



FIRST QUARTERLY ACCOUNTS (un-audited)  
for the three months period ended March 31, 2019

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# COMPANY INFORMATION

## Board of Directors

Mr. Hussain Dawood - Chairman  
Mr. Shahzada Dawood - Vice Chairman  
Mr. Samad Dawood - Director  
Ms. Sabrina Dawood - Director  
Mr. Parvez Ghias - Director  
Mr. Shabbir Hussain Hashmi - Director  
Mr. Muneer Kamal - Director  
Mr. Hasan Reza Ur Rahim - Director  
Mr. Imran Sayeed - Director  
Mr. Inam ur Rahman - Chief Executive Officer

## Board Audit Committee

Mr. Shabbir Hussain Hashmi - Chairman  
Mr. Muneer Kamal - Member  
Mr. Hasan Reza Ur Rahim - Member

## Human Resource & Remuneration Committee

Mr. Imran Sayeed - Chairman  
Mr. Shahzada Dawood - Member  
Mr. Parvez Ghias - Member  
Mr. Muneer Kamal - Member

## Board Investment Committee

Mr. Shahzada Dawood - Chairman  
Mr. Hasan Reza Ur Rahim - Member  
Mr. Imran Sayeed - Member

## Chief Financial Officer

Mr. Mohammad Shamoon Chaudry

## Company Secretary

Mr. Asim H. Akhund

## Registered Office

Dawood Centre, M.T. Khan Road  
Karachi-75530  
Tel: +92 (21) 35686001  
Fax: +92 (21) 35644147  
Email: shareholders@dawoodhercules.com  
Website: www.dawoodhercules.com

## 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  
Fax: +92 (21) 35862329, 35871054

## Bankers

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

## **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 consolidated condensed interim financial statements of the Group for the quarter ended 31 March 2019.

During the period, the Company continued to prudently invest in shares of blue-chip listed companies on the Pakistan Stock Exchange within the limits approved by the Board of Directors. The equities portfolio for the quarter performed better than the market generating a return of more than 4% above the return on the KSE-100 index for the same period. In parallel, the Company continues to actively seek and analyze other investment opportunities.

With rising interest rates, the balance funds were placed in short-term instruments in money markets to take advantage of any increase in policy rates. This allowed us to efficiently manage and hedge the floating interest rate on our borrowings.

On a consolidated basis the group earned a revenue of PKR 40,647 million for the first quarter of 2019 against PKR 33,525 million in 2018, an increase of 21%. The increase was mainly on account of growth in Engro in the fertilizer business by 30%, and 18% in power and mining business over the similar period last year. Not considering the one time recording of capital gain from sale of HUBCO investments from last year's earnings, the consolidated profit for the quarter was PKR 6,674 million, which was 5% higher than last year on a like for like basis. Consolidated earnings per share were PKR 3.33 for first quarter 2018.

On standalone basis, the profit after tax was PKR 109 million against PKR 3,848 million for the similar quarter last year, which included the one time recording of capital gain from sale of HUBCO investments. Earnings per share for the quarter was PKR 0.23 per share.

The investment in Engro is maintaining its growth. Engro realized its Thar dream during the first quarter by successfully syncing both units of the 660MW power plant with the national grid. Under the Thar coal project both the mining and the power projects will prove to be a game changer for the country.

### **Fertilizers**

Even though sales volume declined by 12% compared to last year, business revenue grew by 30%. The sales volume declined due to Engro's plant shutdown, availability of additional local urea from LNG based manufacturers and imported urea. Whilst net profit for 1Q19 stood at PKR 4,007 million – up by 3%.

### **Petrochemicals**

With revenues for the first quarter of 2019 at PKR 9,344 million - a growth of 8% from comparative quarter last year, the performance has remained satisfactory. Net profit for the quarter was PKR 1,094 million against PKR 1,448 million in the same quarter of 2018.

### **Coal Mining and Power Generation**

**Thar Coal Mining Project:** Development of the 3.8Mt per annum mine at Block II continued at full pace. Supply of commissioning coal to power project has commenced, with about 52,000 tons supplied till the end of quarter. The mining project will steadily increase its capacity to about 12,000 tons per day and is targeting Commercial Operation Date (COD) during June 2019.

**Thar Power Generation Project:** On 18 March 2019 Engro Powergen Thar Ltd (EPTL) successfully synchronised its first power unit of 330MW with the national grid. On 4 April 2019, the second power unit of similar capacity was also synchronized, making EPTL the first power plant in the country to successfully operate on indigenous coal.

**Qadirpur Power Plant:** The power plant operates on permeate gas and as expected, is now facing gas curtailment from Qadirpur gas field as it depletes. The plant was made available on mixed mode and dispatched with a load factor of 67% compared to 89% during similar period last year. Decline in load factor was primarily on account of lower offtake due to low winter demand. The business posted a net profit of PKR 713 million for the current quarter as compared to PKR 669 million for the similar period last year. Receivables with respect to power offtake remain at a high level due to the circular debt. This is a continuous challenge for the business and the power sector in general.

### **Terminal Operations**

The LNG terminal handled 17 cargoes as compared to 18 cargoes during similar period last year. Chemicals terminal witnessed a volumetric decrease due to lower imports of chemicals during the quarter. However, profitability of both LNG and chemicals terminals remained healthy for the current quarter.

### **FUTURE OUTLOOK**

The Company believes that Pakistan's stock market offers some good opportunities at current levels and thus it plans to continue to prudently invest in shares of blue-chip listed companies in the near term.

We also believe that while interest rates will rise further, they may be reaching their peak over the next 4-6 months. In line with this expectation, in the near term the balance funds will be placed in short-term instruments in money markets, however, the Company is evaluating investing part of the funds in longer term government securities at an opportune time.

The Company will continue to explore new business opportunities independently and through its subsidiary Engro Corporation Limited. The main focus is to enhance long term shareholder value, whilst also addressing significant challenges faced by our economy and country.

The Board places on record its gratitude to shareholders for placing confidence in them and also thanks the management and employees for their sincere contribution toward the growth and prosperity of the company.

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Inam ur Rahman  
Chief Executive

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Shabbir Hussain Hashmi  
Director

Dated: 27<sup>th</sup> April 2019

## ڈائریکٹرز رپورٹ

کمپنی کے ڈائریکٹرز نہایت مسرت کے ساتھ 31 مارچ 2019 کو ختم ہونے والی پہلی سہ ماہی کیلئے اپنی رپورٹ کے ہمراہ کمپنی کے عبوری، غیر آڈٹ شدہ، غیر اشتمال شدہ مختصر گوشوارے اور گروپ کے عبوری، غیر آڈٹ شدہ، اشتمال شدہ مختصر گوشوارے پیش کر رہے ہیں۔

گزشتہ سال کے دوران کمپنی نے بورڈ آف ڈائریکٹرز کی جانب سے منظور کی گئی حد کے اندر، پاکستان اسٹاک ایکسچینج میں لسٹڈ بلوچپ کمپنیوں کے شیئرز میں با احتیاط سرمایہ کاری جاری رکھی۔ مذکورہ سہ ماہی کیلئے ایکویٹی پورٹ فولیو مارکیٹ کی نسبت بہتر رہا اور اسی مدت کے دوران KSE-100 انڈیکس کے منافع سے 4 فیصد سے زائد منافع حاصل کیا۔ اس کے ساتھ ساتھ کمپنی مسلسل سرمایہ کاری کے دیگر مواقع کی تلاش کیلئے مارکیٹ کا جائزہ لینے اور مناسب مواقع کی تلاش میں ہے۔

بڑھتی ہوئی شرح سود کے پیش نظر کمپنی اضافی فنڈز کو بازار میں کثیر المعیاد انسٹرومنٹس میں سرمایہ کاری میں استعمال کر رہی ہے تاکہ پالیسی ریٹس میں کسی ممکنہ اضافے سے فائدہ اٹھایا جاسکے۔ اس سے ہمیں اپنے قرضہ جات کی جاری شرح منافع کو مستعدی سے کنٹرول کرتے ہوئے ان کا بہتر انتظام کرنے کا موقع ملا۔

مجموعی طور پر گروپ نے 2018 کی پہلی سہ ماہی میں حاصل کئے گئے ریونیو 33,525 ملین روپے کے مقابلے میں 2019 میں اسی عرصے میں 40,647 ملین روپے کا ریونیو حاصل کیا۔ یعنی 21 فیصد اضافہ۔ یہ اضافہ زیادہ تر گزشتہ سال کے مقابلے میں اینگرو کے فریٹلائزر بزنس میں 30 فیصد اضافے اور پاور اور مائننگ بزنس میں 18 فیصد اضافے کے باعث ممکن ہوا۔ جبکہ انویسٹمنٹس کی فروخت سے حاصل ہونے والے یکبارگی منافع کو صرف نظر کرتے ہوئے سہ ماہی کا مجموعی منافع 6,674 ملین روپے رہا، جو اسی بنیاد پر حاصل کردہ گزشتہ سال کے منافع سے 5 فیصد زیادہ رہا۔ 2018 کی پہلی سہ ماہی میں فی شیئر مجموعی آمدنی 3.33 روپے فی شیئر رہی۔

گزشتہ سال کی اسی سہ ماہی میں جبکہ انویسٹمنٹس کی فروخت سے حاصل ہونے والے یکبارگی منافع سمیت حاصل کردہ منافع بعد از ٹیکس 3,848 ملین روپے کے مقابلے میں غیر اشتمال شدہ بنیاد پر 109 ملین روپے رہا۔ سہ ماہی کیلئے منافع فی شیئر 0.23 روپے رہا۔

اینگرو میں سرمایہ کاری کی نمو کا تسلسل قائم ہے۔ اینگرو نے پہلی سہ ماہی کے دوران اپنے خواب کی تکمیل کرتے ہوئے کامیابی سے تھر میں 660 میگا واٹ کے دونوں یونٹس کو نیشنل گرڈ سے منسلک کر دیا۔ تھر کوئل منصوبے کے تحت مائننگ اور پاور پروجیکٹس ملک کی قسمت بدلنے میں کلیدی کردار ادا کریں گے۔

## فریٹلائزرز

اگرچہ گزشتہ سال کے مقابلے میں سیلز کی نمو 12 فیصد کم رہی، تاہم کاروباری حجم میں 30 فیصد اضافہ دیکھنے میں آیا۔ سیلز کے حجم میں کمی اینگرو پلانٹ کے بند ہونے، LNG مینوفیکچررز کی جانب سے مارکیٹ میں اضافی مقامی یوریا کی دستیابی اور درآمدی یوریا کے باعث ہوئی۔ تاہم 2019 کی پہلی سہ ماہی کے دوران خالص منافع 4,007 ملین روپے رہا، جو کہ 3 فیصد اضافی ہے۔

