



Dawood Hercules

MAKING FOOD & ENERGY

AVAILABLE, AFFORDABLE, SUSTAINABLE



QUARTERLY ACCOUNTS (un-audited)
for the 1st quarter ended March 31, 2017

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Company Information

Board of Directors

Mr. Hussain Dawood - Chairman
Mr. Inam ur Rahman - Chief Executive Officer
Mr. M. Abdul Aleem - Director
Mr. Shahzada Dawood - Director
Mr. Samad Dawood - Director
Ms. Sabrina Dawood - Director
Mr. Parvez Ghias - Director
Mr. Shabbir Hussain Hashmi - Director
Mr. Frank Murray Jones - Director
Mr. Hasan Reza Ur Rahim - Director
Mr. Saad Raja - Director

Board Audit Committee

Mr. M. Abdul Aleem - Chairman
Mr. Parvez Ghias - Member
Mr. Hasan Reza Ur Rahim - Member

Board Compensation Committee

Mr. Hussain Dawood - Chairman
Mr. M. Abdul Aleem - Member
Mr. Parvez Ghias - Member

Chief Financial Officer &

Company Secretary

Mr. Shafiq Ahmed

Registered Office

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Karachi-75530
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Fax: +92 (21) 35633972
Email: shareholders@dawoodhercules.com
Website: www.dawoodhercules.com

Bankers

Bank Al-Habib Limited
Habib Bank Limited
Allied Bank Limited
United Bank Limited
Habib Metropolitan Bank Limited
MCB Islamic Bank Limited

Auditors

A.F. Ferguson & Co.
Chartered Accountants
State Life Building No 1-C I.I. Chundrigar Road
P.O. Box 4716, Karachi- 74000
Tel: +92 (21) 32426682-6
Fax: +92 (21) 32415007, 32427938

Shares Registrar

FAMCO Associates (Private) Limited
8-F, Next to Hotel Faran, Nursery, Block 6
P.E.C.H.S, Shahrah-e-Faisal, Karachi
Tel: +92 (21) 34380101-2,
Fax: +92 (21) 34380106

Tax Consultants

A.F. Ferguson & Co.
Chartered Accountants
State Life Building No 1-C I.I. Chundrigar Road
P.O. Box 4716, Karachi- 74000
Tel: +92 (21) 32426682-6
Fax: +92 (21) 32415007, 32427938

Legal Advisors

HaidermotaBNR & Co.
(Barristers at law)
D-79, Block – 5, Clifton
KDA Scheme No.5
Karachi- 75600
Tel: +92 (21) 111520000, 35879097
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Directors Review

The Directors are pleased to present their report together with the unaudited unconsolidated condensed interim financial statements of the Company and the unaudited condensed consolidated interim financial statements of the Group for the quarter ended 31 March 2017.

ECONOMIC REVIEW

The overall local economic environment remains conducive for growth. With the exchange rate, an accommodative monetary policy stance, increase in development spending, substantial growth in private sector credit, especially for fixed investment and ongoing CPEC-inspired activity in power sector and infrastructure, are providing the needed support. Encouragingly, LSM growth has picked up momentum in Q2-FY17 (rising by 5.8 percent YoY). The major contribution to LSM growth during H1FY17 came from food, steel, cement and pharmaceutical industries.

BUSINESS REVIEW

Our subsidiary Engro Corporation Limited (ECorp) saw a decrease in revenue by 33% to PKR 22.5 billion in Q1, 2017 – mostly on account of lower urea offtake and the reduced share in the dairy business. Engro Polymer showed encouraging growth signs.

Engro Fertilizers Limited (EFert) made a gross profit PKR 3,515 million as against PKR 4,213 million 2016. The decline is due to the lower urea prices and over all low fertilizers offtakes.

Engro Polymer (EPCL) revenues increased by 19% over last year of PKR 6,812 million due to robust demand of PVC in the domestic market. EPCL posted PAT of PKR 846 million as against PKR 18 million for the similar period last year.

It is early days of Friesland Campina and the helm of Engro Foods, but the dairy business is expected to benefit from their international experience in product innovation.

Engro Powergen Qadirpur Limited (EPQL), made a PAT of PKR 667 million as against PKR 368 million for the similar period last year because of a much higher despatch.

The Hub Power Company Limited (HUBCO) joint venture China Power Hub Generation Company (Private) Limited (CPHGC) has signed a Power Purchase Agreement (PPA) and the Implementation Agreement (IA) for its 2 X 660MW Project.

Thar Energy Limited (TEL) is setting up a 330 MW mine mouth coal based Power Plant at Block 2, Thar. The EPC contract is signed with CMEC. The IA and PPA for the project has been initiated while the Water and Power use and coal supply agreements are in the stage of finalization.

The 49.5 MW wind energy project is contributing to the national grid and till date it has dispatched 34.62 GWh of electricity amounting to Rs 672.54 million.

All the above initiatives will result in cheap and affordable energy supply, which is in line with the group vision to make energy available, affordable and sustainable. These factors will increase the Pakistan GDP, increase consumer's spending and lower overall inflation.

FINANCIAL PERFORMANCE

The Group earned a gross profit of PKR 6,712 million in Q1 2017 as compared to a profit of PKR 10,453 million for the similar period last year. After accounting for share of profit from associate and joint ventures of PKR 839 million, the profit before tax stood at PKR 5,889 million as against PKR 6,114 million for 2016. Consolidated earnings per share was PKR 2.25 per share (2016: PKR 2.99 per share)

On standalone basis, the Company earned a dividend of PKR 780 million for the quarter ended 31 March 2017 as against PKR 778 million for the quarter ended March 31, 2016. After accounting for all expenses, the profit after tax was PKR 446 million as against profit of PKR 449 million for 2016.

Earning per share of the Company was PKR 0.93 (2016: 0.93).

FUTURE OUTLOOK

Local fertilizer market is expected to rebound in the later part of the year amid Kharif season. The balance export is expected to add up to the profitability of fertilizer segment.

Domestic PVC market is expected to remain healthy whereas, the caustic soda market is expected to remain stable.

The Thar mining and power projects are expected to remain on track for completion in the next three years to help resolve the energy crisis in the country.



Inam ur Rahman
Chief Executive

28 April, 2017



کمپنی کی فی حصص آمدنی 0.93 روپے رہی (2016:0.93 روپے فی حصص)۔

مستقبل کے آثار

سال کے بقیہ حصہ میں خریف کے موسم کے دوران فریٹلائزر مارکیٹ میں دوبارہ بہتری کی توقع ہے۔ اس بات کی بھی توقع کی جا رہی ہے کہ متوازن برآمدات فریٹلائزر کے شعبے کی منافع کاری میں معاون ثابت ہوگی۔

مقامی PVC مارکیٹ کے بدستور حوصلہ افزا رہنے کی توقع ہے جبکہ کاسٹک سوڈا مارکیٹ کے بدستور مستحکم رہنے کی توقع ہے۔

توقع کی جا رہی ہے کہ تھرمائنگ اور پاور پراجیکٹس آئندہ تین سالوں کے اندر تکمیل کی راہ پر گامزن رہیں گے جس سے ملک میں توانائی کے بحران پر قابو پانے میں مدد ملے گی۔

Rahman

انعام الرحمن

چیف ایگزیکٹو

28 اپریل 2017

ہو گیا ہے جبکہ پانی اور بجلی کے استعمال اور کولے کی فراہمی کے معاہدے تکمیل کے آخری مراحل میں ہیں۔

پن بجلی کا 49.5 میگا واٹ کا پراجیکٹ قومی گرڈ کو بجلی فراہم کر رہا ہے اور اس وقت تک 672.54 ملین روپے کی 34.62 گیگا واٹ بجلی کی ترسیل کر چکا ہے۔

مندرجہ بالا تمام اقدامات کا نتیجہ کم قیمت اور سستی بجلی کی فراہمی کی صورت میں برآمد ہوگا جو کم قیمت، سستی اور پائیدار بجلی کی فراہمی کے کمپنی کے مقصد سے ہم آہنگ ہیں۔ یہ تمام عناصر پاکستان کی مجموعی ترقیاتی پیداوار (GDP) میں اضافے، صارفین کی جانب سے مصارف میں اضافے اور مجموعی افراط زر میں کمی کا باعث ہونگے۔

مالیاتی کارکردگی

گروپ نے مالی سال ۲۰۱۷ کی پہلی سہ ماہی میں گزشتہ سال کی اسی مدت کے 10,453 ملین روپے کے مقابلے میں 6,712 ملین روپے کا مجموعی منافع حاصل کیا۔ شریک کار کمپنیوں اور جوائنٹ وینچرز سے 839 ملین روپے کے منافع کو شمار کر کے قبل از ٹیکس منافع 5,889 ملین روپے ہے جبکہ ۲۰۱۶ میں 6,114 ملین روپے تھا۔ مجموعی فی حصص آمدنی 2.25 روپے رہی (2016: 2.99 روپے فی حصص)۔

