DH CORPORATION

HALF YEARLY ACCOUNTS (un-audited)
for the six months and quarter ended June 30, 2019

CONTENTS

Company Information	3
Directors' Review Report	4
Directors' Review Report (Urdu)	6
Auditors' report to the members on review of unconsolidated condensed interim financial statements	8
Unconsolidated condensed interim financial statements	9 – 24
Consolidated condensed interim financial statements	25 – 42

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 and half year ended June 30, 2019.

The Company continued to build its investment portfolio in shares of blue-chip listed companies on the Pakistan Stock Exchange as per the limits approved by the Board of Directors. The market stayed bearish on the back of a tough economic environment, registering a drop of about 10% during HY 2019.

The Company performing better than the market because of prudent investments, resulting in a minor unrealized loss. After including dividends from the investee companies received during the period, the portfolio yielded a positive return of 0.5%. The Company continues to actively explore other investment opportunities.

Interest rates were increased by the State Bank to 13.25%. Historically such a move has shown funds shifting to the money market. We believe that the rates are reaching their peak and the Company therefore we have ventured cautiously in the longer-term government debt securities by investing part of cash liquidity in 3-year PIBs. The balance of the funds remained 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 revenue for 1H 2019 witnessed a growth of 20% over similar period last year, closing at PKR 85,989 million, on the back of fertilizers and petrochemicals performance. Excluding the one time recording of capital gain from sale of HUBCO investments from last year's earnings, the consolidated profit for the period was PKR 11,138 million. This was 7% higher than last year. Consolidated earnings per share were PKR 4.60 for first half 2019.

On standalone basis, the profit after tax was PKR 1,548 million against PKR 4,262 million for the similar period last year, which included the one time recording of capital gain from the sale of HUBCO investments. Earnings per share for the period was PKR 3.22 per share.

Our investment in Engro is maintaining its growth. Engro's Board has approved the commencement of a feasibility study of a polypropylene facility based on a propane dehydrogenation plant. Telecommunication Infrastructure is another important vertical for Engro. Enfrashare (Private) Limited, a wholly owned subsidiary, will create business opportunities in this vertical and accelerate development of the country's connectivity infrastructure providing an opportunity for people to be part of the new digital era. Engro, subsequent to the half-year end, acquired Engro Eximp FZE (UAE) from Engro Fertilizers Limited against a consideration of Rs 2 billion. This acquisition will enable Engro to explore various potential trading opportunities.

FUTURE OUTLOOK

The Company believes, that Pakistan's economy will continue with its challenges over the next 1-2 years and will start to turn around subsequently. Accordingly, we believe that Pakistan's stock market will remain depressed. The investment thesis for the portfolio built by the Company envisaged an investment horizon of 2-3 years. We maintain this view and accordingly will continue to hold the portfolio for this duration.

We also believe that the interest rates may be reaching their peak with the possibility of a slight increase over the next 3 months. In line with this expectation, the Company is evaluating further investment of the liquid funds in longer term government debt.

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. It is also thankful to the management and employees for their sincere contribution towards the growth and prosperity of the company.

Inam ur Rahman	**Shabbir Hussain Hashmi**
Chief Executive	**Director**

Dated: 21st August 2019

کمپنی انفرادی طور پر اور اپنی ذیلی کمپنی اینگرو کارپوریشن لمیٹڈ کے ذریعے نئے کاروباری مواقع کی تلاش کا سلسلہ جاری رکھے گی۔ ہمارا اصل ہدف طویل المدت شیئر ہولڈرز قدر میں اضافہ اور ساتھ ہی ملک اور ملکی معیشت کو درپیش چیلنجز کو مدنظر رکھنا بھی ہے۔

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

شبیر حسین ہاشمی
ڈائریکٹر

انعام الرحمٰن
چیف ایگزیکٹو
کراچی، 21 اگست 2019

ڈائریکٹرز جائزہ رپورٹ

کمپنی کے ڈائریکٹرز نہایت مسرت کے ساتھ 30 جون 2019 کو ختم ہونے والی سہ ماہی اور ششماہی 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۔

کمپنی نے بورڈ آف ڈائریکٹرز کی جانب سے مقررہ حد کے اندر، پاکستان اسٹاک ایکسچینج میں لسٹڈ بلو چپ کمپنیوں میں اپنی سرمایہ کاری کو بہتر بنانے کا عمل جاری رکھا۔ توقعات کے مطابق مارکیٹ میں مندی کا رجحان جاری رہا، یعنی 2019 کی ششماہی تک 10 فیصد کمی۔

کمپنی کی کارکردگی مارکیٹ سے بہتر رہی جس کی وجہ کمپنی کی جانب سے محتاط سرمایہ کاری ہے۔ کمپنی نے احتیاط سے اور بتدریج اپنا پورٹ فولیو بڑھایا ہے، جس کے نتیجے میں کمپنی کو معمولی نقصان کا سامنا کرنا پڑا ہے۔ تاہم سرمایہ کار کمپنیوں کی جانب سے ڈیویڈنڈز سمیت اسی مدت میں ہونے والا منافع 0.5% رہا۔ اس کے ساتھ ساتھ کمپنی سرگرمی سے سرمایہ کاری کے دیگر مواقع کی تلاش میں بھی مصروف رہی ہے۔

اسٹیٹ بینک کی جانب سے شرح سود کو بڑھا کر 13.25 فیصد تک کر دیا گیا، تاریخی طور پر ایسے اقدامات سے فنڈز کی مالیاتی مارکیٹ میں منتقلی نظر آتی ہے۔ ہمیں یقین ہے کہ یہ ریٹس بلند ترین سطح پر پہنچ رہے ہیں۔ اس کے پیش نظر کمپنی نے طویل المدت حکومتی ڈیٹ سیکیوریٹیز میں احتیاط سے سرمایہ کاری کی اور تین سالہ PIBs میں نقد سرمایہ کاری کی۔ پالیسی ریٹس میں ہونے والے کسی اضافے سے فائدہ اٹھانے کیلئے بیلنس فنڈز کی مختصر المدت سرمایہ کاری کی گئی۔ اس سے ہمیں ہمارے قرضہ جات کی فلوٹنگ شرح سود کا بہتر اور مؤثر انتظام کرنے کا موقع ملا۔

مجموعی بنیادوں پر 2019 کی پہلی ششماہی میں گذشتہ سال کی اسی مدت کے مقابلے میں منافع میں 20 فیصد نمود یکھنے میں آئی اور فرٹیلائزرز اور پیٹروکیمیکلز کی مد میں بہتر کارکردگی کی وجہ سے ششماہی کا اختتام 85,989 ملین روپے پر ہوا۔ گذشتہ سال حبکو انویسٹمنٹس کی فروخت سے موصولہ یک بارگی منافع سے قطع نظر اس مدت کا مجموعی منافع 11,138 ملین روپے رہا جو کہ گذشتہ سال کی اسی مدت کے مقابلے میں 7 فیصد زیادہ ہے۔ مجموعی طور پر 2019 کی پہلی ششماہی میں فی شیئر آمدنی 4.60 روپے رہی۔