## پیٹر و کیمیکل

2019 کی پہلی سہ ماہی کے دوران ریونیو 9,344 ملین روپے رہا، جو کہ گزشتہ سال کی اسی سہ ماہی کے مقابلے میں 8 فیصد بہتر ہے، مجموعی کارکردگی اطمینان بخش رہی۔ 2018 کی اسی سہ ماہی میں حاصل کردہ خالص منافع 1,448 ملین روپے کے مقابلے میں پہلی سہ ماہی کے دوران خالص منافع

1,094 ملین روپے رہا۔

## کول مائننگ اینڈ پاور جزیشن

تھرکول بلاک II میں 3.8 ملین ٹن سالانہ مائننگ پوری رفتار سے جاری ہے۔ پاور پروجیکٹ کو کوئلے کی فراہمی کا آغاز ہو چکا ہے اور پہلی سہ ماہی میں تقریباً 52,000 ٹن کوئلہ فراہم کیا جا چکا ہے۔ مائننگ پروجیکٹ اپنی صلاحیت میں بتدریج اضافہ کرتے ہوئے اپنی پیداواری صلاحیت کو 12,000 ٹن یومیہ تک لائے گا۔ پروجیکٹ جون 2019 میں کمرشل آپریشنز کا ہدف حاصل کرنا چاہتا ہے۔

## پاور جزیشن پروجیکٹ

18 مارچ 2019 کو اینگرو پاور جن تھرملیٹڈ (EPTL) نے کامیابی سے اپنے 330 میگا واٹ پاور یونٹ کو نیشنل گرڈ سے منسلک کیا۔ 04 اپریل 2019 کو اسی صلاحیت کے دوسرے پاور پلانٹ کو بھی اسی طرح نیشنل گرڈ سے منسلک کر دیا اور یوں EPTL ملک کا پہلا پاور پلانٹ بن گیا جو مقامی طور پر حاصل کئے گئے کوئلے سے کامیابی سے آپریٹ کیا جا رہا ہے۔

## قادر پور پاور پلانٹ

یہ پاور پلانٹ نفوذی گیس سے چلایا جاتا ہے اور توقعات کے مطابق اب قادر پور گیس فیلڈ سے گیس کی کمی کا شکار ہے کیونکہ قادر پور میں گیس ختم ہو رہی ہے۔ پلانٹ کو مکس بنیادوں پر چلایا گیا اور اسے گزشتہ سال کے 89 فیصد کے مقابلے میں 67 فیصد لوڈ فیکٹر مہیا کیا گیا۔ لوڈ فیکٹر میں کمی کی بنیادی وجہ سردی کے موسم میں کم طلب کے باعث لوڈ کی کم وصولی تھی۔ گزشتہ سال کی اسی مدت میں حاصل شدہ خالص منافع 669 ملین روپے کے مقابلے میں اس سال بزنس نے 713 ملین روپے کا خالص منافع کمایا۔ گردشی قرضوں کے زیادہ حجم کی بدولت بجلی کی مد میں وصولیوں کا حجم بھی زیادہ رہا۔ یہ کاروبار اور عمومی طور پر پاور سیکٹر کیلئے مسلسل چیلنج ہے۔

## ٹرمینل آپریشنز

گزشتہ سال کی پہلی سہ ماہی میں ہینڈل کئے جانے والے 18 کارگو کی نسبت اس سال اسی مدت کے دوران 17 کارگو ہینڈل کئے گئے۔ درآمدی کیمیکل میں کمی کے باعث کیمیکل ٹرمینل میں ہینڈلنگ حجم میں کمی دیکھی گئی۔ تاہم موجودہ سہ ماہی کے دوران LNG اور کیمیکل ٹرمینلز کے منافع میں صحت مندرجہ حجان جاری رہا۔

## مستقبل کے امکانات

کمپنی کو یقین ہے کہ پاکستان کی اسٹاک مارکیٹ موجودہ لیول پر کچھ بہتر مواقع پیش کرے گی اور اسی لئے ہمارا منصوبہ آئندہ ٹرم میں بلوچ لسٹڈ کمپنیوں میں سمجھداری سے سرمایہ کاری جاری رکھنا ہے۔

ہمیں یقین ہے کہ شرح سود کے مزید بڑھنے کی صورت میں، یہ آئندہ 4-6 ماہ میں اپنی بلند ترین سطح پر پہنچے گی۔ اس امکان کی روشنی میں آئندہ ٹرم میں بقیہ فنڈز کو بازارز میں قلیل المعیاد انسٹرومنٹس میں سرمایہ کاری میں استعمال کیا جائے گا۔ تاہم کمپنی مناسب وقت پر فنڈز کے کچھ حصے کی کثیر المعیاد گورنمنٹ

سیکیورٹیز میں سرمایہ کاری کا جائزہ لے رہی ہے۔

کمپنی آزادانہ اور اپنی ذیلی کمپنی اینگرو کارپوریشن لمیٹڈ کے ذریعے سرمایہ کاری کے نئے مواقع کی تلاش جاری رکھے گی۔ ہماری توجہ معیشت اور ملک کو درپیش چیلنجز سے نمٹتے ہوئے شیئر ہولڈرز کی قدر میں طویل المعیاد اضافے پر بھی ہے۔

بورڈ آف ڈائریکٹرز ان پر اعتماد کرنے پر شیئر ہولڈرز کا شکریہ ریکارڈ کروانا چاہتا ہے اور کمپنی کی ترقی و خوش حالی کیلئے مخلصانہ کوششوں پر کمپنی کی انتظامیہ اور ملازمین کا شکریہ ادا کرتی ہے۔

شبیر حسین ہاشمی

ڈائریکٹر

انعام الرحمن

چیف ایگزیکٹو

27 اپریل 2019



**DAWOOD HERCULES CORPORATION LIMITED**

**Unconsolidated Condensed Interim Financial  
Statements**

**FOR THE THREE MONTHS ENDED  
MARCH 31, 2019**

**DAWOOD HERCULES CORPORATION LIMITED**  
**UNCONSOLIDATED CONDENSED INTERIM**  
**STATEMENT OF FINANCIAL POSITION**  
**As at March 31, 2018**

|  |    | Note | March 31,<br>2019<br>(Unaudited) | December<br>31, 2018<br>(Audited) |
|--|----|------|----------------------------------|-----------------------------------|
|  |    |      | ----- (Rupees in '000) -----     |                                   |
| <b>ASSETS</b>                                |    |      |                                  |                                   |
| <b>NON CURRENT ASSETS</b>                    |    |      |                                  |                                   |
| Property, plant and equipment                | 6  |      | 130,302                          | 137,107                           |
| Long term investments                        | 7  |      | 23,308,927                       | 23,308,927                        |
|  |    |      | 23,439,229                       | 23,446,034                        |
| <b>CURRENT ASSETS</b>                        |    |      |                                  |                                   |
| Advance, deposits and prepayment             | 8  |      | 37,017                           | 17,656                            |
| Dividend receivable                          |    |      | 5,480                            | -                                 |
| Other receivables                            |    |      | 88,299                           | 1,761,188                         |
| Accrued mark-up                              |    |      | 170,413                          | 131,519                           |
| Short term investments                       | 9  |      | 23,341,895                       | 21,742,180                        |
| Cash and bank balances                       |    |      | 248,295                          | 235,170                           |
|  |    |      | 23,891,399                       | 23,887,713                        |
| <b>TOTAL ASSETS</b>                          |    |      | <b>47,330,628</b>                | <b>47,333,747</b>                 |
| <b>EQUITY AND LIABILITIES</b>                |    |      |                                  |                                   |
| <b>SHARE CAPITAL AND RESERVES</b>            |    |      |                                  |                                   |
| Authorised capital                           |    |      | 10,000,000                       | 10,000,000                        |
| Issued, subscribed and paid up share capital |    |      | 4,812,871                        | 4,812,871                         |
| Revenue reserves                             |    |      | 30,260,555                       | 30,151,555                        |
|  |    |      | 35,073,426                       | 34,964,426                        |
| <b>NON CURRENT LIABILITIES</b>               |    |      |                                  |                                   |
| Long term financing                          | 10 |      | 8,865,891                        | 9,465,891                         |
| Defined benefit liability                    |    |      | 5,749                            | 5,749                             |
|  |    |      | 8,871,640                        | 9,471,640                         |
| <b>CURRENT LIABILITIES</b>                   |    |      |                                  |                                   |
| Current portion of long term financing       | 10 |      | 2,240,000                        | 1,640,000                         |
| Trade and other payables                     | 11 |      | 314,747                          | 372,751                           |
| Unclaimed dividend                           |    |      | 106,109                          | 107,385                           |
| Accrued mark-up                              |    |      | 131,729                          | 120,627                           |
| Taxation - net                               |    |      | 592,977                          | 656,918                           |
|  |    |      | 3,385,562                        | 2,897,681                         |
| <b>TOTAL EQUITY AND LIABILITIES</b>          |    |      | <b>47,330,628</b>                | <b>47,333,747</b>                 |
| <b>CONTINGENCIES AND COMMITMENTS</b>         |    |      |                                  |                                   |
|  | 12 |      |                                  |                                   |

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements

**Inam ur Rahman**  
**Chief Executive**

**Mohammad Shamoon Chaudry**  
**Chief Financial Officer**

**Shabbir Hussain Hashmi**  
**Director**

**DAWOOD HERCULES CORPORATION LIMITED**  
**UNCONSOLIDATED CONDENSED INTERIM**  
**STATEMENT OF PROFIT OR LOSS - UNAUDITED**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2019**

|   | Note | Three Months Ended           |                         |
|---|------|------------------------------|-------------------------|
|   |      | March 31,<br>2019            | March 31,<br>2018       |
|   |      | ----- (Rupees in '000) ----- |                         |
| <b>REVENUES</b>   |      |                              |                         |
| Return on investments   | 13   | 584,820                      | 748,965                 |
| Gain on sale of investment - net  |      | -                            | 3,542,631               |
| Unrealised appreciation on remeasurement of investments classified as financial assets at fair value through profit or loss - net |      | 17,902                       | -                       |
|   |      | <u>602,722</u>               | <u>4,291,596</u>        |
| <b>EXPENSES</b>   |      |                              |                         |
| Operating and administrative expenses   |      | (154,465)                    | (117,468)               |
| Finance costs   |      | (304,037)                    | (149,366)               |
|   |      | (458,502)                    | (266,834)               |
| Other income  |      | 2,500                        | 159                     |
| <b>PROFIT BEFORE TAXATION</b>   |      | <u>146,720</u>               | <u>4,024,921</u>        |
| Taxation  |      | (37,720)                     | (176,836)               |
| <b>NET PROFIT FOR THE PERIOD</b>  |      | <u><u>109,000</u></u>        | <u><u>3,848,085</u></u> |
| Earnings per share (Rupees)   |      |                              |                         |
| - basic and diluted   |      | 0.23                         | 8.00                    |