انفرادی طور پر کمپنی نے 31 مارچ 2017 کو ختم ہونے والی سہ ماہی کے لئے 780 ملین روپے ڈیویڈنڈ حاصل کیا جبکہ 31 مارچ 2016 کو 778 ملین روپے ڈیویڈنڈ حاصل کیا تھا۔ تمام اخراجات کو شمار کرنے کے بعد، بعد از ٹیکس منافع 2016 کے 449 ملین روپے کے مقابلے میں 446 ملین روپے رہا۔



اینگرو فریٹلانڈز لمیٹڈ (EFL) نے سال ۲۰۱۶ کے 4,213 ملین روپے کے مقابلے میں 3,515 ملین روپے کا مجموعی منافع حاصل کیا۔ منافع میں کمی کی وجہ یوریا کی کم قیمتیں اور مجموعی طور پر فریٹلانڈز کی فروخت میں کمی تھی۔

اینگرو پالیمرز اینڈ کیمیکلز لمیٹڈ (EPCL) کی مجموعی آمدنی گذشتہ سال کی آمدنی 6,812 ملین روپے سے 19 فیصد زیادہ رہی۔ (EPCL) نے زیر جائزہ مدت میں گزشتہ سال کی اسی مدت کے 18 ملین روپے کے مقابلے میں 846 ملین روپے کا بعد از ٹیکس منافع ظاہر کیا۔

Royal Friesland Campina (RFC) پاکستان میں اپنے ابتدائی مراحل میں سے گزر رہی ہے اور یہ توقع کی جاتی ہے کہ ڈیری کے کاروبار میں اپنے بین الاقوامی تجربے سے ڈیری کی مصنوعات میں نئی جدت پیدا کرے گی۔

بجلی کی اضافی ترسیل کی وجہ سے اینگرو پاور جن قادر پور لمیٹڈ (EPQL) نے گذشتہ سال کی اسی مدت کے 368 ملین روپے کے مقابلے میں 667 ملین روپے کا بعد از ٹیکس منافع حاصل کیا۔

حب پاور کمپنی لمیٹڈ (HUBCO) اپنی جوائنٹ وینچر چائنہ پاور حب جنریشن کمپنی (پرائیوٹ) لمیٹڈ (CPHGC) کے ساتھ اپنے 2X660 میگا واٹ پراجیکٹ کے لئے پاور پراجیز اگريمنٹ (PPA) اور آپٹیمائزیشن اگريمنٹ (IA) پر دستخط کر دیئے ہیں۔

تھرانز جی لمیٹڈ (TEL) بلاک 2، تھرم میں 330 میگا واٹ کائنات ماونجھ کوئلے سے چلنے والا پاور پلانٹ قائم کر رہی ہے۔ CMEC کے ساتھ اس کے EPC کنٹرکٹ پر دستخط ہو گئے ہیں۔ پراجیکٹ کے IA اور PPA کا آغاز

ڈائریکٹرز کی جائزہ رپورٹ

ڈائریکٹرز نہایت مسرت کے ساتھ ۳۱ مارچ ۲۰۱۷ کو ختم ہونے والی سہ ماہی کے لئے کمپنی کے غیر آڈٹ شدہ، مختصر غیر انضمامی عبوری مالیاتی نکات بمعہ گروپ کے غیر آڈٹ شدہ مختصر انضمامی عبوری مالیاتی نکات پیش کرتے ہیں۔

معیشت کا جائزہ

مجموعی ملکی معاشی حالات ترقی کے لئے سازگار ہیں۔ مالیاتی پالیسی پر نرم موقف، ترقیاتی سرگرمیوں پر اخراجات میں اضافہ، اور اس کے نتیجے میں نجی شعبے کے قرضہ جات میں ہونے والا اضافہ، بالخصوص توانائی کے شعبے اور بنیادی ڈھانچوں میں مقررہ سرمایہ کاری اور پاک چین اقتصادی راہداری سے متعلق جاری سرگرمیاں مطلوبہ تعاون فراہم کر رہی ہیں۔ یہ رجحان انتہائی امید افزا ہے کہ مالی سال ۲۰۱۷ کی دوسری سہ ماہی میں بڑے پیمانے کی صنعت (LSM) کی ترقی کی رفتار میں اضافہ ہوا ہے (جو 5.8 فیصد سال بہ سال بڑھ رہی ہے)۔ مالی سال ۲۰۱۷ کے پہلے نصف میں بڑے پیمانے کی صنعت کی ترقی میں غذائی اشیاء، اسٹیل، سیمنٹ اور ادویہ سازی کی صنعتوں نے اہم کردار ادا کیا۔

کاروبار کا جائزہ

ہماری ذیلی کمپنی اینگرو کارپوریشن لمیٹڈ (ECL) کو پہلی سہ ماہی میں آمدنی 33 فیصد کمی کے بعد 22.5 ارب روپے ہو گئی۔ اس کی وجوہات میں یوریا کی کم فروخت، ڈیری کے کاروبار کے فروخت اور ڈیری کے کاروبار میں کمپنی کے حصہ کا کم ہونا شامل ہے۔ مزید برآں اینگرو پولیمر نے اچھی کارکردگی کا مظاہرہ کیا۔



Unconsolidated Condensed Interim Balance Sheet

As at March 31, 2017

	Note	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
------(Rupees in '000)-----			
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	6	148,740	125,761
Long term investments	7	37,478,025	37,478,025
		37,626,765	37,603,786
CURRENT ASSETS			
Advance, deposits and prepayment		67,171	44,604
Dividend Receivable		779,890	-
Other receivables		6,111	15,735
Cash and bank balances		6,842	286,288
		860,014	346,627
TOTAL ASSETS		38,486,779	37,950,413
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital		10,000,000	10,000,000
Issued, subscribed and paid up share capital		4,812,871	4,812,871
Revenue reserves		26,471,561	26,025,985
		31,284,432	30,838,856
NON CURRENT LIABILITIES			
Long term financing	8	3,125,000	3,125,000
Defined benefit liability		2,307	2,049
		3,127,307	3,127,049
CURRENT LIABILITIES			
Current maturity of long term finance	8	711,964	764,143
Short term finance	9	2,977,786	2,868,932
Trade and other payables	10	120,275	245,988
Accrued mark-up		163,563	99,640
Taxation - net		101,452	5,805
		4,075,040	3,984,508
TOTAL EQUITY AND LIABILITIES		38,486,779	37,950,413
CONTINGENCIES AND COMMITMENTS	11		

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


Inam ur Rehman
Chief Executive Officer


M. Abdul Aleem
Director

Unconsolidated Condensed Interim Profit and Loss Account - Unaudited

For the three months ended March 31, 2017

		Quarter ended	
	Note	March 31, 2017	March 31, 2016
		------(Rupees in '000)-----	
Dividend income	12	779,890	776,619
Administrative expenses		<u>(112,724)</u>	<u>(187,370)</u>
Gross profit		667,166	589,249
Other operating expenses		-	(226)
Other income		<u>327</u>	<u>2,446</u>
Operating profit		667,493	591,469
Finance costs		<u>(124,365)</u>	<u>(83,763)</u>
Profit before taxation		543,128	507,706
Taxation		(97,557)	(58,756)
Profit after taxation		<u>445,571</u>	<u>448,950</u>
Earnings per share (Rupees)			
- basic and diluted		0.93	0.93

The annexed notes 1 to 17 form an integral part of these unconsolidated condensed



Inam ur Rehman
Chief Executive Officer



M. Abdul Aleem
Director

Unconsolidated Condensed Interim Statement of Total Comprehensive Income-Unaudited

For the three months ended March 31, 2017



interim financial statements.