آزادانہ بنیاد پر کمپنی کا 2019 کی پہلی ششماہی کا منافع بعد از ٹیکس، گذشتہ سال کی اسی مدت کے منافع 4,262 ملین روپے کے مقابلے میں 1,548 ملین روپے رہا۔ جس میں گذشتہ سال کے منافع میں حبکو انویسٹمنٹس کی فروخت کا سرمایہ بھی شامل تھا۔ اس مدت میں فی شیئر منافع 3.22 روپے رہا۔

اینگرو میں ہماری سرمایہ کاری مستحکم ہے۔ اینگرو کے بورڈ آف ڈائریکٹرز نے پروپین ڈی ہائیڈروجینیشن پلانٹ کی بنیاد پر پولی پروپلین کی سہولت کی فزیبلیٹی اسٹڈی کے اجراء کی منظوری دے دی ہے۔ اس کے علاوہ ٹیلی کمیونیکیشن انفرااسٹرکچر اینگرو کیلئے ایک اور اہم عمود ہے۔ انفرا شیئر (پرائیوٹ) لمیٹڈ، جو کہ مکمل طور پر اینگرو کا ذیلی ادارہ ہے، اس کاروبار کیلئے نئے مواقع تلاش کرے گا، اور اس طرح ملک بھر کیلئے کنکٹیوٹی انفرااسٹرکچر کی تیاری کے ذریعے لوگوں کو اس نئے ڈیجیٹل دور کا حصہ بننے کا موقع فراہم کرے گا۔ اینگرو نے رواں سال کی پہلی ششماہی کے اختتام تک اینگرو فرٹیلائزرز لمیٹڈ سے ایگزمپ FZE (یو اے ای) 2 بلین روپے کے عوض حاصل کیا۔ اس حصول سے اینگرو کو نئے تجارتی مواقع تلاش کرنے میں مدد ملے گی۔

مستقبل کا جائزہ

کمپنی کو یقین ہے کہ پاکستانی معیشت کی موجودہ چیلنجنگ صورتحال آئندہ ایک تا دو برس تک جاری رہے گی اور بتدریج بہتر ہونا شروع ہوگی۔ کہا جا سکتا ہے کہ پاکستان اسٹاک ایکسچینج اسی دباؤ میں رہے گی۔ کمپنی کے سرمایہ کاری پورٹ فولیو کی تعمیر کے طریقہ کار کی وجہ سے آئندہ 2 تا 3 سال کیلئے کمپنی نے سرمایہ کاری کے خطرات پر قابو پالیا ہے۔ اس نقطہ نظر پر قائم رہتے ہوئے ہم اس مدت کے دوران اپنے پورٹ فولیو کو مستحکم رکھیں گے۔

ہمیں یہ بھی یقین ہے کہ شرح سود آئندہ تین ماہ میں معمولی اضافے کے ساتھ اپنی زیادہ سے زیادہ سطح تک پہنچے گا۔ ان توقعات کے پیش نظر کمپنی طویل المدت حکومتی ڈیٹ سیکیوریٹیز میں مزید نقد سرمایہ کاری کا جائزہ لے رہی ہے۔

pwc A·F·FERGUSON&Co.

INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF DAWOOD HERCULES CORPORATION LIMITED
REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

Introduction

We have reviewed the accompanying unconsolidated condensed interim statement of financial position of Dawood Hercules Corporation Limited as at June 30, 2019 and the related unconsolidated condensed interim statement of profit or loss, unconsolidated condensed interim statement of total comprehensive income, unconsolidated condensed interim statement of changes in equity, and unconsolidated condensed interim statement of cash flows, and notes to the financial statements for the six months period then ended (here-in-after referred to as the 'unconsolidated interim financial statements'). Management is responsible for the preparation and presentation of these unconsolidated interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these unconsolidated interim financial statements based on our review.

The figures of the unconsolidated condensed interim statement of profit or loss and unconsolidated condensed interim statement of total comprehensive income for the quarters ended June 30, 2019 and June 30, 2018 and the notes forming part thereof have not been reviewed, as we are required to review only the cumulative figures for the six months period ended June 30, 2019.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unconsolidated interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the review resulting in this independent auditor's review report is Khurshid Hasan.

AFFerguson & Co

Chartered Accountants Karachi
Dated: August 28, 2019

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>

KARACHI LAHORE ISLAMABAD

DAWOOD HERCULES CORPORATION LIMITED

UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2019

DAWOOD HERCULES CORPORATION LIMITED
UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED)
AS AT JUNE 30, 2019

	Note	June 30, 2019 (Un-audited)	December 31, 2018 (Audited)
		----------(Rupees in '000)----------	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	5	96,970	137,107
Long term investments	6	24,659,889	23,308,927
		24,756,859	23,446,034
CURRENT ASSETS			
Advances, deposits and prepayments		42,860	17,656
Other receivables	7	244,982	1,892,707
Short term investments	8	18,650,095	21,742,180
Cash and bank balances		160,410	235,170
		19,098,347	23,887,713
TOTAL ASSETS		43,855,206	47,333,747
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital		10,000,000	10,000,000
Issued, subscribed and paid up share capital		4,812,871	4,812,871
Revenue reserves		27,365,222	30,151,555
		32,178,093	34,964,426
NON CURRENT LIABILITIES			
Long term financing		8,362,407	9,465,891
Defined benefit liability		7,329	5,749
		8,369,736	9,471,640
CURRENT LIABILITIES			
Current portion of long term financings		2,240,000	1,640,000
Trade and other payables		70,322	372,751
Unclaimed dividend		130,072	107,385
Accrued mark-up		141,710	120,627
Taxation - net		725,273	656,918
		3,307,377	2,897,681
		11,677,113	12,369,321
TOTAL EQUITY AND LIABILITIES		43,855,206	47,333,747
CONTINGENCIES AND COMMITMENTS	9		

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

Inam ur Rahman	**M.Shamoon Chaudry**	**Shabbir Hussain Hashmi**
Chief Executive	**Chief Financial Officer**	**Director**

DAWOOD HERCULES CORPORATION LIMITED
UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED)
FOR THE QUARTER AND SIX MONTHS PERIOD ENDED JUNE 30, 2019

	Note	Quarter ended		Six months period ended	
		June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
		------------------------(Rupees in '000)------------------------			
Return on investments	10	2,475,645	974,863	3,078,367	2,059,846
Administrative expenses		(170,047)	(241,047)	(324,512)	(358,515)
Gross profit		2,305,598	733,816	2,753,855	1,701,331
Other (expense) / income - net	11	(30,049)	336,018	(27,549)	3,542,790
Operating profit		2,275,549	1,069,834	2,726,306	5,244,121
Finance cost		(352,945)	(237,461)	(656,982)	(386,827)
Profit before taxation		1,922,604	832,373	2,069,324	4,857,294
Taxation		(483,986)	(417,983)	(521,706)	(594,819)
Profit after taxation		1,438,618	414,390	1,547,618	4,262,475
Earnings per share (Rupees) - basic and diluted	12	2.99	0.86	3.22	8.86