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements

**Inam ur Rahman**  
**Chief Executive**

**Mohammad Shamoony Chaudry**  
**Chief Financial Officer**

**Shabbir Hussain Hashmi**  
**Director**

**DAWOOD HERCULES CORPORATION LIMITED**  
**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF TOTAL COMPREHENSIVE INCOME-**  
**UNAUDITED**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2019**

|   | Three Months Ended          |                   |
|---|-----------------------------|-------------------|
|   | March 31,<br>2019           | March 31,<br>2018 |
|   | ------(Rupees in '000)----- |                   |
| Profit after taxation   | 109,000                     | 3,848,085         |
| <b>Other comprehensive income for the period</b>                    |                             |                   |
| <i>Items that will not be reclassified to<br/>profit &amp; loss</i> |                             |                   |
| Remeasurements of post-retirement<br>benefits                       | -                           | -                 |
| Other comprehensive income for<br>the period                        | -                           | -                 |
| Total comprehensive income for<br>the period                        | <u>109,000</u>              | <u>3,848,085</u>  |

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements

\_\_\_\_\_  
**Inam ur Rahman**  
**Chief Executive**

\_\_\_\_\_  
**Mohammad Shamoon Chaudry**  
**Chief Financial Officer**

\_\_\_\_\_  
**Shabbir Hussain Hashmi**  
**Director**

**DAWOOD HERCULES CORPORATION LIMITED**  
**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY - UNAUDITED**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2019**

|   | Issued,<br>subscribed<br>and paid up<br>share | Revenue reserves   |                               |                   | Total             |
|---|---|--------------------|-------------------------------|-------------------|-------------------|
|   |   | General<br>reserve | Un-<br>appropriated<br>profit | Sub-total         |                   |
|   | ----- (Rupees in '000) -----                  |                    |                               |                   |                   |
| <b>Balance as at January 1, 2018</b>      | 4,812,871                                     | 700,000            | 27,253,301                    | 27,953,301        | 32,766,172        |
| <b>Total comprehensive Income</b>         |   |                    |                               |                   |                   |
| Profit after taxation                     | -   | -                  | 3,848,085                     | 3,848,085         | 3,848,085         |
| Other comprehensive income                | -   | -                  | -                             | -                 | -                 |
| Total comprehensive income for the period | -   | -                  | 3,848,085                     | 3,848,085         | 3,848,085         |
| <b>Balance as at March 31, 2018</b>       | <u>4,812,871</u>                              | <u>700,000</u>     | <u>31,101,386</u>             | <u>31,801,386</u> | <u>36,614,257</u> |
| <b>Balance as at January 1, 2019</b>      | 4,812,871                                     | 700,000            | 29,451,555                    | 30,151,555        | 34,964,426        |
| <b>Total comprehensive Income</b>         |   |                    |                               |                   |                   |
| Profit after taxation                     | -   | -                  | 109,000                       | 109,000           | 109,000           |
| Other comprehensive income                | -   | -                  | -                             | -                 | -                 |
| Total comprehensive income for the period | -   | -                  | 109,000                       | 109,000           | 109,000           |
| <b>Balance as at March 31, 2019</b>       | <u>4,812,871</u>                              | <u>700,000</u>     | <u>29,560,555</u>             | <u>30,260,555</u> | <u>35,073,426</u> |

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements

**Inam ur Rahman**  
**Chief Executive**

**Mohammad Shamoon Chaudry**  
**Chief Financial Officer**

**Shabbir Hussain Hashmi**  
**Director**

**DAWOOD HERCULES CORPORATION LIMITED**  
**UNCONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT - UNAUDITED**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2019**

|  | Note | Three Months Ended |                   |
|--|------|--------------------|-------------------|
|  |      | March 31,<br>2019  | March 31,<br>2018 |
| ------(Rupees in '000)-----                                  |      |                    |                   |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                  |      |                    |                   |
| Cash generated from / (utilized in) operations               | 14   | 1,453,537          | (520,506)         |
| Finance cost paid  |      | (292,935)          | (158,221)         |
| Taxes paid   |      | (101,662)          | (27,027)          |
| Employees retirement and other service benefits paid         |      | (1,652)            | (1,040)           |
| Net cash generated from / (utilized in) operating activities |      | 1,057,288          | (706,794)         |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                  |      |                    |                   |
| Additions to property, plant and equipment                   |      | (4,551)            | (3,366)           |
| Profit received on short term investments                    |      | 561,246            | 63,570            |
| Proceeds from disposal of property, plant and equipment      |      | 3,054              | 1                 |
| Short term investment made                                   |      | (218,928)          | -                 |
| Proceeds from disposal of investment                         |      | -                  | 18,141,820        |
| Dividends received   |      | -                  | 258,873           |
| Net cash generated from investing activities                 |      | 340,821            | 18,460,898        |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                  |      |                    |                   |
| Long term finance obtained - net of transaction costs        |      | -                  | 5,942,655         |
| Dividends paid   |      | (1,276)            | (517)             |
| Net cash (utilized in) / generated from financing activities |      | (1,276)            | 5,942,138         |
| Net increase in cash and cash equivalents                    |      | 1,396,833          | 23,696,242        |
| Cash and cash equivalents at the beginning of the period     |      | 21,731,666         | (1,012,712)       |
| Cash and cash equivalents at the end of the period           | 15   | 23,128,499         | 22,683,530        |

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements

**Inam ur Rahman**  
Chief Executive

**Mohammad Shamooun Chaudry**  
Chief Financial Officer

**Shabbir Hussain Hashmi**  
Director

**DAWOOD HERCULES CORPORATION LIMITED**  
**NOTES TO AND FORMING PART OF THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2019**

**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 Act, 2017) (the 'Act') and its shares are quoted on Pakistan Stock Exchanges (PSX). The principal activity of the Company is to manage investments including in its subsidiary and associated companies. The registered office of the Company is situated at Dawood Center, M.T. Khan Road, Karachi.
- 1.2** During the year ended December 31, 2015, the Company had reassessed the control conclusion of its investment in Engro Corporation Limited (ECL) as a result of adoption of International Financial Reporting Standards (IFRS) - 10 'Consolidated Financial Statements', by Securities and Exchange Commission of Pakistan (SECP), that although, the Company has less than 50% voting rights in ECL based on the absolute size of the Company's shareholdings, the relative size of other shareholdings and the number of representation on ECL's Board, 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 three months period ended March 31, 2019 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 Act. In case where requirements differ, the provisions of or directives issued under the Act 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, 2018, which have been prepared in accordance with International Financial Reporting Standards (IFRSs).
- 2.2** These unconsolidated condensed interim financial statements comprise of the statement of financial position as at March 31, 2019 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 three months period then ended.
- 2.3** The comparative statement of financial position presented in these unconsolidated condensed interim financial statements as at December 31, 2018 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 three months ended March 31, 2018 have been extracted from the unconsolidated condensed interim financial statements of the Company for the three months then ended.

**3. ACCOUNTING POLICIES**

- The accounting policies and the methods of computation adopted in the preparation of these unconsolidated condensed interim financial statements are the same as those applied in the preparation of the financial statements for the year ended December 31, 2018.
- 3.1** New standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2019 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, 2018.

#### 5. SEASONALITY OF OPERATIONS

The principal activity of the Company is to manage investments including 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 investee companies regarding the declaration and approval of dividends and interest income. Whereas the majority of costs of the Company are fixed and hence are more evenly spread throughout the year.

|  | Note | March 31,<br>2019<br>(Unaudited) | December 31,<br>2018<br>(Audited) |
|--|------|----------------------------------|-----------------------------------|
|  |      | ------(Rupees in '000)-----      |                                   |
| <b>6. PROPERTY, PLANT AND EQUIPMENT</b>              |      |                                  |                                   |
| Operating fixed assets:                              |      |                                  |                                   |
| Net book value at the beginning of the period / year |      | <b>137,107</b>                   | 156,898                           |
| Add: Additions during the period / year              | 6.1  | <b>4,551</b>                     | 26,140                            |
|  |      | <b>141,658</b>                   | 183,038                           |
| Less: Disposals during the period / year             |      |                                  |                                   |
| - net book value                                     | 6.2  | <b>749</b>                       | 5,734                             |
| Depreciation charged during the period / year        |      | <b>10,607</b>                    | 40,197                            |
|  |      | <b>11,356</b>                    | 45,931                            |
| Net book value at the end of the period / year       |      | <b>130,302</b>                   | 137,107                           |
| <b>6.1 Additions during the period / year</b>        |      |                                  |                                   |
| Leasehold improvements                               |      | -                                | -                                 |
| Furniture, fittings and equipment                    |      | -                                | 2,609                             |
| Motor vehicles                                       |      | <b>3,057</b>                     | 8,561                             |
| Data processing equipment / communication devices    |      | <b>1,494</b>                     | 14,970                            |
|  |      | <b>4,551</b>                     | 26,140                            |



|                             | Note  | March 31,<br>2019<br>(Unaudited) | December 31,<br>2018<br>(Audited) |
|-----------------------------|---|----------------------------------|-----------------------------------|
| ------(Rupees in '000)----- |   |                                  |                                   |
| <b>6.2</b>                  | Disposals during the period / year - net book value |                                  |                                   |
|                             | Furniture, fittings and equipment                   | -                                | 88                                |
|                             | Motor vehicles                                      | 749                              | 5,496                             |
|                             | Data processing equipment / communication devices   | -                                | 150                               |
|                             |   | <u>749</u>                       | <u>5,734</u>                      |

## 7. LONG TERM INVESTMENTS

|   |     |                          |                   |
|---|-----|--------------------------|-------------------|
| Investment in subsidiary company                                  | 7.1 | <b>23,308,927</b>        | 23,308,927        |
| Other at cost- e2e Business Enterprise (Private) Limited-unquoted | 7.2 | -                        | -                 |
|   |     | <u><b>23,308,927</b></u> | <u>23,308,927</u> |

### 7.1 Investment in subsidiary company

|   |  |                          |                   |
|---|--|--------------------------|-------------------|
| Engro Corporation Limited (ECL) - quoted<br>194,972,555 (December 31, 2018: 194,972,555)<br>ordinary shares of Rs 10 each |  | <u><b>23,308,927</b></u> | <u>23,308,927</u> |
|---|--|--------------------------|-------------------|

Percentage of holding 37.22% (December 31, 2018: 37.22%)

**7.1.1** The market value of investment in ECL as at March 31, 2019 was Rs 63,801 million (December 31, 2018: Rs 56,753 million).