	Quarter ended	
	March 31, 2017	March 31, 2016
	------(Rupees in '000)-----	
Profit after taxation	445,571	448,950
Other comprehensive income for the period		
Items that will not be reclassified subsequently to profit and loss		
Remeasurements of post-retirement benefits obligation	-	-
Other comprehensive income for the period	-	-
Total comprehensive income/for the period	445,571	448,950

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


Inam ur Rehman
Chief Executive Officer


M. Abdul Aleem
Director

Unconsolidated Condensed Interim Statement of Changes In Equity - Unaudited

For the three months ended March 31, 2017

	Issued, subscribed and paid up share capital	Revenue reserves			Total
		General reserve	Un- appropriated profit	Sub-total	
------(Rupees in '000)-----					
Balance as at January 1, 2016	4,812,871	700,000	28,282,384	28,982,384	33,795,255
Total comprehensive income					
Profit after taxation	-	-	448,950	448,950	448,950
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	448,950	448,950	448,950
Balance as at March 31, 2016	4,812,871	700,000	28,731,334	29,431,334	34,244,205
Balance as at January 1, 2017	4,812,871	700,000	25,325,990	26,025,990	30,838,861
Total comprehensive Income					
Profit after taxation	-	-	445,571	445,571	445,571
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	445,571	445,571	445,571
Balance as at March 31, 2017	4,812,871	700,000	25,771,561	26,471,561	31,284,432

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


Inam ur Rehman
Chief Executive Officer


M. Abdul Aleem
Director

Unconsolidated Condensed Interim Cash Flow Statement - Unaudited

For the three months ended March 31, 2017



Note	Quarter ended		
	March 31, 2017	March 31, 2016	
	----- (Rupees in '000) -----		
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash utilized in operations	13	(228,760)	(452,388)
Finance cost paid		(60,442)	(22,791)
Taxes paid		(1,910)	(664)
Employees retirement and other service benefits paid		(961)	(1,685)
Net cash utilized in operating activities		(292,072)	(477,528)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(29,077)	(3,308)
Income received from bank deposits		128	1,902
Proceeds from disposal of fixed assets		219	707
Net cash utilized in investing activities		(28,729)	(699)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term finance repaid		(52,179)	(51,263)
Dividends paid		(15,319)	(563)
Net cash utilized in financing activities		(67,498)	(51,826)
Net decrease in cash and cash equivalents		(388,300)	(530,054)
Cash and cash equivalents at the beginning of the period		(2,582,644)	576,251
Cash and cash equivalents at the end of the period	14	(2,970,944)	46,197

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


Inam ur Rehman
Chief Executive Officer


M. Abdul Aleem
Director

Notes To And Forming Part Of The Unconsolidated Condensed Interim Financial Statements

For the three months ended March 31, 2017

1. LEGAL STATUS AND OPERATIONS

- 1.1 Dawood Hercules Corporation Limited (the Company) was incorporated in Pakistan on April 17, 1968 as a public limited company under the Companies Act 1913 (now Companies Ordinance, 1984) (the Ordinance) and its shares are quoted on Pakistan Stock Exchange (PSX). 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.
- 1.2 As a result of adoption of International Financial Reporting Standard (IFRS) - 10 'Consolidated Financial Statements', by Securities and Exchange Commission of Pakistan (SECP), the Company reassessed the control conclusion of its investment in Engro Corporation Limited (ECL) that although, the Company has less than 50% voting rights in ECL, however, based on the absolute size of the Company's shareholding and the relative size of the other shareholdings, the Company has the ability to exercise control over ECL as per the terms of IFRS 10. Henceforth, the Company is deemed to be holding company of ECL.

2. BASIS OF PREPARATION AND PRESENTATION

- 2.1 These unconsolidated condensed interim financial statements of the Company for the quarter ended March 31, 2017 have been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 - "Interim Financial Reporting" and provisions of and directives issued under the Ordinance. In case where requirements differ, the provisions of or directives issued under the Ordinance have been followed. These unconsolidated condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2016, which have been prepared in accordance with International Financial Reporting Standards (IFRSs).
- 2.2 These unconsolidated condensed interim financial statements comprise of the balance sheet as at March 31, 2017 and the unconsolidated condensed interim profit and loss account, the unconsolidated condensed interim statement of total comprehensive income, the unconsolidated condensed interim statement of changes in equity, the unconsolidated condensed interim cash flow statement and notes thereto for the quarter then ended.
- 2.3 The comparative balance sheet presented in these unconsolidated condensed interim financial statements as at December 31, 2016 has been extracted from the audited financial statements of the Company for the year then ended. The comparative unconsolidated condensed interim profit and loss account, unconsolidated condensed interim statement of total comprehensive income, unconsolidated condensed interim statement of changes in equity and unconsolidated condensed interim cash flow statement for the quarter ended March 31, 2016 have been extracted from the unconsolidated condensed interim financial statements of the Company for the quarter then ended.

Notes To And Forming Part Of The Unconsolidated Condensed Interim Financial Statements



For the three months ended March 31, 2017

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, 2016.

- 3.1 New standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2017 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations and are, therefore, not disclosed in these unconsolidated condensed interim financial statements.

4. ACCOUNTING ESTIMATES

The preparation of unconsolidated condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Revision to accounting estimates are recognised prospectively commencing from the period of revision.

In preparing these unconsolidated condensed interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimating uncertainty were the same as those that were applied to the financial statements for the year ended December 31, 2016.

5. SEASONALITY OF OPERATIONS

The principal activity of the Company is to manage investments in its subsidiary and associated companies. Revenue of the Company mainly comprises dividend income which is dependent on the profitability and the decisions of directors and shareholders of the subsidiary and associated companies regarding the declaration and approval of dividends, whereas the majority of costs of the Company are fixed and hence are more evenly spread throughout the year.

Notes To And Forming Part Of TheUnconsolidated Condensed Interim Financial Statements

For the three months ended March 31, 2017

	Note	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
------(Rupees in '000)-----			
6. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	6.1	148,740	96,461
Capital work in progress		-	29,300
		<u>148,740</u>	<u>125,761</u>
6.1			
Net book value at the beginning of the period / year		96,461	117,733
Add: Additions during the period / year	6.1.1	<u>58,377</u>	<u>5,466</u>
		154,838	123,199
Less: Disposals during the period / year			
- net book value	6.1.2	72	2,797
Depreciation charged during the period / year		6,026	23,941
		<u>6,098</u>	<u>26,738</u>
Net book value at the end of the period / year		<u>148,740</u>	<u>96,461</u>
6.1.1			
Additions during the period / year			
Leasehold improvements		172	274
Furniture, fittings and equipment		267	2,142
Motor vehicles		57,441	-
Data processing equipment		<u>497</u>	<u>3,050</u>
		<u>58,377</u>	<u>5,466</u>
6.1.2			
Disposals during the period / year - net book value			
Motor vehicles		3	2,234
Data processing equipment		<u>69</u>	<u>563</u>
		<u>72</u>	<u>2,797</u>

Notes To And Forming Part Of The Unconsolidated Condensed Interim Financial Statements



For the three months ended March 31, 2017

Note	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
	----- (Rupees in '000) -----	

7. LONG TERM INVESTMENTS

Investment in subsidiary company	7.1	23,308,927	23,308,927
Investment in associates - quoted	7.2	14,169,098	14,169,098
		<u>37,478,025</u>	<u>37,478,025</u>

7.1 Investment in subsidiary company

7.1.1 Engro Corporation Limited - quoted

194,972,555 (December 31, 2016: 194,972,555) ordinary shares of Rs 10 each	<u>23,308,927</u>	<u>23,308,927</u>
--	--------------------------	-------------------

Percentage of holding 37.22%
(December 31, 2016: 37.22%)

7.1.1.1 The market value of investment in ECL as at March 31, 2017 was Rs 71,753 million (December 31, 2016: Rs 61,629 million).

The details of shares pledged as security is as follows:

	As at March 31, 2017			As at December 31, 2016		
	Number of shares pledged	Face value of pledged shares	Market value of pledged shares	Number of shares pledged	Face value of pledged shares	Market value of pledged shares
Bank	(in '000)	---- (Rupees in '000) ----		(in '000)	---- (Rupees in '000) ----	
Pledged in favor of Fatima Fertilizer Company Limited against potential liabilities of ex subsidiary DHFL (Now Fatima fert)						
Meezan Bank Limited - as agent (note 11.1)	15,131	151,308	5,568,437	15,131	151,308	4,782,695

Notes To And Forming Part Of TheUnconsolidated Condensed Interim Financial Statements

For the three months ended March 31, 2017

	Note	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
----- (Rupees in '000) -----			
7.2	Investment in associate - quoted		
7.2.1	The Hub Power Company Limited		
		172,582,000 (December 31, 2016: 172,582,000)	
		ordinary shares of Rs 10 each	
	7.2.2	<u>14,169,098</u>	<u>14,169,098</u>
		Percentage of holding 14.91%	
		(December 31, 2016: 14.91%)	
7.2.2	The Company has 14.91% (December 31, 2016: 14.91%) of the voting power in the Hub Power Company Limited (HUBCO) by virtue of its shareholding. Due to the representation of the Company's nominees on the Board of Directors of HUBCO , the Company has significant influence over HUBCO.		
7.2.3	The market value of investment in HUBCO as at March 31, 2017 was Rs 22,619 million (December 31, 2016: Rs 21,310 million).		
7.2.4	The details of shares pledged as security against various finance facilities are as follows:		

	As at March 31, 2017			As at December 31, 2016		
	Number of shares pledged	Face value of pledged shares	Market value of pledged shares	Number of shares pledged	Face value of pledged shares	Market value of pledged shares
Bank	(in '000)	-----(Rupees in '000) ----		(in '000)	-----(Rupees in '000) ----	
Pledged against financing facilities availed by the Company						
Long term:						
Allied Bank Limited	82,570	825,700	10,821,624	82,570	825,700	10,195,744
Short term:						
Bank AL Habib Limited	20,256	202,560	2,654,751	20,256	202,560	2,501,211
Habib Metropolitan Bank Limited	25,850	258,500	3,387,901	25,850	258,500	3,191,958
MCB Islamic Bank Limited	4,762	47,620	624,108	4,762	47,620	588,012
United Bank Limited	16,182	161,815	2,120,747	16,182	161,815	1,998,092
	<u>149,620</u>			<u>149,620</u>		

Notes To And Forming Part Of The Unconsolidated Condensed Interim Financial Statements



For the three months ended March 31, 2017

- 7.3** During the year 2016, the Company reassessed its investment in e2eBE and due to the fact that e2eBE has not been able to commence its commercial operation completely and also been unable to pay its debts timely has recognized impairment in the value of investment. Full provision was made against the investment in e2eBE amounting to Rs. 95,713 million.