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

Inam ur Rahman	**M.Shamoon Chaudry**	**Shabbir Hussain Hashmi**
Chief Executive	**Chief Financial Officer**	**Director**

DAWOOD HERCULES CORPORATION LIMITED
UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF TOTAL COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE QUARTER AND SIX MONTHS PERIOD ENDED JUNE 30, 2019

	Quarter ended		Six months period ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	-------------------(Rupees in '000)-------------------			
Profit after taxation	1,438,618	414,390	1,547,618	4,262,475
Other comprehensive income for the period				
Items that will not be reclassified to profit or loss				
Remeasurement of staff retirement benefit liability	(2,367)	-	(2,367)	-
Total comprehensive income for the period	1,436,251	414,390	1,545,251	4,262,475

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

Inam ur Rahman	M.Shamoon Chaudry	Shabbir Hussain Hashmi
Chief Executive	Chief Financial Officer	Director

DAWOOD HERCULES CORPORATION LIMITED
UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2019

	Issued, subscribed and paid up share capital	Revenue reserves			Total
		General reserve	Un-appropriated profit	Sub-total	
	--(Rupees in '000)--				
Balance as at January 1, 2018	4,812,871	700,000	27,253,301	27,953,301	32,766,172
Total comprehensive Income					
Profit for the period	-	-	4,262,475	4,262,475	4,262,475
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	4,262,475	4,262,475	4,262,475
Transaction with owners					
Final cash dividend for the year ended December 31, 2017: 20% (Rs 2 per ordinary share)	-	-	(962,574)	(962,574)	(962,574)
Balance as at June 30, 2018	4,812,871	700,000	30,553,202	31,253,202	36,066,073
Balance as at January 1, 2019	4,812,871	700,000	29,451,555	30,151,555	34,964,426
Total comprehensive Income					
Profit for the period	-	-	1,547,618	1,547,618	1,547,618
Other comprehensive income	-	-	(2,367)	(2,367)	(2,367)
Total comprehensive income for the period	-	-	1,545,251	1,545,251	1,545,251
Transaction with owners					
Final cash dividend for the year ended December 31, 2018: 40% (Rs 4 per ordinary share)	-	-	(1,925,148)	(1,925,148)	(1,925,148)
Interim cash dividend for the year ending December 31, 2019: 50% (Rs 5 per ordinary share)			(2,406,436)	(2,406,436)	(2,406,436)
Balance as at June 30, 2019	4,812,871	700,000	26,665,222	27,365,222	32,178,093

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

Inam ur Rahman	**M.Shamoon Chaudry**	**Shabbir Hussain Hashmi**
Chief Executive	**Chief Financial Officer**	**Director**

DAWOOD HERCULES CORPORATION LIMITED
UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2019

	Note	Six months period ended June 30, 2019	June 30, 2018
		---------(Rupees in '000)---------	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash utilised in operations	13	1,054,714	(751,495)
Finance cost paid		(619,383)	(357,453)
Taxes paid		(453,351)	(364,705)
Staff retirement and other service benefits paid		(1,075)	(2,321)
Net cash utilised in operating activities		(19,095)	(1,475,974)
CASH FLOW FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(10,403)	(12,633)
Profit received from saving accounts and TDRs		440,294	214,895
Interest income received from MCPL		-	29,328
Proceeds from disposal of property, plant and equipment		3,068	4,551
Long term investment made		(1,329,282)	-
Short term investment made		(2,693,167)	(3,000)
Proceeds from disposal of investment - held for sale		-	18,141,820
Proceeds from sale of quoted shares		28,771	-
Proceeds from maturity of T-Bills		688,092	-
Dividends received		1,920,301	1,623,681
Net cash (utilised) / generated from investing activities		(952,326)	19,998,642
CASH FLOW FROM FINANCING ACTIVITIES			
Long term financing repaid		(520,000)	-
Long term financing obtained - net of transaction costs		-	5,935,690
Dividends paid		(4,308,897)	(957,088)
Net cash (utilised in) / generated from financing activities		(4,828,897)	4,978,602
Net increase in cash and cash equivalents during the period		(5,800,318)	23,501,270
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	14	15,931,348	22,488,558

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

Inam ur Rahman	**M.Shamoon Chaudry**	**Shabbir Hussain Hashmi**
Chief Executive	**Chief Financial Officer**	**Director**

DAWOOD HERCULES CORPORATION LIMITED
NOTES TO AND FORMING PART OF THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2019

1. THE COMPANY AND ITS 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 the Companies Act, 2017) and its shares are quoted on Pakistan Stock Exchange (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 Based on the concept of 'control' as stipulated in the International Financial Reporting Standard (IFRS) - 10 'Consolidated Financial Statements', the Company continues to conclude that although the Company has less than 50% voting rights in Engro Corporation Limited (ECL), yet, 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 of Directors, the Company has the ability to exercise control over ECL. Accordingly, the Company is deemed to be the Holding Company of ECL.

1.3 These unconsolidated condensed interim financial statements are the separate financial statements of the Company in which investment in subsidiary has been accounted for at cost less accumulated impairment losses, if any.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 These unconsolidated 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:

(a) International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 (the Act); and

(b) Provisions of and directives issued under the Act.

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

2.2 These unconsolidated condensed interim financial statements should be read in conjunction with the unconsolidated financial statements for the year ended December 31, 2018 as these provide an update of previously reported information.

2.3 These unconsolidated condensed interim financial statements include the unconsolidated condensed interim statement of financial position as at June 30, 2019 and the unconsolidated condensed interim statement of profit or loss, the unconsolidated condensed interim statement of total comprehensive income, the unconsolidated condensed interim statement of changes in equity, the unconsolidated condensed interim statement of cash flows and notes thereto for the six months period then ended which have been subjected to a review but have not been audited. These unconsolidated condensed interim financial statements also include the unconsolidated condensed interim statement of profit or loss and the unconsolidated condensed interim statement of total comprehensive income for the quarter ended June 30, 2019 which were not subjected to review.

2.4 The comparative statement of financial position presented in these unconsolidated condensed interim financial statements as at December 31, 2018 (December 2018 financial statements) has been extracted from the audited unconsolidated financial statements of the Company for the year ended December 31, 2018. The comparative unconsolidated condensed interim statement of profit or loss, unconsolidated condensed interim statement of total comprehensive income, unconsolidated condensed interim statement of changes in equity and unconsolidated condensed interim statement of cash flows for the six months period ended June 30, 2018 have been extracted from the unconsolidated condensed interim financial statements of the Company for the six months period then ended. The comparative condensed interim statement of profit or loss and condensed interim statement of total comprehensive income for the quarter ended June 30, 2018 are also included in these unconsolidated condensed interim financial statements.

