000 (2011: Nil) ordinary shares	1,190	-
		1,346	8,089
	Increase/(decrease) in fair value during the period	1,019	(5,553)
	1,922,900 (2011: 3,622,900) ordinary shares of Rs 10 each at fair value	2,365	2,536
	Percentage equity held 1.40% (2011: 2.65%)		
10.2	**Financial assets at fair value through profit or loss account**		
	ABL - Income Fund		
	Nil (20 11: 18,242,324) units of Rs. 10 each	-	166,198
	Adjustment arising from measurement to fair value	-	16,561
		-	182,759
	ABL - Cash Fund		
	24,443 (2011: 58,847,709) units of Rs. 10 each	244	550,724
	Adjustment arising from measurement to fair value	1	39,021
		245	589,745
	Meezan Cash Fund - Growth Units		
	(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		
	2,938 (2011: 6,039,840) units of Rs. 100 each	290	570,234
	Adjustment arising from measurement to fair value	5	36,678
		295	606,912
	HBL Money Market Fund		
	2,216 (2011: 1,996,129) units of Rs. 100 each	224	200,012
	Adjustment arising from measurement to fair value	4	5,951
		228	205,963
	NAFA Government Securities Liquid Fund		
	5,397 (2011: Nil) units of Rs. 10 each	54	-
	Adjustment arising from measurement to fair value	-	-
		54	-
		822	1,794,162

Selected notes to the consolidated condensed interim financial statements (Unaudited)

For the quarter and six months period ended June 30, 2012

		(Unaudited) June 30 2012	(Audited) December 31 2011
		(Rupees in thousand)	
11.	**Cash & Bank balances**		
	Cash at bank		
	- In deposit account	34,908	724,387
	- Others	723	5,420
		35,631	729,807
	In hand	250	941
		35,881	730,748

		Six months period ended (Unaudited) June 30 2012	(Unaudited) June 30 2011
		(Rupees in thousand)	
12	**Cash generated from operations**		
	Profit before tax	740,379	1,781,069
	Adjustment for non cash expenses and other items:		
	Depreciation	106,027	96,611
	Finance costs	411,604	407,061
	Profit on sale of property, plant and equipment	(9,143)	(1,681)
	Profit on sale of short term investments available for sale	(43,767)	-
	Un-realized gain due to fair value adjustment of investment at fair value through profit or loss	(10)	(49,367)
	Impairment loss on available for sale investments	-	350,445
	Bad debts written off	623	-
	Share of profit from associate, net of tax	(760,900)	(1,687,159)
	Provision for staff retirement and other service benefits	5,848	8,493
	Profit on time deposits	(15,427)	(57,376)
	Other non cash items	3,944	-
		(301,201)	(932,973)
	Profit before working capital changes	439,178	848,096
	Working capital changes		
	(Increase)/decrease in current assets:		
	Stocks, stores and spares	(1,083,919)	193,123
	Trade debts	(56,733)	(323)
	Loans, advances, deposits, prepayments and other receivables	(150,101)	12,546
	(Decrease)/increase in current liabilities:		
	Trade and other payables	(214,608)	224,241
		(1,505,361)	429,587
		(1,066,183)	1,277,683

Selected notes to the consolidated condensed interim financial statements (Unaudited)

For the quarter and six months period ended June 30, 2012

13 Related party transactions

The related parties comprise associated companies, group companies, directors of the group companies, 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:

	Six months period ended	
	(Unaudited) June 30 2012	(Unaudited) June 30 2011
	(Rupees in thousand)	
Associates		
Sale of goods and services	9,215	7,200
Purchase of goods and services	13,736	14,074
Dividend income	299,958	249,965
Reimbursement of expenses from related parties	1,010	1,478
Reimbursement of expenses to related parties	1,817	8 2
Markup received	6,049	-
Other related parties		
Key management personnel compensation	226,498	165,389
Contributions to employees retirement benefits	25,631	21,415

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

15 General

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

Shahid Hamid Pracha
Chief Executive

Karachi: 31 July 2012

M. Abdul Aleem
Director

Dawood Hercules

Dawood Hercules Corporation Limited
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