Note	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
	----- (Rupees in '000) -----	

8. LONG TERM FINANCING

Balance as at January 1

Long term finance	8.1	139,143	242,585
Syndicate term finance	8.2	3,750,000	3,750,000
		<u>3,889,143</u>	<u>3,992,585</u>

Repayments during the period / year

	<u>(52,179)</u>	<u>(103,442)</u>
	<u>3,836,964</u>	<u>3,889,143</u>

Less : Current portion of long term financing

	<u>(711,964)</u>	<u>(764,143)</u>
	<u>3,125,000</u>	<u>3,125,000</u>

- 8.1** This represents outstanding portion of long term finance facility under mark-up arrangement from Allied Bank Limited aggregating Rs 380 million (December 31, 2016: Rs 380 million). The finance facility is secured by way of hypothecation charge over all assets of the Company with 25% margin and pledge of HUBCO shares as more fully explained in note 7.2.4 with 50% margin. The facility carries mark-up at the rate of six months KIBOR plus 200 basis points per annum. The facility is for the period of 5 years and is payable semi annually in arrears with the first principal repayment made on July 5, 2013. The facility will be repaid in full by July 2017.
- 8.2** This represents utilized portion of syndicated term finance facility of Rs 4,000 million (December 31, 2016: 4,000 million) obtained from a syndicate of banks led by Allied Bank Limited as investment agent. The facility is secured against shares of HUBCO at a 50% margin as more fully explained in note 7.2.4. The facility carries mark-up at the rate of six months KIBOR plus 100 basis points per annum payable semi annually (2016: six month KIBOR plus 100 basis points). The facility is for a period of 5 years and the principal will be payable semi annually in equal installments at the expiry of the 2 years grace period commencing from May 2017.

Notes To And Forming Part Of TheUnconsolidated Condensed Interim Financial Statements

For the three months ended March 31, 2017

March 31, December 31,
2017 2016
(Unaudited) (Audited)
------(Rupees in '000)-----

9. SHORT TERM RUNNING FINANCE

Running finance under mark-up arrangement	2,977,786	2,868,932
---	------------------	-----------

- 9.1.** The Company has an approved short-term running finance facility aggregating to Rs 1,500 million (2016: Rs 1,500 million) obtained under mark-up arrangements from Bank Al-Habib Limited and amount which remained unutilized as at March 31, 2017 was Rs 1,198 million (2016: Rs 1,500 million). The facility is secured by way of pledge of HUBCO shares (2016: HUBCO shares) as more fully explained in note 7.2.4. Rate of mark-up applicable to the facility is three months KIBOR plus 65 basis points (2016: Three months KIBOR plus 65 basis points) per annum. The facility will expire on April 30, 2017.
- 9.2.** The Company has a short-term running finance facility aggregating to Rs 1,000 million (2016: Rs 2,000 million) obtained under mark-up arrangements from United Bank Limited and amount which remained unutilized as at March 31, 2017 was Rs 1 million(2016: Rs 1,001 million).The facility is secured by way of pledge of HUBCO shares (2016: HUBCO shares) as more fully explained in note 7.2.4. Rate of mark-up applicable to the facility is one month KIBOR plus 70 basis points (2016: One month KIBOR plus 70 basis points) per annum. The facility will expire on April 30, 2017.
- 9.3.** The Company has a short-term running finance facility aggregating to Rs 2,000 million (2016: Rs 2,000 million) obtained under mark-up arrangements from Habib Metropolitan Bank Limited and amount which remained unutilized as at 31 March 2017 was Rs 324 million (2016: Rs 130 million). The facility is secured by way of pledge of HUBCO shares (2016: HUBCO shares). The shares will be pledged at the time of drawdown of the facility. Rate of mark-up applicable to the facility is three month KIBOR plus 75 basis points (2016: Three month KIBOR plus 75 basis points) per annum. The facility will expire on December 31, 2017.
- 9.4.** The Company has a short-term running finance facility aggregating to Rs 800 million (2016: Rs 800 million) obtained under mark-up arrangements from MCB Islamic which remained unutilized as at 31 March 2017 (2016: NIL). The facility is secured by way of pledge of HUBCO shares (2016: HUBCO shares).Rate of profit applicable to the facility is three month KIBOR plus 75 basis points (2016:Three month KIBOR plus 75 basis points) per annum. The facility will expire on April 30,2017.

Notes To And Forming Part Of The Unconsolidated Condensed Interim Financial Statements



For the three months ended March 31, 2017

		March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
		----- (Rupees in '000) -----	
10.	TRADE AND OTHER PAYABLES		
	Creditors	98	161
	Accrued expenses	38,438	149,856
	Unclaimed dividend	80,578	95,902
	Others	1,162	69
		<u>120,275</u>	<u>245,988</u>
11.	CONTINGENCIES AND COMMITMENTS		
11.1	Contingent liabilities		
11.1.1	The Company has pledged 15.131 million shares of ECL with Meezan Bank Limited in favour of Fatima Fertilizer Company Limited against potential tax liabilities of ex subsidiary DHFL (Now Fatima fert). These shares will be released by March 2018.		
		March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
		----- (Rupees in '000) -----	
11.2	Commitments in respect of operating lease not later than one year	11.2.1 <u>8,295</u>	<u>10,766</u>
11.2.1	The Company has signed lease agreements for premises on rent from the Dawood Foundation, a related party, for Karachi office which is due to expire in September 2017. The agreement is revocable by either party through prior notice of at least 3 months.		
		Note	Quarter ended
		March 31, 2017 (Unaudited)	March 31, 2016 (Unaudited)
		----- (Rupees in '000) -----	
12.	DIVIDEND INCOME		
	The Engro Corporation Limited	779,890	-
	Hub Power Company Limited	-	776,619
		<u>779,890</u>	<u>776,619</u>

Notes To And Forming Part Of TheUnconsolidated Condensed Interim Financial Statements

For the three months ended March 31, 2017

		Quarter ended	
	Note	March 31, 2017	March 31, 2016
		(Unaudited)	(Unaudited)
		------(Rupees in '000)-----	
13. CASH UTILIZED IN OPERATIONS			
Profit before taxation		543,128	507,706
Adjustments for non cash expenses and other items:			
Depreciation and amortization		6,026	5,952
Finance cost		124,365	83,763
Dividend income		(779,890)	(776,619)
Provision for employees' retirement and other		1,219	-
Gain on dipsoal of fixed assets		(148)	(469)
Defined service benefits and other service costs		-	1,685
Income received from bank deposits		(128)	(1,902)
Working capital changes	13.1	(123,332)	(272,504)
Cash utilised in operations		<u>(228,760)</u>	<u>(452,388)</u>
13.1 Working capital changes			
(Increase) / decrease in current assets			
Advance, deposits and prepayment		(22,567)	(3,259)
Other receivables		9,624	(1,662)
		<u>(12,943)</u>	<u>(4,921)</u>
(decrease) in trade and other payables		<u>(110,389)</u>	<u>(267,582)</u>
		<u>(123,332)</u>	<u>(272,504)</u>
14. Cash and Cash equivalent			
Cash at bank		6,842	11,197
Short term running finance		(2,977,786)	-
Short term investment		-	35,000
		<u>(2,970,944)</u>	<u>46,197</u>

Notes To And Forming Part Of The Unconsolidated Condensed Interim Financial Statements



For the three months ended March 31, 2017

15. FINANCIAL RISK MANAGEMENT AND FINANCIAL DISCLOSURES

15.1 Financial risk factors

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

These unconsolidated condensed interim financial statements do not include all financial risk management information and disclosures which are required in the annual financial statements and should be read in conjunction with the Company's annual financial statements as at December 31, 2016. There have been no changes in any risk management policies since the year end.