2.5 Significant accounting policies

2.5.1 The accounting policies and the methods of computation adopted in the preparation of these unconsolidated condensed interim financial statements are consistent with those applied in the preparation of the December 2018 unconsolidated financial statements, except relating to the matters stated in notes 2.5.2 and 2.5.3 below.

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

2.5.3 Initial application of new standards, amendments and interpretation to accounting and reporting standards which are effective during the period:

There were certain amendments and an interpretation to accounting and reporting standards which became applicable to the Company during the period. However, these do not have any significant impact on the Company’s financial reporting and, therefore, not disclosed in these unconsolidated condensed interim financial statements.

In addition to the above, the following new standards became applicable to the Company during the period:

- IFRS 9 'Financial instruments' – This standard replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. It also includes an expected credit losses model that replaces IAS 39 incurred loss impairment model. On January 1, 2019 (the date of initial application of IFRS 9), the Company's management has assessed which business models apply to the financial assets held by the Company and has classified its financial instruments into the appropriate IFRS 9 categories. As a result of the application of IFRS 9, the financial assets previously classified as 'loans and receivables' and 'held to maturity' have now been classified as 'amortised cost'.

- IFRS 15 'Revenue from contracts with customers' – This standard introduces a single five-step model for revenue recognition with a comprehensive framework based on core principle that an entity should recognise revenue representing the transfer of promised goods or services under separate performance obligations under the contract to customer at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 replaces the previous revenue standards: IAS 18 Revenue, IAS 11 Construction Contracts, and the related interpretations on revenue recognition.

- IFRS 16 'Leases' - IFRS 16 replaces the previous lease standard: IAS 17 Leases. It results in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short term and low value leases.

  The management has assessed that the application of IFRS 9, IFRS 15 and IFRS 16 do not have any significant impact on the Company's financial reporting. However, the relevant accounting policies has been updated.

2.5.4 Standard, amendments to published accounting standards and an interpretation that are not yet effective:

There is a new standard, certain amendments and an interpretation to the accounting and reporting standards that will be mandatory for the Company's annual accounting periods beginning on or after January 1, 2020. However, the standard, amendments and interpretation will not have any significant impact on the financial reporting of the Company and, therefore, have not been disclosed in these unconsolidated condensed interim financial statements.

3. SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

3.1 During the preparation of these unconsolidated condensed interim financial statements, significant judgments made by management in applying the Company's accounting policies and key sources of estimation were same as those applied in the Company's December 2018 unconsolidated financial statements.

3.2 The Company's financial risk management objectives and policies are consistent with those disclosed in the December 2018 unconsolidated financial statements.

4. SEASONALITY OF OPERATIONS

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

	Note	June 30, 2019 (Un-audited)	December 31, 2018 (Audited)
		------------(Rupees in '000)------------	
5. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets (WDV) - opening balance		137,107	156,898
Add: Additions during the period	5.1	10,403	26,140
		147,510	183,038
Less: Disposals during the period (WDV)	5.2	30,947	5,734
Depreciation charge for the period		19,593	40,197
Operating fixed assets (WDV) - closing balance		96,970	137,107

		June 30, 2019 (Un-audited)	June 30, 2018 (Un-audited)
		------------(Rupees in '000)------------	
5.1	Additions during the period		
	Furniture, fittings and equipment	4,348	698
	Vehicles	3,058	6,125
	Data processing equipment	2,997	3,481
		10,403	10,304
5.2	Disposals during the period - net book value		
	Vehicles	30,881	5,497
	Furniture, fittings and equipment	58	-
	Data processing equipment	8	116
		30,947	5,613

		Note	June 30, 2019 (Un-audited)	December 31, 2018 (Audited)
			------------(Rupees in '000)------------	
6.	**LONG TERM INVESTMENTS**			
	Investment in a subsidiary - at cost	6.1	23,308,927	23,308,927
	Government securities - Pakistan Investment Bonds - Amortised cost	6.2	1,350,962	-
	Other investment - Fair value through profit or loss	6.3	-	-
			24,659,889	23,308,927
6.1	Investment in subsidiary - at cost			
	Engro Corporation Limited (ECL) - quoted			
	214,469,810 (December 31, 2018: 194,972,555) ordinary shares of Rs 10 each. Percentage of holding 37.22% (December 31, 2018: 37.22%)	6.1.1	23,308,927	23,308,927

6.1.1 The market value of investment in ECL as at June 30, 2019 was Rs 56,963.182 million (December 31, 2018: Rs 56,752.611 million).

6.1.2 During the period, ECL has announced bonus shares in the proportion of 10 shares for every 100 existing shares held i.e. 10%.

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

Bank	As at June 30, 2019			As at December 31, 2018		
	Number of shares pledged	Face value of pledged shares	Market value of pledged shares	Number of shares pledged	Face value of pledged shares	Market value of pledged shares
		--------(Rupees in '000) --------			--------(Rupees in '000) --------	
Pledged in favour of Fatima Fertilizer Company Limited against potential liabilities of ex-subsidiary (DHFL)						
Meezan Bank Limited - as agent	10,491,800	104,918	2,786,622	10,491,800	104,918	3,053,943
Pledged in favour of JS Bank Limited against issuance of Sukuks						
JS Bank Limited	77,713,584	777,136	20,640,728	81,375,698	813,757	23,686,838

		Note	June 30, 2019 (Un-audited)	December 31, 2018 (Audited)
			------------(Rupees in '000)------------	
6.2	**Amortised cost**			
	Government securities - Pakistan Investment Bonds	6.2.1	1,350,962	-
			1,350,962	-

6.2.1 These securities have a tenor of 3 years and are maturing on July 12, 2021. The yield on these securities ranges from 13.50% - 13.70% per annum.

		June 30, 2019 (Un-audited)	December 31, 2018 (Audited)
		------------(Rupees in '000)------------	
6.3	**Other investment - Fair value through profit or loss**		
	e2e Business Enterprises (Private) Limited - unquoted [11,664,633 ordinary shares of Rs 10 each Percentage of holding 19.14% (2018: 19.14%)]		
	Cost	116,646	116,646
	Less: Accumulated impairment	(116,646)	(116,646)
		-	-

	Note	June 30, 2019 (Un-audited)	December 31, 2018 (Audited)
		------------(Rupees in '000)------------	
7. OTHER RECEIVABLES			
Receivable form related parties		72,718	75,803
Interest accrued on investment		166,172	131,519
Amount receivable on termination of Shares Subscription Agreement	7.1	-	1,653,750
Others		42,883	68,426
		281,773	1,929,498
Provision for doubtful receivables		(36,791)	(36,791)
		244,982	1,892,707

7.1 Further to the matter stated in note 7 to the December 2018 unconsolidated financial statements, during the period the amount deposited in the Escrow Account has been released.