**7.1.2** The details of shares pledged as security against various facilities are as follows:

| Bank  | As at March 31, 2019                        |  |                                      | As at December 31, 2018                     |  |                                   |
|---|---|--|--------------------------------------|---|--|-----------------------------------|
|   | Number of<br>shares<br>pledged<br>(in '000) | Face value of<br>pledged<br>shares<br>------(Rupees in '000) ----- | Market value<br>of pledged<br>shares | Number of<br>shares<br>pledged<br>(in '000) | Face value of<br>pledged<br>shares<br>------(Rupees in '000) ----- | Market value of<br>pledged shares |
| Pledged in favor of Fatima Fertilizer Company Limited against potential liabilities of ex subsidiary DHFL.(Now Fatima fert) |   |  |                                      |   |  |                                   |
| Meezan Bank Limited - as agent  | 10,492                                      | 104,918  | 3,433,220                            | 10,492                                      | 104,918  | 3,053,943                         |
| Pledged in favor of JS Bank Limited against issuance of Sukuks  |   |  |                                      |   |  |                                   |
| JS Bank Limited (note 9.2 & 9.3)  | 81,376                                      | 813,757  | 26,628,570                           | 81,376                                      | 813,757  | 23,686,838                        |

|  | Note  | March 31,<br>2019<br>(Unaudited) | December 31,<br>2018<br>(Audited) |
|--|---|----------------------------------|-----------------------------------|
| ------(Rupees in '000)-----                              |   |                                  |                                   |
| <b>7.2</b>   | Other investment  |                                  |                                   |
|  | e2e Business Enterprises (Private) Limited<br>11,664,633 (December 31, 2018: 11,664,633)<br>ordinary shares of Rs 10 each | <b>116,646</b>                   | 116,646                           |
|  | Less: impairment loss   | <u><b>(116,646)</b></u>          | <u>(116,646)</u>                  |
|  |   | <u>-</u>                         | <u>-</u>                          |
| Percentage of holding 19.14% (December 31, 2018: 19.14%) |   |                                  |                                   |

- 7.2.1** The Company had made aggregate investment amounting to Rs 238 million during the years 2013 and 2014 in e2e Business Enterprises (Private) Limited (e2eBE) representing an equity interest of 39%. e2eBE was set up for the production, sale and marketing of Rice Bran Oil (RBO) and was planned to start commercial operations in 2014. However, due to certain technical issues it has not been able to start the commercial operations of the project till date. Further, due to serious financial and liquidity issues, it has not been able to service its outstanding loans and working capital requirements.

The Company disposed of part of its shareholding, 19.86%, in e2eBE during the year ended December 31, 2015. However, the said disposal has not been recorded by e2eBE in its shareholder register. The Company has informed SECP in this respect through its letters dated May 12, 2016 and January 22, 2018. Further, the Company had assessed the carrying amount of its investment in e2eBE in accordance with the requirements of IAS 36 'Impairment of Assets' and the investment has been fully impaired as the possibility of turnaround of e2eBE operations was considered remote.

## **8. ADVANCES, DEPOSITS AND PREPAYMENTS**

This includes Rs 10.891 million advance against purchase of 235,250 shares of Interloop Limited. Subsequent to the period end these shares were credited to Company's CDC investor account.

|  | <b>Note</b> | <b>March 31,<br/>2019<br/>(Unaudited)</b> | <b>December 31,<br/>2018<br/>(Audited)</b> |
|--|-------------|---|--|
|  |             | <b>------(Rupees in '000)-----</b>        |  |
| <b>9. SHORT TERM INVESTMENTS</b>                               |             |   |  |
| Held to maturity   |             |   |  |
| - Market Treasury Bills (T-Bills)                              |             | <b>8,230,204</b>                          | 15,517,319                                 |
| Loan and receivable  |             |   |  |
| - Term Deposit Receipts (TDR)                                  | 9.1         | <b>14,668,000</b>                         | 6,018,000                                  |
| At fair value through profit and loss upon initial recognition |             |   |  |
| - Quoted shares  | 9.2         | <b>443,691</b>                            | 206,861                                    |
|  |             | <b>23,341,895</b>                         | 21,742,180                                 |

- 9.1** These carry profit ranging from 8% to 11.50% per annum (2018:6.5% to 11% per annum).

- 9.2** Particulars regarding quoted shares are as follows:

| Name of investee Company                   | Number of shares |           | Carrying value<br>31-Mar-19 | Market Value   |                |
|--|------------------|-----------|-----------------------------|----------------|----------------|
|  | 31-Mar-19        | 31-Dec-18 |                             | 31-Mar-19      | 31-Dec-18      |
|  |                  |           |                             | Rupees '000'   |                |
| <b>Oil &amp; Gas Exploration Companies</b> |                  |           |                             |                |                |
| Oil & Gas Development Company Limited      | <b>750,000</b>   | -         | 97,620                      | <b>110,663</b> | -              |
| <b>Commercial Banks</b>                    |                  |           |                             |                |                |
| Meezan Bank Limited                        | <b>2,239,000</b> | 2,239,000 | 192,961                     | <b>215,123</b> | 206,861        |
| United Bank Limited                        | <b>419,900</b>   | -         | 58,396                      | <b>58,379</b>  | -              |
| <b>Cement</b>                              |                  |           |                             |                |                |
| Lucky Cement Limited                       | <b>139,000</b>   | -         | 62,913                      | <b>59,525</b>  | -              |
| <b>Carrying cost as at March 31, 2019</b>  |                  |           | <b>411,889</b>              | <b>443,690</b> | <b>206,861</b> |
| <b>Market Value as at March 31, 2019</b>   |                  |           | <b>443,690</b>              |                |                |
| <b>Unrealised gain on quoted shares</b>    |                  |           | <b>31,800</b>               |                |                |

|  | Note   | March 31,<br>2019<br>(Unaudited) | December 31,<br>2018<br>(Audited) |
|--|--|----------------------------------|-----------------------------------|
|  |  | ------(Rupees in '000)-----      |                                   |
| <b>10. LONG TERM FINANCING</b>   |  |                                  |                                   |
| Isalmic mode   |  |                                  |                                   |
| Sukuk certificates - I   | 10.1   | 5,154,777                        | 5,154,777                         |
| Sukuk certificates - II  | 10.2   | 5,951,114                        | 5,951,114                         |
|  |  | <u>11,105,891</u>                | <u>11,105,891</u>                 |
| Less: Current portion  |  |                                  |                                   |
| Sukuk certificates - I   |  | (1,040,000)                      | (1,040,000)                       |
| Sukuk certificates - II  |  | (1,200,000)                      | (600,000)                         |
|  |  | <u>(2,240,000)</u>               | <u>(1,640,000)</u>                |
|  |  | <u>8,865,891</u>                 | <u>9,465,891</u>                  |
| <b>10.1</b>  | These represent the amortised cost of the rated, over-the-counter listed and secured Islamic Certificates (Sukuk - I), amounting to Rs 5,200 million issued by the Company to Qualified Institutional Buyers (QIBs) through private placement by JS Bank Limited as an agent and advisor. The Sukuk - I are secured against the Company's investment in ECL shares with 50% margin as disclosed in note 7.1.2 and charge over all the assets of the Company with a 25% margin. The Sukuk - I carry mark-up at the rate of three months KIBOR plus 100 basis points per annum. The Sukuk - I are for a period of 5 years and are payable semiannually with the first principal repayment to be made in May 2019.                              |                                  |                                   |
| <b>10.2</b>  | These represent the amortised cost of the rated, over-the-counter listed and secured Islamic Certificates (Sukuk - II), amounting to Rs 6,000 million, issued by the Company on March 1, 2018, to Qualified Institutional Buyers (QIBs) through private placement by JS Bank Limited as an agent and advisor. The Sukuk - II are secured against the Company's investment in ECL shares with 50% margin as disclosed in note 7.1.2 and charge over all the assets of the Company with a 25% margin. The Sukuk - II carry mark-up at the rate of three months KIBOR plus 100 basis points per annum. The Sukuk - II are for a period of 5 years and are payable semiannually with the first principal repayment to be made in September 2019. |                                  |                                   |
| <b>11. TRADE AND OTHER PAYABLES</b>  |  |                                  |                                   |
| Creditors  |  | 13,846                           | 13,915                            |
| Accrued expenses   |  | 300,036                          | 357,943                           |
| Others   |  | 865                              | 893                               |
|  |  | <u>314,747</u>                   | <u>372,751</u>                    |
| <b>12. CONTINGENCIES AND COMMITMENTS</b>                                     |  |                                  |                                   |
| <b>12.1 Contingencies</b>  |  |                                  |                                   |
| There were no change in the status of contingencies since December 31, 2018. |  |                                  |                                   |
| <b>12.2 Commitments</b>  |  | March 31,<br>2019<br>(Unaudited) | December 31,<br>2018<br>(Audited) |
|  |  | ------(Rupees in '000)-----      |                                   |
| Commitments in respect of operating lease                                    |  |                                  |                                   |
| not later than one year  | 12.2.1   | <u>9,453</u>                     | <u>9,399</u>                      |
| <b>12.2.1</b>  | The Company has entered into lease agreement for renting of premises for Lahore office on August 2015 for a period of seven years, expiring on September 2022. The agreement is revocable by either party through prior notice of at least 6 months.   |                                  |                                   |