16. RELATED PARTY TRANSACTIONS

Significant transactions with related parties are as follows:

	Quarter ended	
Note	March 31, 2017 (Unaudited)	March 31, 2016 (Unaudited)
	----- (Rupees in '000) -----	
Subsidiary company		
Reimbursement of expenses to the Company		2,798
Dividend income	779,890	-
Associates		
Purchase of goods and services	12,204	5,984
Dividend income	-	776,619
Reimbursement of expenses from associates	5,881	1,870
Reimbursement of expenses to associates	1,080	370
Advances and deposits	16,956	-
Membership fee and other subscriptions	-	2
Key management personnel		
Salaries and other short term employee benefits	62,146	103,131
Post retirement benefit plans	2,692	4,719
Sales of assets	1	707

Notes To And Forming Part Of The Unconsolidated Condensed Interim Financial Statements

For the three months ended March 31, 2017

17. GENERAL

- 17.1 All financial information, except as otherwise stated, has been rounded to the nearest thousand rupees.
- 17.2 The Board of Directors in its meeting held on February 28, 2017 proposed a cash dividend of Rs 2 per share for the year ended December 31, 2016 which was approved by the members at the Annual General Meeting held on April 28, 2017. The effect of this has not been incorporated in this condensed interim financial information.
- 17.3 These unconsolidated condensed interim financial statements were authorised for issue by the Board of Directors on April 28, 2017.



Inam ur Rehman
Chief Executive Officer



M. Abdul Aleem
Director



Consolidated Condensed Interim Balance Sheet

As at March 31, 2017

(Amounts in thousand)

	Note	Consolidated	
		(Unaudited) March 31, 2017	(Audited) December 31, 2016
		-----Rupees-----	
ASSETS			
Non-current assets			
Property, plant and equipment	5	132,119,118	131,534,255
Intangible assets		4,766,160	4,722,835
Deferred taxation		357,400	577,471
Long term investments		38,211,828	40,687,857
Long term loans and advances		9,534,398	9,850,501
		184,988,904	187,372,919
Current assets			
Stores, spares and loose tools		7,382,637	7,148,040
Stock-in-trade		13,579,176	10,704,311
Trade debts		9,218,169	13,733,482
Loans, advances, deposits and prepayments		1,861,552	1,435,101
Other receivables		11,901,859	9,584,214
Accrued Income		511,835	426,268
Short term investments		64,555,353	64,725,527
Cash and bank balances		6,636,924	6,186,667
		115,647,505	113,943,610
TOTAL ASSETS		300,636,409	301,316,529

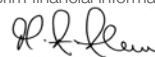
(Amounts In thousand)

(Amounts in thousand)	Note	Unaudited March 31, 2017	Audited December 31, 2016
-----Rupees-----			
EQUITY AND LIABILITIES			
Equity			
Share capital		4,812,871	4,812,871
Revaluation reserve on business combination		15,528	16,857
Maintenance reserve		60,117	60,117
Exchange revaluation reserve		8,828	6,192
Hedging reserve		(32,066)	(32,730)
General reserve		700,000	700,000
Unappropriated profit		49,284,978	48,142,424
Share of income of associate		(4,514)	(3,435)
Remeasurement of post-employment benefits		(17,874)	(17,874)
		50,014,997	48,871,551
		54,827,868	53,684,422
Non-controlling interest		121,068,060	119,277,999
Total Equity		175,895,928	172,962,421
Liabilities			
Non-current liabilities			
Borrowings	7	59,188,740	63,734,743
Derivative financial instruments		882	2,107
Deferred taxation		8,647,141	8,982,706
Deferred liabilities		93,081	198,720
		67,929,844	72,918,276
Current liabilities			
Trade and other payables		28,628,043	32,107,059
Accrued interest / mark-up		1,580,838	1,238,061
Current portion of :			
- borrowings		16,355,012	13,272,722
- deferred liabilities		70,699	101,790
Taxes Payable		1,583,855	62,028
Short term borrowings		8,486,829	8,404,519
Derivative financial instruments		3,909	249,653
Provision for taxation		101,452	-
		56,810,637	55,435,832
Total Liabilities		124,740,481	128,354,108
Contingencies and Commitments	8		
TOTAL EQUITY AND LIABILITIES		300,636,409	301,316,529

The annexed notes 1 to 20 form an integral part of this consolidated condensed interim financial information.



Inam Ur Rehman
Chief Executive Officer



M. A. Aleem
Director

Consolidated Condensed Interim Profit and Loss Account (Unaudited)



For the three months ended March 31, 2017
(Amounts in thousand except for earnings per share)

	Note	Three months ended	
		March 31, 2017	March 31, 2016
		-----Rupees-----	
Net sales		22,499,336	34,326,439
Cost of sales		<u>(15,787,043)</u>	<u>(23,873,084)</u>
Gross profit		6,712,293	10,453,355
Selling and distribution expenses		(1,480,888)	(2,433,500)
Administrative expenses		<u>(845,155)</u>	<u>(1,109,398)</u>
		4,386,250	6,910,457
Other income		2,393,313	470,272
Other operating expenses		(289,223)	(512,784)
Finance cost		(1,439,882)	(1,488,766)
Share of income from associate & joint ventures		<u>838,726</u>	<u>735,795</u>
Profit before taxation		5,889,184	6,114,974
Taxation		<u>(1,645,192)</u>	<u>(1,641,374)</u>
Profit for the period		<u>4,243,992</u>	<u>4,473,600</u>
Profit attributable to:			
- Owners of the Holding Company		1,082,406	1,441,385
- Non-controlling interest		<u>3,161,586</u>	<u>3,032,215</u>
		<u>4,243,992</u>	<u>4,473,600</u>
Earnings per share			
- Basic	12	<u>2.25</u>	<u>2.99</u>
- Diluted	12	<u>-</u>	<u>2.97</u>

The annexed notes 1 to 20 form an integral part of this consolidated condensed interim financial information.


Inam Ur Rehman
Chief Executive Officer


M. A. Aleem
Director

Consolidated Condensed Interim Statement Of Comprehensive Income (Unaudited)

For the three months ended March 31, 2017
(Amounts in thousand)

	Three months ended March 31, 2017	March 31, 2016
	----- Rupees -----	
Profit for the period	4,243,992	3,930,297
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Hedging reserve - cash flow hedges		
- Losses arising during the period	(10,459)	(80,250)
- Reclassification adjustments for losses included in profit or loss	2,428	83,305
- Adjustments for amounts transferred to initial carrying amount of hedged items	10,183	-
	2,152	3,055
Share of other comprehensive income of associate	(1,079)	(1,079)
Revaluation reserve on business combination	(5,250)	(5,328)
Exchange differences on translation of foreign operations	7,083	733
	1,833	(4,595)
Income tax relating to:		
- Hedging reserve - cash flow hedges	(368)	(2,510)
- Revaluation reserve on business combination	1,680	1,758
	1,312	(752)
Items that will not be reclassified to profit or loss		
Other comprehensive income for the period net of tax	-	-
Total comprehensive income for the period	4,218	(3,371)
	<u>4,248,210</u>	<u>4,470,229</u>
Total comprehensive income attributable to:		
- Owners of the Holding Company	1,083,298	1,440,016
- Non-controlling interest	3,164,912	3,030,213
	<u>4,248,210</u>	<u>4,470,229</u>

The annexed notes 1 to 20 form an integral part of this consolidated condensed interim financial information.



Inam Ur Rehman
Chief Executive Officer



M. A. Aleem
Director

Consolidated Condensed Interim Statement of Changes in Equity

For the three months ended March 31, 2017

(Amounts in thousand)