	Note	June 30, 2019 (Un-audited)	December 31, 2018 (Audited)
		------------(Rupees in '000)------------	
8. SHORT TERM INVESTMENTS			
Amortised cost			
- Market Treasury bills (T-Bills)	8.1	492,465	15,517,319
- Term Deposit Receipts (TDRs)	8.2	15,303,000	6,018,000
		15,795,465	21,535,319
At fair value through profit or loss			
- Quoted shares		2,854,630	206,861
		18,650,095	21,742,180

8.1 The security have a tenor of 3 months and having maturity on August 15, 2019. These carry profit at the rate of 12.57% per annum (2018: 10.29%).

8.2 These carry profit at rates ranging from 8.75% to 13.25% per annum (2018: 6.5% to 11% per annum).

9. CONTINGENCIES AND COMMITMENTS

9.1 Contingencies

9.1.1 There has been no significant change in the status of matters stated in notes 18.1.1 to 18.1.3 to the December 2018 unconsolidated financial statements, except for the fact that during the period the Company's ex-subsidiary, DH Fertilizer Limited (now Fatima Fertilizer Company Limited) was served with a income tax demand amounting to Rs. 10.47 million in relation to the tax year 2013. The demand mainly pertain to the tax impact of certain expenses disallowed by the Commissioner Inland Revenue. The ex-subsidiary being aggrieved filed an appeal before Commissioner Inland Revenue (Appeals), the decision of which is pending to date. The management is confident of a favourable decision. However, on a prudent basis an accrual amounting to Rs. 5 million has been recorded in these unconsolidated condensed interim financial statements.

		Note	June 30, 2019 (Un-audited)	December 31, 2018 (Audited)
			------------(Rupees in '000)------------	
9.2	**Commitments**			
	Commitments in respect of operating lease not later than one year	9.2.1	-	9,399

9.2.1 Due to adoption of IFRS 16 (as stated in note 2.5.3), the operating lease are now part of IFRS 16 as 'Right of Use' asset. However, the related impacts being insignificant have not been recognised in these unconsolidated condensed interim financial statements.

		Note	June 30, 2019 (Un-audited)	June 30, 2018 (Un-audited)
			------------(Rupees in '000)------------	
10.	**RETURN ON INVESTMENTS**			
	Dividend income	10.1	1,922,204	1,623,681
	Interest income	10.2	1,156,163	436,165
			3,078,367	2,059,846
10.1	**Dividend income**			
	Subsidiary - Engro Corporation Limited		1,891,234	1,364,808
	Held for sale investment - The Hub Power Company Limited		-	258,873
	Other investments on quoted shares		30,970	-
			1,922,204	1,623,681
10.2	**Interest income**			
	Income on T-Bills		676,163	360,722
	Return on Term Deposit Receipts		402,227	41,042
	Income on PIBs		30,874	-
	Profit on saving accounts		63,526	5,073
	Gain on sale of quoted shares		4,061	-
	Unrealised loss on quoted shares		(20,688)	-
			-	
	Income received from Mega Conglomerate (Private) Limited upon settlement of purchase consideration relating to sale of shareholding in HUBCO shares		-	29,328
			1,156,163	436,165

	June 30, 2019 (Un-audited)	June 30, 2018 (Un-audited)
	------------(Rupees in '000)------------	
11. OTHER (EXPENSE) / INCOME - NET		
Loss on disposal of operating fixed assets	(27,879)	-
Gain on disposal of held for sale investment - (net of transaction costs of Rs 430.250 million)	-	3,542,472
Others	330	318
	(27,549)	3,542,790

12. EARNINGS PER SHARE

	Quarter ended		Six months ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	-----------------------------(Rupees in '000)-----------------------------			
Profit after taxation	1,438,618	414,390	1,547,618	4,262,475
	----------------------------(Number of shares)----------------------------			
Weighted average number of ordinary shares outstanding during the period	481,287,116	481,287,116	481,287,116	481,287,116
	----------------------------------(Rupees)----------------------------------			
Earnings per share	2.99	0.86	3.22	8.86

	Note	Six months period ended June 30, 2019 (Un-audited)	June 30, 2018 (Un-audited)
		------------(Rupees in '000)------------	
13. CASH UTILISED IN OPERATIONS			
Profit before taxation		2,069,324	4,857,294
Adjustments for non cash expenses and other items:			
Depreciation		19,593	20,632
Finance cost		656,982	386,827
Return on investment		(3,078,367)	(2,036,267)
Provision for staff retirement and other service benefits		2,655	2,426
Loss on disposal of investment - held for sale		-	(3,972,722)
Loss on disposal of operating fixed assets		27,879	1,062
Interest income from MCPL		-	(29,328)
Unrealised loss on remeasurement of T-Bills		-	5,749
Working capital changes	13.1	1,356,648	12,832
Cash utilised in operations		1,054,714	(751,495)

		Six months period ended	
		June 30, 2019 (Un-audited)	June 30, 2018 (Un-audited)
		------------(Rupees in '000)------------	
13.1	Working capital changes		
	Decrease / (increase) in current assets		
	Advances, deposits and prepayments	(25,204)	3,296
	Other receivables	1,684,281	(102,188)
		1,659,077	(98,892)
	(Decrease) / increase in trade and other payables	(302,429)	111,724
		1,356,648	12,832

14. CASH AND CASH EQUIVALENTS

Cash and bank balances	160,410	54,987
Short term investments	15,770,938	22,433,571
	15,931,348	22,488,558

15. RELATED PARTY TRANSACTIONS

15.1 The related parties comprise related group companies, directors of the Company, companies in which directors are interested, staff retirement benefits, key management personnel and close members of the family of directors. The Company, in the normal course of business, carries out transactions with various related parties on mutually agreed terms.

15.2 Significant transactions with related parties during the period are as follows:

	Six months period ended	
	June 30, 2019 (Un-audited)	June 30, 2018 (Un-audited)
	------------(Rupees in '000)------------	
Subsidiary		
Reimbursement of expenses made to the Company	2,451	-
Reimbursement of expenses made by the Company	9,616	6,907
Sale of operating fixed assets	-	4,551
Dividend income	1,891,234	1,364,808
Cost sharing of services	52,212	-
Associated companies		
Purchase of services	17,936	14,449
Sale of services	7,630	4,927
Dividend income	-	258,873
Reimbursement of expenses made to the associates	1,605	10,638
Reimbursement of expenses made by the company	25,186	1,812
Advances and deposits	-	1,412
Donation	26,395	-
Dividend paid	879,527	195,451

	Six months period ended	
	June 30, 2019 (Un-audited)	June 30, 2018 (Un-audited)
	------------(Rupees in '000)------------	
Other related parties		
Membership fee and other subscriptions	300	1,081
Purchase of services	1,322	6,057
Advances and deposits	-	2,829
Contribution to staff gratuity fund	3,442	1,911
Contribution to staff provident fund	6,223	4,152
Other payments	74	1,000
Key management personnel		
Salaries and employee benefits	225,448	117,167
Directors' fee	6,000	6,500
Post retirement benefit plans	3,630	4,493
Dividend paid	608,888	123,720
Loss on sale of an item of operating fixed asset	30,132	-
Payment of special bonus accrued in unconsolidated financial statements for the year ended December 31, 2018 as stated in note 26.5 to those financial statements.	235,292	-

16. GENERAL

16.1 All financial information has been rounded to the nearest thousand of rupees, except as otherwise stated.

16.2 These unconsolidated condensed interim financial statements were authorised for issue by the Board of Directors on August 21, 2019 .