|             |  | Three Months Ended          |                   |             |
|-------------|--|-----------------------------|-------------------|-------------|
|             |  | March 31,<br>2019           | March 31,<br>2018 |             |
|             |  | (Unaudited)                 |                   |             |
|             |  | ------(Rupees in '000)----- |                   |             |
| <b>13.</b>  | <b>RETURN ON INVESTMENTS</b>   |                             |                   |             |
|             | Dividend income  | 13.1                        | 5,480             | 648,818     |
|             | Interest income  | 13.2                        | 579,340           | 100,147     |
|             |  |                             | 584,820           | 748,965     |
| <b>13.1</b> | <b>Dividend income</b>   |                             |                   |             |
|             | - Engro Corporation Limited  |                             | -                 | 389,945     |
|             | - Hub Power Company Limited  |                             | -                 | 258,873     |
|             | - United Bank Limited  |                             | 1,002             | -           |
|             | - Meezan Bank Limited  |                             | 4,478             | -           |
|             |  |                             | 5,480             | 648,818     |
| <b>13.2</b> | <b>Interest income</b>   |                             |                   |             |
|             | - Market Treasury Bills  |                             | 437,120           | 32,424      |
|             | - Term Deposit Receipts & Saving Accounts  |                             | 142,220           | 67,723      |
|             |  |                             | 579,340           | 100,147     |
| <b>14.</b>  | <b>CASH GENERATED FROM / (UTILIZED IN) OPERATIONS</b>  |                             |                   |             |
|             | Profit before taxation   |                             | 146,720           | 4,024,921   |
|             | Adjustments for non cash expenses and other items:   |                             |                   |             |
|             | Depreciation and amortization  |                             | 10,607            | 10,293      |
|             | Finance cost   |                             | 304,037           | 149,366     |
|             | Provision for employees' retirement and other  |                             | 1,652             | 1,297       |
|             | Dividend income  |                             | (5,480)           | (648,818)   |
|             | Gain on sale of property, plant & equipment  |                             | (2,304)           | -           |
|             | Gain on disposal of investment   |                             | -                 | (3,972,722) |
|             | Unrealised gain on remeasurment of investment classified<br>as financial assets at fair value through profit or loss |                             | (17,902)          | -           |
|             | Return on investments  |                             | (579,340)         | (100,306)   |
|             | Working capital changes  | 14.1                        | 1,595,547         | 15,463      |
|             | Cash generated from / (utilized in) operations   |                             | 1,453,537         | (520,506)   |
| <b>14.1</b> | <b>Working capital changes</b>   |                             |                   |             |
|             | Increase in current assets   |                             |                   |             |
|             | Advance, deposits and prepayment   |                             | (19,361)          | 2,238       |
|             | Other receivables  |                             | 1,672,912         | 3,161       |
|             |  |                             | 1,653,551         | 5,399       |
|             | (Decrease) / increase in trade and other payables  |                             | (58,004)          | 10,064      |
|             |  |                             | 1,595,547         | 15,463      |

|            |                                 | Quarter Ended     |                   |
|------------|---------------------------------|-------------------|-------------------|
|            |                                 | March 31,<br>2019 | March 31,<br>2018 |
| <b>15.</b> | <b>Cash and Cash equivalent</b> |                   |                   |
|            | Cash at bank                    | 248,295           | 131,287           |
|            | Short term investments          | 22,880,204        | 22,552,243        |
|            |                                 | <u>23,128,499</u> | <u>22,683,530</u> |

## **16. FINANCIAL RISK MANAGEMENT AND FINANCIAL DISCLOSURES**

### **16.1 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, 2018. There have been no changes in any risk management

### **16.2 Fair value of financial assets and liabilities**

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

## **17. RELATED PARTY TRANSACTIONS**

Significant transactions with related parties are as follows:

|   | Note | Three Months Ended          |                   |
|---|------|-----------------------------|-------------------|
|   |      | March 31,<br>2019           | March 31,<br>2018 |
|   |      | (Unaudited)                 |                   |
|   |      | ------(Rupees in '000)----- |                   |
| <b>Subsidiary company</b>                       |      |                             |                   |
| Reimbursement of expenses to the Company        |      | 9,616                       | 6,890             |
| Dividend income                                 |      | -                           | 389,945           |
| <b>Associates</b>                               |      |                             |                   |
| Purchase of goods and services                  |      | 7,416                       | 6,706             |
| Sale of goods and services                      |      | 4,244                       | 2,199             |
| Dividend income                                 |      | -                           | 258,873           |
| Reimbursement of expenses from associates       |      | 13,204                      | 5,288             |
| Reimbursement of expenses to associates         |      | 578                         | 207               |
| Advances and deposits                           |      | -                           | -                 |
| Membership fee and other subscriptions          |      | -                           | 1,000             |
| Other miscellaneous expense                     |      | 1,395                       | -                 |
| <b>Key management personnel</b>                 |      |                             |                   |
| Salaries and other short term employee benefits |      | 104,896                     | 58,156            |
| Post retirement benefit plans                   |      | 1,794                       | 2,502             |
| Director's Fee                                  |      | 2,750                       | 3,500             |
| <b>Other related parties</b>                    |      |                             |                   |
| Membership fee and other subscriptions          |      | 300                         | 550               |
| Purchase of goods and services                  |      | 621                         | -                 |
| Contribution to staff gratuity fund             |      | 1,652                       | 1,040             |
| Contribution to staff provident fund            |      | 2,960                       | 1,846             |

**18. GENERAL**

- 18.1** All financial information, except as otherwise stated, has been rounded to the nearest thousand rupees.
- 18.2** Corresponding figures have been reclassified for the purpose of better presentation and comparison, where necessary.
- 18.3** These unconsolidated condensed interim financial statements were authorised for issue by the Board of Directors on April 27, 2019.

**19. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE**

The Board of Directors in its meeting held on April 27, 2019 approved an interim cash dividend of Rs 5 per share amounting to Rs 2,406 million (2018: Nil) for the three months ended March 31, 2019. These financial statements do not recognise the said interim dividend from unappropriated profit as it has been declared subsequent to balance sheet.

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**Inam ur Rahman**  
Chief Executive

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**Mohammad Shamoon Chaudry**  
Chief Financial Officer

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**Shabbir Hussain Hashmi**  
Director

**DAWOOD HERCULES CORPORATION LIMITED**  
**CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2019**

**DAWOOD HERCULES CORPORATION LIMITED**  
**CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION**  
**AS AT MARCH 31, 2019**

(Amounts in thousand)

|   |      | Consolidated                   |                                 |
|---|------|--------------------------------|---------------------------------|
|   | Note | Unaudited<br>March 31,<br>2019 | Audited<br>December 31,<br>2018 |
|   |      | -----Rupees-----               |                                 |
| <b>ASSETS</b>                             |      |                                |                                 |
| <b>Non-current assets</b>                 |      |                                |                                 |
| Property, plant and equipment             | 5    | 210,490,462                    | 204,545,985                     |
| Intangible assets                         |      | 4,879,975                      | 4,817,940                       |
| Deferred taxation                         |      | 192,912                        | 384,612                         |
| Long term investments                     |      | 31,916,015                     | 31,590,380                      |
| Long term loans and advances              |      | 4,028,497                      | 4,092,566                       |
|   |      | <u>251,507,861</u>             | <u>245,431,483</u>              |
| <b>Current assets</b>                     |      |                                |                                 |
| Stores, spares and loose tools            |      | 7,732,340                      | 7,687,869                       |
| Stock-in-trade                            |      | 18,350,641                     | 17,228,278                      |
| Trade debts                               |      | 15,175,398                     | 18,629,468                      |
| Loans, advances, deposits and prepayments |      | 3,354,842                      | 3,188,326                       |
| Other receivables                         |      | 12,019,870                     | 13,273,925                      |
| Taxes recoverable                         |      | -                              | -                               |
| Accrued Income                            |      | 699,110                        | 524,809                         |
| Dividend receivable                       |      | 5,480                          | -                               |
| Short term investments                    |      | 109,795,799                    | 103,533,500                     |
| Cash and bank balances                    |      | 16,742,721                     | 12,115,981                      |
|   |      | <u>183,876,201</u>             | <u>176,182,156</u>              |
| <b>TOTAL ASSETS</b>                       |      | <u><b>435,384,062</b></u>      | <u><b>421,613,639</b></u>       |



(Amounts In thousand)

|   | Note | Unaudited<br>March 31,<br>2019 | Audited<br>December 31,<br>2018 |
|---|------|--------------------------------|---------------------------------|
| -----Rupees-----                            |      |                                |                                 |
| <b>EQUITY AND LIABILITIES</b>               |      |                                |                                 |
| <b>Equity</b>                               |      |                                |                                 |
| Share capital                               |      | 4,812,871                      | 4,812,871                       |
| Revaluation reserve on business combination |      | 8,312                          | 9,261                           |
| Maintenance reserve                         |      | 60,117                         | 60,117                          |
| Exchange revaluation reserve                |      | 155,455                        | 147,583                         |
| Hedging reserve                             |      | (11,035)                       | (10,980)                        |
| General reserve                             |      | 700,000                        | 700,000                         |
| Unappropriated profit                       |      | 62,796,295                     | 61,197,392                      |
| Remeasurement of post-employment benefits   |      | (30,023)                       | (30,023)                        |
|   |      | 63,679,121                     | 62,073,350                      |
|   |      | 68,491,992                     | 66,886,221                      |
| Non-controlling interest                    | 6    | 140,139,125                    | 134,856,918                     |
|   |      |                                |                                 |
| <b>Total Equity</b>                         |      | 208,631,117                    | 201,743,139                     |
| <b>Liabilities</b>                          |      |                                |                                 |
| <b>Non-current liabilities</b>              |      |                                |                                 |
| Borrowings                                  | 7    | 133,503,251                    | 130,576,362                     |
| Deferred taxation                           |      | 8,558,834                      | 8,428,363                       |
| Deferred liabilities                        |      | 175,002                        | 265,535                         |
| Staff retirement and other service benefits |      | 5,749                          | -                               |
|   |      | 142,242,836                    | 139,270,260                     |
| <b>Current liabilities</b>                  |      |                                |                                 |
| Trade and other payables                    |      | 49,442,605                     | 51,118,725                      |
| Accrued interest / mark-up                  |      | 4,561,630                      | 2,363,313                       |
| Current portion of :                        |      |                                |                                 |
| - borrowings                                |      | 14,304,168                     | 11,955,924                      |
| - deferred liabilities                      |      | 90,955                         | 113,852                         |
| Taxes payable                               |      | 8,867,846                      | 8,299,834                       |
| Short term borrowings                       |      | 4,307,119                      | 6,641,207                       |
| Dividend payable                            |      | 2,421,654                      | -                               |
| Unclaimed dividends                         |      | 514,132                        | 107,385                         |
|   |      | 84,510,109                     | 80,600,240                      |
| <b>Total Liabilities</b>                    |      | 226,752,945                    | 219,870,500                     |
| <b>Contingencies and Commitments</b>        |      |                                |                                 |
|   | 8    |                                |                                 |
| <b>TOTAL EQUITY AND LIABILITIES</b>         |      | <b>435,384,062</b>             | <b>421,613,639</b>              |

The annexed notes 1 to 18 form an integral part of this consolidated condensed interim financial information.