	Attributable to owners of the Holding Company					Revenue reserves			Capital reserves			Rupiah			Remeasurement of post employment benefits - Actuarial gain / (loss)			Sub total		Total
	Share capital	Employee share compensation reserve	Revaluation reserve on business combination	Maintenance reserve	Exchange revaluation reserve	Hedging reserve	General reserve	Un-appropriated profit	Share of other comprehensive income of associates	Share of other comprehensive income of associates	Share of other comprehensive income of associates	Share of other comprehensive income of associates	Share of other comprehensive income of associates	Share of other comprehensive income of associates	Share of other comprehensive income of associates	Share of other comprehensive income of associates	Share of other comprehensive income of associates	Share of other comprehensive income of associates	Share of other comprehensive income of associates	
Balance as at December 31, 2015 (audited)/ January 01, 2016	4,812,871	225,217	20,655	60,117	11,412	(34,459)	700,000	27,221,478	(3,269)	(48,665)	(48,665)	32,965,357	59,901,520	92,866,877						
Total comprehensive income / (loss) for the three months ended March 31, 2016 (unaudited)																				
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	(949)	-	272	387	-	1,441,385	(1,079)	-	-	1,441,385	(1,389)	4,473,600	-	-	-	3,032,215	(3,371)	4,473,600
Transactions with owners																				
Employee Share Option Scheme of subsidiary company	-	(27,087)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(27,087)	(46,689)	(72,776)
Dividend by subsidiary company allocable to non controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(946,023)	(946,023)	(946,023)
Share capital issued during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,033,579	8,033,579	8,033,579
Share issue cost	-	(27,087)	-	-	-	-	-	(8,230)	-	-	-	(8,230)	-	(65,655)	-	-	-	(8,230)	(57,425)	(65,655)
Balance as at March 31, 2016 (unaudited)	4,812,871	198,130	19,706	60,117	11,684	(34,072)	700,000	28,654,833	(4,348)	(48,665)	(48,665)	34,370,556	69,914,175	104,284,231						
Balance December 31, 2016 (audited)/ January 01, 2017	4,812,871	-	18,857	60,117	6,192	(32,730)	700,000	48,142,424	(3,435)	(17,874)	(17,874)	53,684,422	119,277,969	172,982,421						
Total Comprehensive income / (loss) for the three months ended March 31, 2017																				
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	(1,329)	-	2,636	664	-	1,062,406	(1,079)	-	-	1,062,406	892	4,243,992	-	-	-	3,161,586	3,326	4,243,992
Transaction with owners																				
Shares issued to IFC by subsidiary company	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,164,912	4,248,210	4,248,210
Dividend by subsidiary company allocable to non controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at March 31, 2017	4,812,871	-	15,528	60,117	8,828	(32,066)	700,000	49,294,978	(4,514)	(17,874)	(17,874)	54,827,888	121,069,060	175,895,928						

The annexed notes 1 to 20 form an integral part of this consolidated condensed interim financial information.

Inam

Inam Ur Rehman
Chief Executive Officer

M. A. Aleem

M. A. Aleem
Director



Consolidated Condensed Interim Statement Of Cash Flows (Unaudited)

For the three months ended March 31, 2017
(Amounts in thousand)

Three months ended
Note March 31, March 31,
2017 2016

----- Rupees -----

Cash flows from operating activities

Cash utilized in operations	13	3,973,892	(3,626,229)
Retirement and other service benefits paid		(67,399)	(52,289)
Finance cost paid		(1,318,554)	(1,845,343)
Taxes paid		(263,716)	(789,235)
Payment against provision for contractual commitments		-	(23,604)
Long term loans and advances - net		(46,224)	4,787
Net cash utilized in operating activities		2,277,999	(6,331,913)

Cash flows from investing activities

Purchase of property, plant and equipment (PPE) and biological assets		(2,076,726)	(1,860,378)
Sale proceeds on disposal of PPE and biological assets		21,857	57,021
Income on deposits / other financial assets		128	100,112
Proceeds from short term investments		793,352	679,541
Investment made during the period		(8,686,060)	(14,657)
Dividends received		315,000	270,000
Net cash generated (utilized in)/ from investing activities		(9,632,449)	(768,361)

Cash flows from financing activities

Repayments of borrowings - net		(52,179)	(51,263)
Proceeds from/repayment of borrowings - net		(1,090,000)	5,610,143
Payment of finance cost		(1,100,000)	-
Proceeds from issuance of right shares		-	8,033,579
Proceeds from short term finance		-	(550,000)
Share issuance cost		-	(65,655)
Advance for insurance policy		-	(43,880)
Unclaimed dividend		23,982	26,352
Dividends paid		(15,640)	(2,422)
Net cash generated from/(utilized) in financing activities		(2,233,837)	12,956,854

Net increase/(decrease) in cash and cash equivalents		(9,588,287)	5,856,580
--	--	-------------	-----------

Cash and cash equivalents at beginning of the period		25,896,896	11,832,739
--	--	------------	------------

Cash and cash equivalents at end of the period	14	16,308,609	17,689,319
--	----	------------	------------

The annexed notes 1 to 20 form an integral part of this consolidated condensed interim financial information.



Inam Ur Rehman
Chief Executive Officer



M. A. Aleem
Director

Notes to the Consolidated Condensed Interim Financial Information (Unaudited)



For the three months ended March 31, 2017
(Amounts in thousand)

1. LEGAL STATUS AND OPERATIONS

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

- 1.2 The "Group" consists of:

Ultimate Parent Company: Dawood Hercules Corporation Limited;

Holding Company: Dawood Hercules Corporation Limited;

Principal Subsidiary Companies: Companies in which the Holding Company owns over 50% of voting rights, or companies directly controlled by the Holding Company:

	%age of direct holding	
	2017	2016
- Engro Corporation Limited (ECL)	37.22	37.22

Associate Company: Company in which the Holding Company owns over 20% of voting rights but less than 50% or companies on which the Holding Company has significant influence.

	%age of direct holding	
	2017	2016
- The Hub Power Company Limited	14.91	14.91

- 1.3 **Other Subsidiary Companies:** Companies in which ECL owns over 50% of voting rights, or companies directly controlled by the ECL:

	%age of direct holding	
	March 31, 2017	December 31, 2016
- Engro Powergen Limited	100	100
- Elengy Terminal Pakistan Limited	80	80
- Engro Eximp Agriproducts (Private) Limited	100	100
- Engro Fertilizers Limited (note 1.3.1)	56.27	56.45
- Engro Polymer and Chemicals Limited	56.19	56.19

Joint Venture Company:

- Engro Vopak Terminal Limited	50	50
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Notes to the Consolidated Condensed Interim Financial Information (Unaudited)

For the three months ended March 31, 2017
(Amounts in thousand)

1.3.1 Engro Fertilizers Limited (EFert)

Engro Fertilizers Limited (EFert), a subsidiary company, had availed a loan of USD 30,000 from the International Finance Corporation (IFC), divided into (i) 30% convertible loan on its shares at Rs. 24 per ordinary share, calculated at the US Dollar to Pakistan Rupee exchange rate prevailing on the business day prior to the date of the notice issued by IFC to exercise the conversion option; and (ii) 70% non-convertible loan. Until December 31, 2016, IFC had partially exercised its option on loan amounting to USD 8,000 and 33,132,292 ordinary shares of EFert were allotted to the IFC.

On March 01, 2017, EFert received a notice from IFC for exercise of conversion option on the entire remaining loan amount of USD 1,000. Accordingly, 4,367,083 ordinary shares of EFert have been allotted to IFC on March 7, 2017. As a result, the Holding Company as at the balance sheet date holds 56.27% of the issued share capital of EFert (December 31 2016: 56.45%).

2. BASIS FOR PREPARATION

2.1 This consolidated condensed interim financial information is unaudited and has 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 (the Ordinance). In case where requirements differ, the provisions of or directives issued under the Ordinance have been followed. This consolidated condensed interim financial information is being submitted to the shareholders in accordance with section 245 of the Ordinance and should be read in conjunction with the consolidated financial statements of the Group for the year ended December 31, 2016.

2.2 "The preparation of this consolidated condensed interim financial information in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

2.3 During the preparation of this consolidated condensed interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation and uncertainty were the same as those that apply to the consolidated financial statements of the Group for the year ended December 31, 2016.

3. BASIS OF CONSOLIDATION

The condensed interim financial information of the subsidiary companies has been consolidated on a line by line basis. The carrying value of investments held by the Holding Company is eliminated against the subsidiaries' share capital and pre-acquisition reserves.

Notes to the Consolidated Condensed Interim Financial Information (Unaudited)



For the three months ended March 31, 2017

(Amounts in thousand)

Non-controlling interest has been presented as a separate item in this consolidated condensed interim financial information. All material intercompany balances and transactions have been eliminated.

The Group's interest in jointly controlled entities, Engro Vopak Terminal Limited, Sindh Engro Coal Mining Company Limited and EngroGen Energy Services Limited, has been accounted for using the equity method.

The Group's investment in associated entities, The Hub Power Company Limited, GEL Utility Limited and Sindh Engro Coal Mining Company Limited, are accounted for using the equity method of accounting whereby investment is initially recognized at cost and the carrying amount is increased or decreased to recognize the investor's share of profit and loss of the investee after the date of acquisition.

4. ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of this consolidated condensed interim financial information are the same as those applied in the preparation of audited annual consolidated financial statements of the Group for the year ended December 31, 2016.