17. NON-ADJUSTING EVENT AFTER THE STATEMENT OF FINANCIAL POSITION DATE

The Board of Directors in its meeting held on August 21, 2019 approved an interim cash dividend of Rs 3 per share amounting to Rs 1,444 for the six months period ended June 30, 2019. These unconsolidated condensed interim financial statements do not recognise the proposed interim dividend from unappropriated profit as it has been declared subsequent to the statement of financial position date.

Inam ur Rahman	**M.Shamoon Chaudry**	**Shabbir Hussain Hashmi**
Chief Executive	**Chief Financial Officer**	**Director**

DAWOOD HERCULES CORPORATION LIMITED
CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2019

DAWOOD HERCULES CORPORATION LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2019

(Amounts in thousand)

	Note	Unaudited June 30, 2019	Audited December 31, 2018
		--------------------Rupees--------------------	
ASSETS			
Non-current assets			
Property, plant and equipment	5	245,448,952	204,545,985
Intangible assets		4,858,201	4,817,940
Right-of-use asset	3.5.3	3,732,371	-
Deferred taxation		189,960	384,612
Long term investments	6	33,475,559	31,590,380
Long term loans and advances		3,820,309	4,092,566
		291,525,352	245,431,483
Current assets			
Stores, spares and loose tools		7,619,995	7,687,869
Stock-in-trade		12,177,803	17,228,278
Trade debts		20,977,981	18,629,468
Loans, advances, deposits and prepayments		2,191,825	3,188,326
Other receivables		11,331,803	13,273,925
Accrued Income		354,261	524,809
Contract Asset		81,740	-
Dervative financial instrument	7	379,388	-
Short term investments		101,734,846	103,533,500
Cash and bank balances		22,653,953	12,115,981
		179,503,595	176,182,156
TOTAL ASSETS		**471,028,947**	**421,613,639**

(Amounts In thousand)

	Note	Unaudited June 30, 2019	Audited December 31, 2018
		--------------------Rupees-------------------	
EQUITY AND LIABILITIES			
Equity			
Share capital		4,812,871	4,812,871
Revaluation reserve on business combination		7,362	9,261
Maintenance reserve		60,117	60,117
Exchange revaluation reserve		241,244	147,583
Hedging reserve		41,333	(10,980)
General reserve		700,000	700,000
Unappropriated profit		58,602,456	61,197,392
Remeasurement of post-employment benefits		(32,390)	(30,023)
		59,620,122	62,073,350
		64,432,993	66,886,221
Non-controlling interest	8	141,712,492	134,856,918
Total Equity		206,145,485	201,743,139
Liabilities			
Non-current liabilities			
Borrowings		141,934,972	130,576,362
Deferred taxation		8,684,257	8,428,363
Deferred liabilities		249,005	265,535
Lease Laibilities		5,791,317	-
Staff retirement and other service benefits		7,329	-
		156,666,880	139,270,260
Current liabilities			
Trade and other payables		69,171,814	51,118,725
Accrued interest / mark-up		3,125,694	2,363,313
Current portion of :			
- borrowings		19,024,485	11,955,924
- lease liabilities		1,195,795	-
- deferred liabilities		99,665	113,852
Taxes payable		7,542,795	8,299,834
Short term borrowings		6,957,288	6,641,207
Dividend payable		550,235	-
Unclaimed dividends		548,811	107,385
		108,216,582	80,600,240
Total Liabilities		264,883,462	219,870,500
Contingencies and Commitments	9		
TOTAL EQUITY AND LIABILITIES		**471,028,947**	**421,613,639**

The annexed notes 1 to 19 form an integral part of this consolidated condensed interim financial information.

Inam ur Rahman	M.Shamoon Chaudry	Shabbir Hussain Hashmi
Chief Executive	Chief Financial Officer	Director

DAWOOD HERCULES CORPORATION LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UNAUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2019

(Amounts in thousand except for earnings per share)

	Note	Quarter ended June 30, 2019	Quarter ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
		---Rupees---			
Net sales		45,341,758	38,208,202	85,989,116	71,733,077
Cost of sales		(32,365,003)	(27,941,446)	(61,010,150)	(49,908,340)
Gross profit		12,976,755	10,266,756	24,978,966	21,824,737
Selling and distribution expenses		(1,356,814)	(1,724,916)	(3,097,262)	(3,564,360)
Administrative expenses		(1,229,348)	(1,137,212)	(2,727,981)	(2,138,586)
		10,390,593	7,404,628	19,153,723	16,121,791
Other income		4,622,541	2,667,926	7,575,595	16,767,077
Other operating expenses		(2,040,974)	(1,662,406)	(2,742,870)	(2,260,049)
Finance cost		(3,481,758)	(1,458,488)	(5,300,903)	(2,830,979)
Share of income from associates & joint ventures		280,455	(917,656)	690,187	(501,605)
Profit before taxation		9,770,857	6,034,004	19,375,732	27,296,235
Taxation		(5,305,961)	(2,376,918)	(8,236,909)	(5,776,411)
Profit for the period		4,464,896	3,657,086	11,138,823	21,519,824
Profit attributable to:					
- Owners of the Holding Company		613,964	145,875	2,215,479	12,732,128
- Non-controlling interest		3,850,932	3,511,211	8,923,344	8,787,696
		4,464,896	3,657,086	11,138,823	21,519,824
Earnings per share - basic and diluted	9	1.28	0.30	4.60	26.45

The annexed notes 1 to 19 form an integral part of this consolidated condensed interim financial information.