Inam ur Rahman  
Chief Executive

Mohammad Shamoon Chaudry  
Chief Financial Officer

Shabbir Hussain Hashmi  
Director

**DAWOOD HERCULES CORPORATION LIMITED**  
**CONSOLIDATED CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UNAUDITED)**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2019**

(Amounts in thousand except for earnings per share)

|  |      | Three months ended |                   |
|--|------|--------------------|-------------------|
|  |      | March 31,<br>2019  | March 31,<br>2018 |
|  | Note | -----Rupees-----   |                   |
| Net sales  |      | 40,647,358         | 33,524,875        |
| Cost of sales                                    |      | (28,645,147)       | (21,966,894)      |
| <b>Gross profit</b>                              |      | 12,002,211         | 11,557,981        |
| Selling and distribution expenses                |      | (1,740,448)        | (1,839,444)       |
| Administrative expenses                          |      | (1,498,633)        | (1,001,374)       |
|  |      | 8,763,130          | 8,717,163         |
| Other income                                     |      | 2,953,054          | 14,099,151        |
| Other operating expenses                         |      | (701,896)          | (597,643)         |
| Finance cost                                     |      | (1,819,145)        | (1,372,491)       |
| Share of income from associates & joint ventures |      | 409,732            | 416,051           |
| <b>Profit before taxation</b>                    |      | 9,604,875          | 21,262,231        |
| Taxation   |      | (2,930,948)        | (3,399,493)       |
| <b>Profit for the period</b>                     |      | 6,673,927          | 17,862,738        |
| Profit attributable to:                          |      |                    |                   |
| - Owners of the Holding Company                  |      | 1,601,515          | 12,586,253        |
| - Non-controlling interest                       |      | 5,072,412          | 5,276,485         |
|  |      | 6,673,927          | 17,862,738        |
| Earnings per share - basic and diluted           | 9    | 3.33               | 26.15             |

The annexed notes 1 to 18 form an integral part of this consolidated condensed interim financial information.

**Inam ur Rahman**  
**Chief Executive**

**Mohammad Shamoon Chaudry**  
**Chief Financial Officer**

**Shabbir Hussain Hashmi**  
**Director**

**DAWOOD HERCULES CORPORATION LIMITED**  
**CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE**  
**INCOME (UNAUDITED)**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2019**

(Amounts in thousand)

|  | <b>Three months ended</b> |                           |
|--|---------------------------|---------------------------|
|  | <b>March 31,<br/>2019</b> | <b>March 31,<br/>2018</b> |
|  | <b>-----Rupees-----</b>   |                           |
| <b>Profit for the period</b>   | 6,673,927                 | 17,862,738                |
| <b>Other comprehensive income</b>  |                           |                           |
| <b>Items that may be reclassified subsequently to profit or loss</b>             |                           |                           |
| <b>Hedging reserve - cash flow hedges</b>  |                           |                           |
| - Losses arising during the period   | -                         | 18,300                    |
| - Reclassification adjustments for losses included in profit or loss             | (215)                     | 407                       |
| - Adjustments for amounts transferred to initial carrying amount of hedged items | -                         | -                         |
|  | (215)                     | 18,707                    |
| <b>Share of other comprehensive income of associate</b>                          | -                         | -                         |
| <b>Revaluation reserve on business combination</b>                               | (5,250)                   | (5,250)                   |
| <b>Exchange differences on translation of foreign operations</b>                 | 30,621                    | 82,333                    |
|  | 25,371                    | 77,083                    |
| <b>Income tax relating to:</b>   |                           |                           |
| - Hedging reserve - cash flow hedges   | -                         | -                         |
| - Revaluation reserve on business combination                                    | 1,680                     | 1,680                     |
|  | 1,680                     | 1,680                     |
|  | 26,836                    | 97,470                    |
| <b>Total Comprehensive income for the period</b>                                 | <b>6,700,763</b>          | <b>17,960,208</b>         |
| <b>Total comprehensive income attributable to:</b>                               |                           |                           |
| - Owners of the Holding Company  | 1,608,383                 | 12,610,898                |
| - Non-controlling interest   | 5,092,380                 | 5,349,310                 |
|  | <b>6,700,763</b>          | <b>17,960,208</b>         |

The annexed notes 1 to 18 form an integral part of this consolidated condensed interim financial information.

**Inam ur Rahman**  
**Chief Executive**

**Mohammad Shamoon Chaudry**  
**Chief Financial Officer**

**Shabbir Hussain Hashmi**  
**Director**

DAWOOD HERCULES CORPORATION LIMITED  
CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY  
FOR THE THREE MONTHS ENDED MARCH 31, 2019

(Amounts in thousand)

|   | Attributable to owners of the Holding Company |   |                     |                              |                 |                 |                        |   |           |                          |             |             |
|---|---|---|---------------------|------------------------------|-----------------|-----------------|------------------------|---|-----------|--------------------------|-------------|-------------|
|   | Share capital                                 | Capital reserves                            | Revenue reserves    |                              |                 |                 |                        | Remeasurement of post employment benefits - Actuarial gain / (loss) | Sub total | Non-controlling interest | Total       |             |
|   |   | Revaluation reserve on business combination | Maintenance reserve | Exchange revaluation reserve | Hedging reserve | General reserve | Un-appropriated profit | Share of other comprehensive income of associates                   |           |                          |             |             |
| -----Rupees-----  |   |   |                     |                              |                 |                 |                        |   |           |                          |             |             |
| Balance as at December 31, 2017 (audited)/ January 01. 2018                               | 4,812,871                                     | 13,059                                      | 60,117              | 30,888                       | (27,341)        | 700,000         | 49,756,284             | -   | (29,265)  | 55,316,613               | 122,148,275 | 177,464,888 |
| Total comprehensive income / (loss) for the three months ended March 31, 2018 (unaudited) |   |   |                     |                              |                 |                 |                        |   |           |                          |             |             |
| Profit for the period   | -   | -   | -                   | -                            | -               | -               | 12,586,253             |   | -         | 12,586,253               | 5,276,485   | 17,862,738  |
| Other comprehensive income  | -   | (949)                                       | -                   | 20,797                       | 4,797           | -               | -                      | -   | -         | 24,645                   | 72,825      | 97,470      |
|   | -   | (949)                                       | -                   | 20,797                       | 4,797           | -               | 12,586,253             | -   | -         | 12,610,898               | 5,349,310   | 17,960,208  |
| Transaction with owners   |   |   |                     |                              |                 |                 |                        |   |           |                          |             |             |
| Dividend by subsidiary company allocable to non controlling interest                      | -   | -   | -                   | -                            | -               | -               | -                      | -   | -         | -                        | (2,135,437) | (2,135,437) |
| Shares issuance cost  | -   | -   | -                   | -                            | -               | -               | (2,079)                | -   | -         | (2,079)                  | (18,376)    | (20,455)    |
|   | -   | -   | -                   | -                            | -               | -               | (2,079)                | -   | -         | (2,079)                  | (2,153,813) | (2,155,892) |
| Balance as at March 31, 2018 (unaudited)  | 4,812,871                                     | 12,110                                      | 60,117              | 51,685                       | (22,544)        | 700,000         | 62,340,458             | -   | (29,265)  | 67,925,432               | 125,343,772 | 193,269,204 |
| Balance December 31, 2018 (audited) / January 01, 2019                                    | 4,812,871                                     | 9,261                                       | 60,117              | 147,583                      | (10,980)        | 700,000         | 61,197,392             | -   | (30,023)  | 66,886,221               | 134,856,918 | 201,743,139 |
| Total Comprehensive income /(loss) for the three months ended March 31, 2019 (unaudited)  |   |   |                     |                              |                 |                 |                        |   |           |                          |             |             |
| Profit for the period   | -   | -   | -                   | -                            | -               | -               | 1,601,515              | -   | -         | 1,601,515                | 5,072,412   | 6,673,927   |
| Other comprehensive income  | -   | (949)                                       | -                   | 7,872                        | (55)            | -               | -                      | -   | -         | 6,868                    | 19,968      | 26,836      |
|   | -   | (949)                                       | -                   | 7,872                        | (55)            | -               | 1,601,515              | -   | -         | 1,608,383                | 5,092,380   | 6,700,763   |
| Transaction with owners   |   |   |                     |                              |                 |                 |                        |   |           | -                        | -           |             |
| Dividend by subsidiaries allocable to Non-Controlling interest                            | -   | -   | -                   | -                            | -               | -               | -                      | -   | -         | -                        | (2,421,654) | (2,421,654) |
| Issuance of right shares of subsidiary company (note 6)                                   | -   | -   | -                   | -                            | -               | -               | (2,612)                | -   | -         | (2,612)                  | 2,611,481   | 2,608,869   |
|   | -   | -   |                     | -                            | -               | -               | (2,612)                | -   | -         | (2,612)                  | 189,827     | 187,215     |
| Balance as at March 31, 2019  | 4,812,871                                     | 8,312                                       | 60,117              | 155,455                      | (11,035)        | 700,000         | 62,796,295             | -   | (30,023)  | 68,491,992               | 140,139,125 | 208,631,117 |

The annexed notes 1 to 18 form an integral part of this consolidated condensed interim financial information.