5. PROPERTY, PLANT AND EQUIPMENT

Operating assets, at net book value

(Unaudited) March 31, 2017	(Audited) December 31, 2016
----------------------------------	-----------------------------------

----- (Rupees) -----

105,003,138	106,365,681
-------------	-------------

Capital work-in-progress

- Expansion and other projects
- Capital spares

25,840,425	23,819,084
1,275,555	1,349,490

<u>132,119,118</u>	<u>131,534,255</u>
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5.1 Additions to operating assets during the period are as follows:

(Unaudited) March 31, 2017	(Audited) December 31, 2016
----------------------------------	-----------------------------------

----- (Rupees) -----

Land
Plant and machinery
Building and civil works including pipelines
Furniture, fixture and equipment
Catalyst
Vehicles
Dredging

172	313
250,966	3,400,420
13,883	304,506
22,681	357,369
-	248,848
67,764	330,568
-	225,476
<u>355,466</u>	<u>4,867,500</u>

Notes to the Consolidated Condensed Interim Financial Information (Unaudited)

For the three months ended March 31, 2017

(Amounts in thousand)

- 5.2 During the period, asset costing Rs.14,038 (December 31, 2016: Rs. 620,206) having net book value of Rs 2,565 (December 31, 2016: Rs 116,279) were disposed off.

6 OTHER RECEIVABLES

This includes an amount of Rs. 3,060,759 (December 31, 2016: Nil) on account of dividend receivable from Engro Foods Limited, an associated company.

7. BORROWINGS

- 7.1 During the period, IFC exercised conversion option on loan to Engro Fertilizers Limited (EFert) amounting to USD 1,000 as more fully explained in note 1.1.1
- 7.2 During the period, EFert fully repaid its Offshore Islamic Finance USD Facility and its Local Islamic Syndicate loan.

8. CONTINGENCIES AND COMMITMENTS

8.1 Contingencies

Significant changes in the status of contingencies and commitments since December 31, 2016 are mentioned below :

- 8.1.1 During the period, corporate guarantees extended on behalf of Engro Fertilizers Limited, a subsidiary company, to International Finance Corporation under the C Loan Agreement (Original Agreement) and the Amended Facility Agreement amounting to USD 11,000 have been released
- 8.1.2 During the period, the Holding Company, as Sponsor Support, has permitted a bank to create ranking charge over receivables of the Holding Company and pledge of shares of Engro Fertilizers Limited and Engro Foods Limited against the Stand By Letter of Credit (SBLC) facility amounting to USD 4,673 and Rs 411,949 granted to Engro Elengy Terminal (Private) Limited, a wholly owned subsidiary company of Elengy Terminal Pakistan Limited.
- 8.1.3 During the period, Engro Foods Limited (EFoods), an associated company received an order from Competition Commission of Pakistan, imposing a penalty of Rs. 62,293 in respect of EFoods' marketing activities relating to one of its products. EFoods has filed an appeal against the aforementioned order. Further, as per the terms of the Share Purchase Agreement with FrieslandCampina Pakistan Holding B.V. (FCP), the Holding Company is required to reimburse 51% of the amount together with all reasonable cost and expenses to FCP in case any such penalty materializes. The Holding Company, based on the opinion of the legal advisor, is confident of a favorable outcome of the appeal, and accordingly no provision has been recognized in this consolidated condensed interim financial information in this respect.
- 8.1.4 The Holding Company has pledged 15.131 million shares of ECL with Meezan Bank Limited in favour of Fatima Fertilizer Company Limited against potential tax liabilities of ex subsidiary DHFL(Now Fatima Fertilizer). These shares will be released by March 2018.

Notes to the Consolidated Condensed Interim Financial Information (Unaudited)



For the three months ended March 31, 2017
(Amounts in thousand)

8.2 Commitments

- 8.2.1 The Holding Company has signed lease agreements for premises on rent from the Dawood Foundation, a related party, for Karachi office which is due to expire in September 2017. The agreement is revocable by either party through prior notice of at least 3 months.
- 8.2.2 Commitments in respect of letters of credit / contracts other than for capital expenditures amount to Rs. 1,191,064 (2016: Rs. 1,190,663). This includes a letter of credit amounting to Rs. 841,064 (2016: Rs. 840,663) extended by Engro Powergen Qadirpur Limited (EPQL) in favor of its senior lenders.
- 8.2.3 Other commitments in respect of subsidiary companies amounts to Rs. 1,513,725 (2016: Rs. 1,122,468).
- 8.2.4 National Bank of Pakistan (NBP) has issued Standby Letters of Credit (Equity SBLCs) worth USD 18,900 and 51,100 (in PKR equivalent) on behalf of EPL for its equity commitments related to the Sindh Engro Coal Mining Company Limited (SECMC) and Engro Powergen Thar (Pvt.) Limited (EPTL) - a subsidiary company - in favour of the Intercreditor Agent (Habib Bank Limited) and the Project Companies (SECMC and EPTL respectively). The Equity SBLCs have been furnished for subscription and / or contribution of sponsor equity pursuant to clause 4.1 of the Sponsor Support Agreements (SSAs) dated February 26, 2016 and February 1, 2016 respectively (and the Amendment and Restatement Agreement dated February 12, 2016 relating to the SSA in case of EPTL). Equity SBLCs expire on earlier of (i) four years after the issuance of SBLCs i.e. March 21, 2020 and (ii) one month after the final date for subscription and/or contribution of Sponsor Equity Contributions pursuant to clause 4.1 of SSAs. These SBLCs are secured through pledge over shares of listed subsidiaries of Engro Corporation Limited. Subsequent to equity injection, in 2016, after Financial Close amounting to USD 335 and USD 9,064 (in PKR equivalent) in SECMC and EPTL respectively, the amount of Equity SBLCs have been reduced to USD 18,565 and USD 42,036 for SECMC and EPTL respectively.
- 8.2.5 Allied Bank of Pakistan (ABL) has issued a Standby Letter of Credit (Put Option SBLC) worth USD 21,070 on behalf of EPL related to EPTL in favour of the Put Option Fronting Bank (Habib Bank Limited). The Put Option SBLC has been furnished to meet sponsor obligations under Sponsor Support Agreement (Put Option SSA) dated March 21, 2016 and expires on earlier of (i) June 30, 2017 or (ii) on payment of the Maximum Amount. It is secured through pledge over shares of listed subsidiaries of Engro Corporation Limited.
- 8.2.6 EPL has also provided sponsor support contractual commitment, among other commitments, in favor of Senior Lenders amounting to USD 5,400 and USD 41,600 as cost overrun support pursuant to the Sponsor Support Agreements (SSA) dated February 22, 2016 for SECMC and February 1, 2016 for EPTL respectively (and the Amendment and Restatement Agreement dated February 12, 2016 relating to the SSA in case of EPTL).

Notes to the Consolidated Condensed Interim Financial Information (Unaudited)

For the three months ended March 31, 2017
(Amounts in thousand)

8.2.7 Commissioner Inland Revenue (CIR) through his order dated January 12, 2017 made certain additions and disallowances in respect of tax year 2014 as a result of audit of income tax affairs under section 214C of the Income Tax Ordinance, 2001 and raised tax demands of Rs. 268,583. EPL has contested the demand at Appellate Tribunal Inland Revenue (ATIR) and based on the views of its tax advisor, the management believes that the matters will ultimately be decided in favour of EPL. Accordingly, no provision has been made in this respect in this consolidated condensed interim financial information.

9. OTHER INCOME

This includes income from sales under Government Subsidy amounting to Rs. 1,125,023 (March 31, 2016: Rs. 733,995).

10. TAXATION

During the period, the Commissioner Inland Revenue (CIR) through his order dated January 12, 2017 against Engro Powergen Limited (EPL), made certain additions and disallowances in respect of tax year 2014 as a result of audit of income tax affairs under section 214C of the Income Tax Ordinance, 2001 and raised tax demands of Rs. 268,583. EPL has contested the demand at Appellate Tribunal Inland Revenue (ATIR) and based on the views of its tax advisor, the management believes that the matters will ultimately be decided in favour of EPL. Accordingly, no provision has been made in this respect in this consolidated condensed interim financial information.