Inam ur Rahman	M.Shamoon Chaudry	Shabbir Hussain Hashmi
Chief Executive	Chief Financial Officer	Director

DAWOOD HERCULES CORPORATION LIMITED

CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2019

(Amounts in thousand)

	Quarter ended		Six months ended	
	June 30, 2019	**June 30, 2018**	**June 30, 2019**	**June 30, 2018**
	------Rupees------			
Profit for the period	4,464,896	3,657,086	11,138,823	21,519,824
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss				
Hedging reserve - cash flow hedges				
- Profit / (loss) arising during the period	353,050	(448)	353,050	64,679
- Reclassification adjustments for losses included in profit or loss	(218)	1,575	(433)	(432)
- Adjustments for amounts transferred to initial carrying amount of hedged items	-	703	-	-
	352,832	1,830	352,617	64,247
Share of other comprehensive income of associate	-	-	-	-
Revaluation reserve on business combination	(5,251)	(5,251)	(10,501)	(10,501)
Exchange differences on translation of	-	-		
foreign operations	341,620	94,625	372,241	176,958
	336,369	89,374	361,740	166,457
Income tax relating to:				
- Hedging reserve - cash flow hedges	(102,385)	-	(102,385)	-
- Revaluation reserve on business combination	1,680	-	3,360	3,360
	(100,705)	-	(99,025)	3,360
Items that will not be reclassified to profit or loss				
Remeasurement of post employment benefits obligation	(2,367)	-	(2,367)	-
Deferred tax charge relating to revaluation of equity	-	-	-	(1,651)
	586,129	91,204	612,965	232,413
Total Comprehensive income for the period	5,051,025	3,748,290	11,751,788	21,752,237
Total comprehensive income attributable to:				
- Owners of the Holding Company	748,804	180,493	2,357,187	12,791,391
- Non-controlling interest	4,302,221	3,567,797	9,394,601	8,960,846
	5,051,025	3,748,290	11,751,788	21,752,237

The annexed notes 1 to 19 form an integral part of this consolidated condensed interim financial information.

Inam ur Rahman	**M.Shamoon Chaudry**	**Shabbir Hussain Hashmi**
Chief Executive	**Chief Financial Officer**	**Director**

DAWOOD HERCULES CORPORATION LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2019

(Amounts in thousand)

	Attributable to owners of the Holding Company										
		Capital reserves			Revenue reserves						
	Share capital	Revaluation reserve on business combination	Maintenance reserve	Exchange revaluation reserve	Hedging reserve	General reserve	Un-appropriated profit	Remeasurement of post employment benefits - Actuarial gain / (loss)	Sub total	Non-controlling interest	Total
	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 six months ended June 30, 2018 (unaudited)											
Profit for the period	-	-	-	-	-	-	12,732,128	-	12,732,128	8,787,696	21,519,824
Other comprehensive income	-	(1,898)	-	45,034	16,472	-	(345)	-	59,263	173,150	232,413
	-	(1,898)	-	45,034	16,472	-	12,731,783	-	12,791,391	8,960,846	21,752,237
Transaction with owners											
Dividend by subsidiary company allocable to non controlling interest	-	-	-	-	-	-	-	-	-	(4,437,262)	(4,437,262)
Shares issuance cost	-	-	-	-	-	-	(2,079)	-	(2,079)	(18,376)	(20,455)
Reclassification of acturial gain on withdrawal of gratuity scheme	-	-	-	-	-	-	1,696	(1,696)	-	-	-
Final cash dividend for the year ended December 31, 2017: 20% (Rs 2 per ordinary share)	-	-	-	-	-	-	(962,574)	-	(962,574)	-	(962,574)
	-	-	-	-	-	-	(962,957)	(1,696)	(964,653)	(4,455,638)	(5,420,291)
Balance as at June 30, 2018 (unaudited)	**4,812,871**	**11,161**	**60,117**	**75,922**	**(10,869)**	**700,000**	**61,525,110**	**(30,961)**	**67,143,351**	**126,653,483**	**193,796,834**
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
Effect of change in accounting policies	-	-	-	-	-	-	(473,085)	-	(473,085)	(1,721,887)	(2,194,972)
Adjusted balance as at January 1, 2019	4,812,871	9,261	60,117	147,583	(10,980)	700,000	60,724,307	(30,023)	66,413,136	133,135,031	199,548,167
Total Comprehensive income /(loss) for the six months ended June 30, 2019 (unaudited)											
Profit for the period	-	-	-	-	-	-	2,215,479	-	2,215,479	8,923,344	11,138,823
Other comprehensive income	-	(1,899)	-	93,661	52,313	-	-	(2,367)	141,708	471,257	612,965
	-	(1,899)	-	93,661	52,313	-	2,215,479	(2,367)	2,357,187	9,394,601	11,751,788
Transaction with owners									-	-	
Dividend by subsidiaries allocable to Non-Controlling interest	-	-	-	-	-	-	-	-	-	(5,611,133)	(5,611,133)
Shares issued during the period - net of transaction cost	-	-	-	-	-	-	(5,746)	-	(5,746)	2,532,804	2,527,058
Preference shares issued during the period - net of transaction cost	-	-	-	-	-	-	-	-	-	1,229,759	1,229,759
Advance against issue of share capital	-	-	-	-	-	-	-	-	-	1,031,430	1,031,430
Final cash dividend for the year ended December 31, 2018: 40% (Rs 4 per ordinary share)	-	-	-	-	-	-	(1,925,148)	-	(1,925,148)	-	(1,925,148)
Interim cash dividend for the year ending December 31, 2019: 50% (Rs 5 per ordinary share)	-	-	-	-	-	-	(2,406,436)	-	(2,406,436)	-	(2,406,436)
	-	-	-	-	-	-	(4,337,330)	-	(4,337,330)	(817,140)	(5,154,470)
Balance as at June 30, 2019	**4,812,871**	**7,362**	**60,117**	**241,244**	**41,333**	**700,000**	**58,602,456**	**(32,390)**	**64,432,993**	**141,712,492**	**206,145,485**

The annexed notes 1 to 19 form an integral part of this consolidated condensed interim financial information.

Inam ur Rahman	M.Shamoon Chaudry	Shabbir Hussain Hashmi
Chief Executive	Chief Financial Officer	Director

DAWOOD HERCULES CORPORATION LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2019

(Amounts in thousand)

	Note	Six months ended June 30, 2019	Six months ended June 30, 2018
		------------------Rupees------------------	
Cash flows from operating activities			
Cash generated from operations	11	47,822,239	25,719,735
Retirement and other service benefits paid		(167,611)	(114,801)
Finance cost paid		(7,133,202)	(3,955,742)
Taxes paid		(7,970,533)	(3,004,820)
Long term loans and advances - net		(428,248)	(107,989)
Net cash generated from operating activities		32,122,645	18,536,383
Cash flows from investing activities			
Purchase of property, plant and equipment (PPE)		(30,054,545)	(18,488,946)
Sale proceeds on disposal of PPE		49,733	24,887
Income on deposits / other financial assets		4,998,558	2,883,024
Long term Investment made		(1,329,282)	-
Investments made during the period - net		(3,582,832)	42,365,131
Proceeds from sale of quoted shares		28,771	-
Proceeds from maturity of T-Bills		688,092	-
Dividends received		299,067	876,303
Net cash (utilised in) / generated from investing activities		(28,902,438)	27,660,399
Cash flows from financing activities			
Proceeds from borrowings - net		6,083,819	16,541,087
Proceeds from issuance of shares		3,793,809	-
Advance against issuance of shares		1,216,030	-
Share issuance cost		(36,794)	(20,455)
Lease rentals paid		(677,609)	-
Dividends paid		(9,391,810)	(6,016,059)
Net cash generated from financing activities		987,445	10,504,573
Net increase in cash and cash equivalents		4,207,652	56,701,355
Cash and cash equivalents at beginning of the period		93,371,304	42,863,608
Cash and cash equivalents at end of the period	12	97,578,956	99,564,963

The annexed notes 1 to 19 form an integral part of this consolidated condensed interim financial information.