Inam ur Rahman  
Chief Executive

Mohammad Shamoon Chaudry  
Chief Financial Officer

Shabbir Hussain Hashmi  
Director

**DAWOOD HERCULES CORPORATION LIMITED**  
**CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2019**

(Amounts in thousand)

|   |    | Three months ended |                   |
|---|----|--------------------|-------------------|
|   |    | March 31,<br>2019  | March 31,<br>2018 |
| Note  |    |                    |                   |
| -----Rupees-----                            |    |                    |                   |
| <b>Cash flows from operating activities</b> |    |                    |                   |
|   | 10 | 13,591,284         | 10,123,020        |
|   |    | (160,183)          | (125,317)         |
|   |    | (1,202,721)        | (1,462,958)       |
|   |    | (2,039,446)        | (653,548)         |
|   |    | (43,769)           | 20,156            |
|   |    | 10,145,165         | 7,901,353         |
| <b>Cash flows from investing activities</b> |    |                    |                   |
|   |    | (5,237,164)        | (4,621,490)       |
|   |    | 49,322             | 804               |
|   |    | -                  | 18,141,820        |
|   |    | 2,754,201          | 1,083,881         |
|   |    | (185,904)          | -                 |
|   |    | 8,887,577          | 6,939,710         |
|   |    | 270,000            | 483,873           |
|   |    | 6,538,032          | 22,028,598        |
| <b>Cash flows from financing activities</b> |    |                    |                   |
|   |    | 4,071,540          | 3,055,009         |
|   |    | 2,629,032          | -                 |
|   |    | (20,163)           | (20,455)          |
|   |    | (4,271)            | (10,645)          |
|   |    | (30,027)           | -                 |
|   |    | 6,646,111          | 3,023,909         |
|   |    | 23,329,308         | 32,953,860        |
|   |    | 93,371,304         | 42,863,608        |
|   | 11 | 116,700,612        | 75,817,468        |

The annexed notes 1 to 18 form an integral part of this consolidated condensed interim financial information.

**Inam ur Rahman**  
**Chief Executive**

**Mohammad Shamooun Chaudry**  
**Chief Financial Officer**

**Shabbir Hussain Hashmi**  
**Director**

**DAWOOD HERCULES CORPORATION LIMITED**  
**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2019**

(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 Act, 2017) (the Act) and its shares are quoted on Pakistan Stock Exchange Limited (the PSX). The principal activity of the Company is to manage investments including 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 |       |
|-----------------------------------|------------------------|-------|
|                                   | 2019                   | 2018  |
| - Engro Corporation Limited (ECL) | 37.22                  | 37.22 |

**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,<br>2019      | December 31,<br>2018 |
| - Engro Energy Limited<br>(Formerly Engro Powergen Limited) | 100                    | 100                  |
| - Engro Eximp Agriproducts (Private) Limited                | 100                    | 100                  |
| - Elengy Terminal Pakistan Limited                          | 56                     | 56                   |
| - Engro Fertilizers Limited                                 | 56.27                  | 56.27                |
| - Engro Polymer and Chemicals Limited                       | 56.19                  | 56.19                |
| - Engro Infiniti (Private) Limited                          | 100                    | 100                  |
| <b>Joint Venture Company:</b>                               |                        |                      |
| - Engro Vopak Terminal Limited                              | 50                     | 50                   |
| <b>Associated Company:</b>                                  |                        |                      |
| - Engro Foods Limited                                       | 39.9                   | 39.9                 |

**2. BASIS FOR PREPARATION**

**2.1** These consolidated condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standards (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017: and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

**2.2** The preparation of these consolidated condensed interim financial statements 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 these consolidated condensed interim financial statements, the significant judgements 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, 2018.

- 2.4 These consolidated condensed interim financial statements do not include all the information required for consolidated annual financial statements and therefore should be read in conjunction with the audited consolidated annual financial statements of the Group for the year ended December 31, 2018.

### 3. BASIS OF CONSOLIDATION

- 3.1 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.
- 3.2 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.
- 3.3 The Group's interest in jointly controlled and associated entities, Engro Vopak Terminal Limited, Sindh Engro Coal Mining Company Limited, GEL Utility Limited and Engro Foods Limited has been accounted for using the equity method.

### 4. ACCOUNTING POLICIES

- 4.1 The significant accounting policies adopted in the preparation of these consolidated condensed interim financial statements are the same as those applied in the preparation of audited annual consolidated financial statements of the Group for the year ended December 31, 2018.
- 4.2 There are certain new International Financial Reporting Standards (IFRS) and amendments and interpretations to published IFRS that are mandatory for the financial year beginning on January 1, 2019, as mentioned below:
- IFRS 15 'Revenue from contracts with customers'
  - IFRS 16 'Leases'

Based on the Group's assessment, there is no significant impact of the application of new IFRS on these consolidated condensed interim financial statements.

Further, IFRS 9 'Financial Instruments' also became applicable from January 1, 2019, however Securities and Exchange Commission of Pakistan through its S.R.O. No. 229 (1)/2019 dated February 14, 2019 has deferred application of the IFRS 9 till June 30, 2019. Accordingly, these condensed interim financial statements does not include the impacts of the aforementioned changes.

- 4.3 Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

|   | Unaudited<br>March 31<br>2019 | Audited<br>December 31,<br>2018 |
|---|-------------------------------|---------------------------------|
|   | ------(Rupees)-----           |                                 |
| 5. <b>PROPERTY, PLANT AND EQUIPMENT</b>                 |                               |                                 |
| Operating assets, at net book value                     | 103,862,636                   | 105,275,905                     |
| Capital work in progress - Expansion and other projects | 105,574,865                   | 98,326,481                      |
| Capital spares and standby equipments                   | 1,052,961                     | 943,599                         |
|   | 210,490,462                   | 204,545,985                     |

- 5.1 Additions to operating assets during the period are as follows:

|  | Unaudited<br>March 31<br>2019 | Audited<br>December 31,<br>2018 |
|--|-------------------------------|---------------------------------|
|  | ------(Rupees)-----           |                                 |
| Land   | 232,428                       | 26,938                          |
| Plant and machinery                          | 268,792                       | 6,284,288                       |
| Building and civil works including pipelines | 3,652                         | 153,748                         |
| Furniture, fixture and equipment             | 147,136                       | 637,691                         |
| Catalyst                                     | -                             | 213,900                         |
| Vehicles                                     | 37,890                        | 259,665                         |
| Jetty  | -                             | 6,133                           |
| Dredging                                     | -                             | 116,758                         |
|  | 689,898                       | 7,699,121                       |

- 5.2 During the period, assets costing Rs. 45,504 (December 31, 2018: Rs. 125,839), having net book value of Rs. 864 (December 31, 2018: Rs. 23,917) were disposed / written-off for Rs. 49,322 (December 31, 2018: 45,501).

## 6. NON - CONTROLLING INTEREST

During the period, Engro Powergen Thar (Private) Limited (EPTL), subsidiary of EEL, has issued 123,593,943 fully paid preference shares of Rs. 10 each as fully paid right shares. These preference shares are cumulative, non-redeemable, non-convertible, non-participatory, non-voting and carry dividend at the rate of 11% US Dollars Internal Rate of Return (IRR). These preference shares have been classified in equity as per the requirements of the Companies Act, 2017.

Under the Articles of Association of EPTL, the dividend in respect of preference shares shall be paid, only if in any half financial year;

- EPTL has made a profit after tax;
- any and all losses incurred by EPTL have been fully recouped; and
- the Board of Directors has made a good faith determination setting aside out of the available profits for distribution, a sum for EPTL's investment and other cash needs over the next two financial half-years.

In addition, there would be no payment of dividend before the commencement of commercial operations. As per the arrangement with the preference shareholder, coupon rate will be determined after Commercial Operation Date such that the preference shareholder gets 11% IRR in US Dollar terms over the term of investment. If no adjustment is made in preference shares coupon and 11% annual return is assumed on preference shares from the date of investment, the cumulative dividend on preference shares as on March 31, 2019 amounts to Rs. 2,752,354 (December 31, 2018: Rs. 2,484,685) which has not been recognized in these consolidated condensed interim financial statements.

## 7. BORROWINGS

7.1 During the period, Engro Polymer and Chemicals Limited (EPCL), a subsidiary company, has reprofiled its debt structure through issuance of sukuk bonds of Rs. 8,750,000. These bonds carry a quarterly rental rate of 3 months KIBOR + 0.9% and are repayable over a period of 7.5 years.

7.2 During the period, EPTL has made further draw downs aggregating to Rs. 3,630,000.

7.3 During the period, principal repayments of long term loan from a bank and subordinated sukuk aggregating to Rs. 660,000 were made by Engro Fertilizers Limited (EFERT), a subsidiary company.

## 8. CONTINGENCIES AND COMMITMENTS

### 8.1 Contingencies

Significant changes in the status of contingencies and commitments reported in the annual financial statements for the year ended December 31, 2018 are as follows :

8.1.1 During the period, EEL furnished 10 bank guarantees amounting to USD 50 each, to Baluchistan Power Development Board to acquire Letter of Intents / development rights for 50MW x 10 project sites located in Chagai corridor (area of Baluchistan). These gurantees shall expire in February 2021.

### 8.2 Commitments

8.2.1 Commitments in respect of capital expenditure contracted but not incurred amount to Rs. 23,355,386 (2018: Rs. 23,026,122).

8.2.2 The HoldingCompany has entered into lease agreement for renting of premises for Lahore office on August 2015 for a period of seven years, expiring on September 2022.The agreement is revocable by either party through prior notice of at least 6 months.