11. DISCONTINUED OPERATIONS

During 2016, Engro Corporation Limited disposed off 54.1% of its investment in Engro Foods Limited (EFoods). Accordingly, the retained investment in EFoods was classified as Investment in Associates. In this respect, the Group, in accordance with IFRS 5 - 'Non-current assets held for sale and discontinued operations' has re-presented the post-tax comprehensive income and net cash flows pertaining to EFoods to discontinued operations for the prior period as follows:

Notes to the Consolidated Condensed Interim Financial Information (Unaudited)



For the three months ended March 31, 2017
(Amounts in thousand)

	(Unaudited) March 31, 2017 (Rupees)
Net sales	11,742,958
Cost of sales	<u>(8,439,108)</u>
Gross profit	3,303,850
Distribution and marketing expenses	(1,392,688)
Administrative expenses	(191,199)
Other operating expenses	(119,512)
Other income	<u>55,842</u>
Operating profit	1,656,293
Finance costs	<u>(102,197)</u>
Profit before taxation	1,554,096
Taxation	<u>(446,039)</u>
Profit after tax from discontinued operations	<u><u>1,108,057</u></u>

11.1 Cash flows attributable to discontinued operations

Net cash (utilized in) / generated from operating activities	186,792
Net cash utilized in investing activities	(386,879)
Net cash utilized in financing activities	<u>(671,249)</u>
Net decrease in cash and cash equivalents	(871,336)

12. EARNINGS PER SHARE - BASIC AND DILUTED

	Three months ended	
	March 31, 2017	March 31, 2016
	------(Rupees)-----	
The basic and dilutive earnings per share is based on:		
Profit after taxation (attributable to the owners of the Holding Company)	<u>1,082,426</u>	<u>1,441,385</u>
	-----(Number in thousands)----	
Weighted average number of ordinary shares	<u><u>481,287</u></u>	<u><u>481,287</u></u>

Notes to the Consolidated Condensed Interim Financial Information (Unaudited)

For the three months ended March 31, 2017
(Amounts in thousand)

		Three months ended	
		March 31, 2017	March 31, 2016
13. CASH GENERATED FROM OPERATIONS			
		------(Rupees)-----	
Profit before taxation		5,889,184	6,114,974
Adjustment for non-cash charges and other items:			
Depreciation & amortization	1,843,635		2,365,981
Provision for retirement and other service benefits	(81)		31,818
Income on deposits / other financial assets	(952,092)		(116,709)
Share of income from joint venture companies	(450,364)		(308,420)
(Gain) / loss arising from changes in fair value			
less estimated point of sale costs of			
biological assets	-		(21,731)
Gain on disposal of fixed assets	(16,514)		(10,656)
Financial charges	1,403,672		1,488,766
Foreign currency translation	3,775		(9,647)
Gain on deemed disposal of associated company	-		(34,520)
Share of Profit from Associate	(388,362)		(427,375)
Working capital changes (note 13.1)	(3,358,961)		(12,698,710)
		<u>3,973,892</u>	<u>(3,626,229)</u>
13.1 Working capital changes			
(Increase) / decrease in current assets			
- Stores spares and loose tools	(238,208)		(189,782)
- Stock-in-trade	(2,859,993)		(5,367,204)
- Trade debts	4,515,334		80,794
- Loans, advances, deposits and prepayments	(263,785)		(199,235)
- Other receivables - net	(1,262,148)		(30,806)
		<u>(108,800)</u>	<u>(5,706,233)</u>
Decrease in current liabilities			
- Trade and other payables including other service benefits - net	(3,250,161)		(6,992,477)
	<u>(3,358,961)</u>		<u>(12,698,710)</u>
14. CASH AND CASH EQUIVALENTS			
Cash and bank balances	6,636,924		17,427,075
Short term investments	18,158,514		5,946,904
Short term borrowings	(8,486,829)		(5,684,660)
	<u>16,308,609</u>		<u>17,689,319</u>

Notes to the Consolidated Condensed Interim Financial Information (Unaudited)



For the three months ended March 31, 2017
(Amounts in thousand)

15. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

15.1 Financial risk factors

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

There have been no changes in the risk management policies of the Group during the period, consequently this condensed interim financial information does not include all the financial risk management information and disclosures required in the annual financial statements.

15.2 Fair value estimation

The carrying value of all financial assets and liabilities reflected in this condensed interim financial information approximate their fair values.

The table below analyses financial instruments carried at fair value by valuation method. The different level have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (level 3).

	Level 1	Level 2	Level 3	Total
	----- Rupees -----			
Assets				
Financial assets at fair value through profit & loss account				
- Short term investments	-	-	64,555,353	64,555,353
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Liabilities				
Derivatives				
- Derivative financial instruments	-	4,791	-	4,791
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

15.3 Valuation techniques used to derive Level 2 fair values

Level 2 fair valued instruments comprise short term investments and hedging derivatives which include forward exchange contracts. These forward foreign exchange contracts have been fair valued using forward exchange rates that are received from the contracting banks and financial institutions. Interest rate swaps are fair valued using mark to market rates received from the banks and financial institutions.

Notes to the Consolidated Condensed Interim Financial Information (Unaudited)

For the three months ended March 31, 2017
(Amounts in thousand)

15.4 Fair value of financial assets and liabilities

The carrying value of all financial assets and liabilities reflected in the consolidated condensed interim financial information approximate their fair value.

16. TRANSACTIONS WITH RELATED PARTIES

Related party comprise subsidiaries, joint venture companies, associates, other companies with common directors, retirement benefit funds, directors and key management personnel. Details of transactions with related parties during the period, other than those which have been disclosed elsewhere in this consolidated condensed interim financial information, are as follows:

	Three months ended	
	March 31, 2017	March 31, 2016
	------(Rupees)-----	
Associated Companies		-
Purchases and services	3,390,552	618,578
Sale of goods and rendering of services	212,078	117,622
Sale of Property plant and equipment	-	776,619
Dividend Income	1,094,890	270,000
Dividend Reeivable	3,060,759	-
Payment of interest on TFCs and repayment	2,652	36,587
Donation	-	36,700
Investment in associated company	-	8,048,235
Interest on Borrowing (IFC)	139,833	-
Utilization of overdraft facility	-	130,000
Repayment of overdraft facility	-	130,000
Markup on utilization of overdraft facility	-	157
Reimbursement to associated companies	3,453	370
Reimbursement from associated companies	5,881	1,870
Commitment fee	-	1,160
Interest on deposit	4	1
Bank charges	11	1
Profit on Term Finance Certificates	9,618	30,333
Balance due from Joint Ventures	-	2,670
Remuneration of key management personnel		
Contribution to retirement benefit schemes / funds	-	180,355
Remuneration of key management personnel	431,576	320,077
Directors Fees	10,754	21,053
Sale of assets to employees		

Notes to the Consolidated Condensed Interim Financial Information (Unaudited)



For the three months ended March 31, 2017
(Amounts in thousand)

17. SEGMENT REPORTING

A business segment is a group of assets and operations engaged in providing products that are subject to risk and returns that are different from those of other business segments.

Type of segments	Nature of business
Fertilizer	Manufacture, purchase and market fertilizers.
Polymer	Manufacture, market and sell Poly Vinyl Chloride (PVC), PVC compounds and related chemicals.
Food	Manufacture, process and sell dairy and other food products.
Power	Includes Independent Power Projects (IPP)
Other operations	Includes chemical terminal & storage services.

	Three months ended	
	March 31, 2017	March 31, 2016
	------(Rupees)-----	
Revenue		
Fertilizer	10,063,731	12,613,227
Polymer	6,812,363	5,739,351
Food	297,186	11,935,443
Power	2,984,439	1,516,964
Other operations	3,121,507	2,564,078
Elimination - net	(779,890)	(42,624)
Consolidated	<u>22,499,336</u>	<u>34,326,439</u>
Profit after taxation		
Fertilizer	1,637,514	2,121,391
Polymer	845,886	17,828
Food	82,526	981,880
Power	556,035	319,493
Other operations	1,542,605	1,414,224
Elimination - net	(420,574)	(381,216)
Consolidated	<u>4,243,992</u>	<u>4,473,600</u>

Notes to the Consolidated Condensed Interim Financial Information (Unaudited)

For the three months ended March 31, 2017
(Amount in thousand)

	Three months ended	
	Unaudited March 31, 2017	Audited December 31, 2016
	------(Rupees)-----	
Assets		
Fertilizer	99,214,131	102,803,512
Polymer	25,269,999	24,218,885
Food	2,147,239	33,066,321
Power	55,440,224	54,780,474
Other operations	145,886,031	113,414,528
Elimination - net	(27,321,215)	(26,967,191)
Consolidated	<u>300,636,409</u>	<u>301,316,529</u>

18. NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors of the Holding Company in its meeting held on February 28, 2017 had proposed a final cash dividend of Rs. 2.00 per share for the year ended December 31, 2016 amounting to Rs 962,574 for approval of the members at the Annual General Meeting (AGM). The members have approved the dividend in the AGM held on April 28, 2016. The effect of this has not been incorporated in this condensed consolidated financial information.

19. CORRESPONDING FIGURES

In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the consolidated condensed interim balance sheet has been compared with the balances of annual audited financial statements of preceding financial year, whereas, the consolidated condensed interim profit and loss account, the consolidated condensed interim statement of comprehensive income, the consolidated condensed interim statement of changes in equity and the consolidated condensed interim statement of cash flows have been compared with the balances of comparable period of immediately preceding financial year.

During the quarter for better presentation, the following reclassification has been made:

Description	Head of account in financial statements for the quarter ended March 31, 2016	Head of account in financial statements for the quarter ended March 31, 2017	Rupees
Income from sale under government subsidy	Net sales	Other income	733,995

(Amounts in thousand)

20. DATE OF AUTHORISATION FOR ISSUE

This consolidated condensed interim financial information is authorized for issue on April 28, 2017 by the Board of Directors of the Holding Company.



Inam Ur Rehman
Chief Executive Officer



M. A. Aleem
Director

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