## 9. EARNINGS PER SHARE - BASIC AND DILUTED

|  | ------(Unaudited)-----        |                   |
|--|-------------------------------|-------------------|
|  | Three months ended            |                   |
|  | March 31,<br>2019             | March 31,<br>2018 |
|  | -----Rupees-----              |                   |
| There is no dilutive effect on the basic earnings per share of the Group, which is based on: |                               |                   |
| Profit after taxation (attributable to the owners of the Holding Company)                    | 1,601,515                     | 12,586,253        |
|  | -----Number in thousands----- |                   |
| Weighted average number of ordinary shares   | 481,287                       | 481,287           |



(Amounts in thousand)

|             |   | ------(Unaudited)----- |                    |
|-------------|---|------------------------|--------------------|
|             |   | Three months ended     |                    |
|             |   | March 31,              | March 31,          |
|             |   | 2019                   | 2018               |
|             |   | -----Rupees-----       |                    |
| <b>10.</b>  | <b>CASH GENERATED FROM OPERATIONS</b>   |                        |                    |
|             | Profit before taxation  | 9,604,875              | 21,262,231         |
|             | Adjustment for non-cash charges and other items:  |                        |                    |
|             | Depreciation and amortization   | 2,046,156              | 1,863,656          |
|             | Gain on disposal / write off of property, plant and equipment   | (18,628)               | (529)              |
|             | Provision for retirement and other service benefits   | 91,723                 | 58,388             |
|             | Gain on disposal of investment  | -                      | (11,530,352)       |
|             | Income on deposits / other financial assets   | (2,710,076)            | (1,182,613)        |
|             | Share of income from joint venture and associated companies   | (409,732)              | (416,051)          |
|             | Dividend income   | (5,480)                | (258,873)          |
|             | Finance cost  | 1,705,725              | 1,339,700          |
|             | Unrealised gain on remeasurment of investment classified<br>as financial assets at fair value through profit or loss  | (17,902)               |                    |
|             | (Gain) / Loss on foreign currency translations  | 105,495                | 354,242            |
|             | Working capital changes (note 10.1)   | 3,199,128              | (1,366,779)        |
|             |   | <u>13,591,284</u>      | <u>10,123,020</u>  |
| <b>10.1</b> | <b>Working capital changes</b>  |                        |                    |
|             | (Increase) / decrease in current assets   |                        |                    |
|             | - Stores, spares and loose tools  | (39,895)               | (288,452)          |
|             | - Stock-in-trade  | (1,134,853)            | (39,574)           |
|             | - Trade debts   | 3,437,715              | 2,390,040          |
|             | - Loans, advances, deposits and prepayments   | 286,604                | 81,721             |
|             | - Other receivables - net   | 808,818                | (620,825)          |
|             |   | <u>3,358,389</u>       | <u>1,522,910</u>   |
|             | Decrease in current liabilities   |                        |                    |
|             | - Trade and other payables, including other service benefits - net  | (159,261)              | (2,889,689)        |
|             |   | <u>3,199,128</u>       | <u>(1,366,779)</u> |
| <b>11.</b>  | <b>CASH AND CASH EQUIVALENTS</b>  |                        |                    |
|             | Cash and bank balances  | 16,742,721             | 9,552,646          |
|             | Short term investments  | 104,265,010            | 71,451,644         |
|             | Short term borrowings   | (4,307,119)            | (5,186,822)        |
|             |   | <u>116,700,612</u>     | <u>75,817,468</u>  |
| <b>12.</b>  | <b>FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS</b>  |                        |                    |
| <b>12.1</b> | <b>Financial risk factors</b>   |                        |                    |
|             | The Group's activities expose it to a variety of financial risks including market risk, currency risk, interest rate risk, other price risk, credit risk and liquidity risk.  |                        |                    |
|             | There have been no changes in the risk management policies during the period, consequently these condensed interim financial statements does not include all the financial risk management information and disclosures required in the annual financial statements. |                        |                    |
| <b>12.2</b> | <b>Fair value estimation</b>  |                        |                    |
|             | 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)   |                        |                    |
|             | - Inputs for the asset or liability that are not based on observable market data (level 3)  |                        |                    |

|  |                  |                   |                |                   |
|--|------------------|-------------------|----------------|-------------------|
|  | 5                |                   |                |                   |
|  | <b>Level 1</b>   | <b>Level 2</b>    | <b>Level 3</b> | <b>Total</b>      |
| <b>Assets</b>  | <b>Rupees</b>    |                   |                |                   |
| Financial assets at fair value through profit and loss | <u>3,495,244</u> | <u>66,624,201</u> | <u>-</u>       | <u>70,119,445</u> |
| Held to maturity                                       | <u>-</u>         | <u>26,184,847</u> | <u>-</u>       | <u>26,184,847</u> |
| <b>Liabilities</b>                                     |                  |                   |                |                   |
| Derivatives  |                  |                   |                |                   |
| - Derivative financial instruments                     | <u>-</u>         | <u>11,869,996</u> | <u>-</u>       | <u>11,869,996</u> |

There were no transfers amongst the levels during the period. Further, there were no changes in the valuation techniques during the period.

- Level 1 fair valued instruments comprise mutual fund units.
- Level 2 fair valued instruments comprise treasury bills and fixed income placements which are valued using discounted cash flow model.
- The carrying value of all financial assets and liabilities reflected in these consolidated condensed interim financial statements approximate their fair value.

### 13. TRANSACTIONS WITH RELATED PARTIES

Related party comprise, 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 these consolidated condensed interim financial statements, are as follows:

|   |                               |                  |
|---|-------------------------------|------------------|
|   | <b>------(Unaudited)-----</b> |                  |
|   | <b>Three months ended</b>     |                  |
|   | <b>March 31,</b>              | <b>March 31,</b> |
|   | <b>2019</b>                   | <b>2018</b>      |
|   | <b>-----Rupees-----</b>       |                  |
| <b>Associated companies and joint ventures</b>            |                               |                  |
| Purchases and services                                    | 1,818,431                     | 3,496,520        |
| Services rendered / sale of goods                         | 4,244                         | 2,199            |
| Dividends received  | 270,000                       | 483,873          |
| Interest on borrowing                                     | 364,076                       | 12,353           |
| Reimbursements from associates                            | 13,204                        | 5,288            |
| Reimbursements to associates                              | 144,305                       | 108,906          |
| Loan received   | 14,373,880                    | -                |
| Bank charges / interest on deposit                        | -                             | 14               |
| Share capital issued                                      | 2,478,277                     | 2,102,770        |
| Donations   | 15,895                        | -                |
| Membership fee and other subscriptions                    | -                             | 1,000            |
| <b>Key Management Personnel</b>                           |                               |                  |
| Remuneration paid to key management personnel / directors | 472,446                       | 354,922          |
| Reimbursements to key management personnel                | 25,906                        | 296              |
| Profit on Engro Rupiya Certificates                       | 9,700                         | 9,784            |
| Directors' fees   | 52,600                        | 22,457           |
| <b>Contribution for retirement benefits</b>               | 194,640                       | 150,929          |

## 14. 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.

### 14.1 Type of segments Nature of business

|                  |  |
|------------------|--|
| Fertilizer       | Manufacture, purchase and market fertilizers.  |
| Polymer          | Manufacture, market and sell Poly Vinyl Chloride (PVC), PVC compounds, Caustic Soda and related chemicals. |
| Food             | Manufacture, process and trade all kinds of raw and processed agricultural products.                       |
| Power and mining | Includes Independent Power Projects (IPP).   |
| Other operations | Includes chemical terminal & storage services.   |

### 14.2 Information regarding the Group's operating segment is as follows:

|                                | ------(Unaudited)-----           |                                   |
|--------------------------------|----------------------------------|-----------------------------------|
|                                | Three months ended               |                                   |
|                                | March 31,<br>2019                | March 31,<br>2018                 |
|                                | -----Rupees-----                 |                                   |
| <b>Revenue</b>                 |                                  |                                   |
| Fertilizer                     | 23,652,452                       | 18,218,879                        |
| Polymer                        | 9,343,634                        | 8,687,202                         |
| Food                           | 760,036                          | 957,923                           |
| Power and mining               | 3,378,457                        | 2,856,578                         |
| Other operations               | 7,178,355                        | 5,832,884                         |
| Elimination - net              | (3,665,576)                      | (3,028,591)                       |
| Consolidated                   | <u>40,647,358</u>                | <u>33,524,875</u>                 |
| <b>Profit for the period</b>   |                                  |                                   |
| Fertilizer                     | 4,006,815                        | 3,889,595                         |
| Polymer                        | 1,094,158                        | 1,448,109                         |
| Food                           | 39,467                           | 126,348                           |
| Power and mining               | 539,272                          | 426,173                           |
| Other operations               | 4,762,895                        | 7,514,729                         |
| Elimination / adjustment - net | (3,768,680)                      | 4,457,784                         |
| Consolidated                   | <u>6,673,927</u>                 | <u>17,862,738</u>                 |
|                                | (Unaudited)<br>March 31,<br>2019 | (Audited)<br>December 31,<br>2018 |
|                                | -----Rupees-----                 |                                   |
| <b>Assets</b>                  |                                  |                                   |
| Fertilizer                     | 120,750,842                      | 117,721,049                       |
| Polymer                        | 38,044,433                       | 36,023,287                        |
| Food                           | 31,701,780                       | 31,554,174                        |
| Power and mining               | 141,317,566                      | 133,172,457                       |
| Other operations               | 160,578,787                      | 156,246,355                       |
| Elimination - net              | (57,009,346)                     | (53,103,683)                      |
| Consolidated                   | <u>435,384,062</u>               | <u>421,613,639</u>                |

**15. SEASONALITY**

- 15.1 The Group's fertilizer business is subject to seasonal fluctuations as a result of two different farming seasons viz, Rabi (from October to March) and Kharif (from April to September). On an average fertilizer sales are more tilted towards Rabi season. The Group manages seasonality in the business through appropriate inventory management.
- 15.2 The Group's agri business is subject to seasonal fluctuation as majority of paddy / unprocessed rice is procured during the last quarter of the year which is the harvesting period for all rice varieties grown in Pakistan. However, rice is sold evenly throughout the year. The Group manages seasonality in the business through appropriate inventory management.

**16. NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE**

- 16.1 The Board of Directors of the Holding Company in its meeting held on February 20, 2019 had proposed a final cash dividend of Rs. 4.00 per share for the year ended December 31, 2018 amounting to Rs. 1,925,148 for approval of the members at the Annual General Meeting (AGM) to be held on April 27, 2019. The effect of this has not been incorporated in this consolidated condensed interim financial information.
- 16.2 The Board of Directors of Engro Vopak Terminal Limited, a joint venture company, in its meeting held on April 12, 2019 has declared dividend of Rs 6.00 per share for the year ending December 31, 2019. These consolidated condensed interim financial statements does not include the effect of the said interim dividend.
- 16.3 The Board of Directors of the Holding Company in its meeting held on April 27, 2019 has approved an interim cash dividend of Rs. 5 per share for the year ending December 31, 2019 (2018: Nil). This consolidated condensed interim financial information does not include the effect of the said interim dividend.

**17. CORRESPONDING FIGURES**

- 17.1 Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison, the effects of which are not material.
- 17.2 In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the consolidated condensed interim statement of financial position has been compared with the balances of annual consolidated financial statements of preceding financial year, whereas the consolidated condensed interim profit or loss account, consolidated condensed interim statement of comprehensive income, consolidated condensed interim statement of changes in equity and consolidated condensed interim statement of cash flows have been compared with the balances of comparable period of immediately preceding financial year.

**18. DATE OF AUTHORIZATION**

This consolidated condensed interim financial information is authorized for issue on April 27, 2019 by the Board of Directors of the Holding Company.

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**Inam ur Rahman**  
Chief Executive

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**Mohammad Shamooun Chaudry**  
Chief Financial Officer

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**Shabbir Hussain Hashmi**  
Director

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