Inam ur Rahman	M.Shamoon Chaudry	Shabbir Hussain Hashmi
Chief Executive	Chief Financial Officer	Director

(Amounts in thousand)

1. LEGAL STATUS AND OPERATIONS

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.

1.1 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

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

	%age of direct holding	
	June 30, 2019	**December 31, 2018**
- Engro Energy Limited	100	100
- Engro Eximp Agriproducts (Private) Limited	100	100
- Engro Infiniti (Private) Limited (1.1.1)	100	100
- Engro Fertilizers Limited	56.27	56.27
- Engro Polymer and Chemicals Limited	56.19	56.19
- Elengy Terminal Pakistan Limited	56	56
Joint Venture Company:		
- Engro Vopak Terminal Limited	50	50
Associated Company:		
- Engro Foods Limited	39.9	39.9

1.1.1 During the period, ECL has made investment in Engro Infiniti (Private) Limited through subscription of 18,460,000 ordinary shares of Rs. 10 each at par.

1.1.2 During the period, the shareholders of the ECL in its Extraordinary General Meeting held on May 28, 2019, authorised ECL to acquire 100% of the issued and paid-up share capital of Engro Eximp FZE (UAE) from Engro Fertilizers Limited (EFert) against an amount of Rs. 1,757,280 (subject to adjustments at the date of closing of the transaction). Subsequent to the reporting date, ECL acquired Engro Eximp FZE for a consideration of Rs. 1,972,505.

2. SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING THE GROUP'S FINANCIAL POSITION AND PERFORMANCE DURING THE PERIOD

Following is the summary of significant transactions and events affecting the Group’s financial position and performance during the period:

2.1 Through Finance Act 2019, the corporate tax rate for companies have been fixed at 29% for TY 2019 and onwards, thereby deleting the previous 1% successive reduction in corporate tax rate up till TY 2023 enacted through Finance Act 2018. The consequent increase in deferred tax liability has been recognised in these consolidated condensed interim financial statements.

2.2 In 2017, Engro Polymer and Chemicals Limited (EPCL) had announced Caustic Flake production plan as a part of its expansion plan. During the period, the commercial production of the product has been commenced.

2.3 EPCL has approved the incorporation of two wholly owned subsidiaries by name Engro Peroxide (Private) Limited and Engro Plasticizer (Private) Limited for manufacturing Hydrogen Per-oxide and Chlorinated Paraffin Wax, respectively.

3. BASIS FOR PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

3.1 These consolidated condensed interim financial statements are unaudited and 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 comprises 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.

3.2 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. 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.

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

3.4 The accounting policies and the methods of computation 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 except for changes specified in note 3.5.

3.5 New accounting standards, interpretations and amendments to approved accounting standards

a) Standards, interpretations and amendments to approved accounting standards that are effective for the period and are relevant to the Group.

There are certain new standards, interpretations and amendments to approved accounting standards which are applicable for the first time on the Group's accounting periods beginning on or after January 1, 2019 but are considered not to be relevant or have any significant effect on the Group's financial reporting, except as follows:

3.5.1 - IFRS 15 - 'Revenue from Contracts with Customers' supersedes IAS 11 'Construction Contracts', IAS 18 'Revenue' and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards.

The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The Group has assessed that significant performance obligation in contracts with customers are discharged at a single point of time and therefore there is no significant financial impact of IFRS 15 on the Group. However, certain transporation and handling expenses previously included in selling and distribution expenses have now been reclassified to cost of revenue.

3.5.2 - IFRS 9 - 'Financial Instruments' addresses the classification, measurement and recognition of financial assets and financial liabilities and replaces the related guidance in IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income (OCI) and fair value through profit and loss (FVTPL). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI, without recycling of fair value changes to profit or loss.

There is now a new expected credit losses model that replaces the incurred loss impairment model of IAS 39. For financial liabilities there are no changes to classification and measurement except for the recognition of changes in own credit risk in OCI, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

The adoption of IFRS 9 from January 1, 2019 by the Group has resulted in change in accounting policies. The Group has applied IFRS 9 retrospectively in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". However, it has elected not to restate comparative information as permitted under the transitional provisions of the standard considering there being no material impact of the same.

Loans, deposits, and other receivables, accrued interest and cash and cash equivalents, which were previously classified as "loans and receivables" under IAS 39, will now be classified as amortised cost under IFRS 9. Further, short-term investments which were previously classified as held-for-trading under IAS 39 will now be classified as fair value through profit or loss. There have been no changes to the classification of financial liabilities. Furthermore, there were no changes to the carrying values of the Group's financial assets and liabilities for current and prior year balances from adopting the new classification model under IFRS 9.

In light of the above, certain changes have been made in the accounting policies of the Group. However, based on Group's assessment, there is no material impact of these changes on these consolidated condensed interim financial statements.

3.5.3 Effective January 1, 2019, the Group has adopted IFRS 16, "Leases" which replaces existing guidance on accounting for leases, including IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC-15 "Operating Leases - Incentive" and SIC-27 "Evaluating the substance of transactions involving the legal form of a Lease". IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right-of-use of the underlying asset and a lease liability representing its obligations to make lease payments. The only exceptions are short term and low value leases. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases.

The accounting polices relating to Group's right-of-use assets and lease liabilities are as follows:

Lease liabilities and right-of-use assets

At the inception of a contract, the Group assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

From January 1, 2019, leases are recognised as right-of-use assets and corresponding liabilities at the date at which the leased assets are available for use by the Group.

The lease liabilities are initially measured at the present value of the remaining lease payments at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate.

Lease payments include fixed payments, variable lease payments that are based on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option, less any lease incentives receivable. The extension and termination options are incorporated in determination of lease term only when the Group is reasonably certain to exercise these options.

The lease liabilities are subsequently measured at amortised cost using the effective interest rate method. They are remeasured when there is a change in future lease payments arising from a change in fixed lease payments or an index or rate, change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. The corresponding adjustment is made to the carrying amount of the respective right-of-use asset, or is recorded in profit or loss if the carrying amount of that right-of-use asset has been reduced to zero.

Right-of-use assets are initially measured based on the initial amount of the lease liabilies adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The right-of-use assets are depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The carrying amount of the right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the corresponding lease liability.

The Group has adopted IFRS 16 retrospectively from January 1, 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The impact of adoption of this standard is, therefore, recognised in the opening consolidated statement of financial position on January 1, 2019.

On adoption of IFRS 16, the Group recognised lease liabilities which had previously been classified as ‘operating leases’ under the principles of IAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of January 1, 2019.

The right-of use assets of Group were measured at the amount equal to the lease liability, adjusted by the amount of prepaid lease payments recognised in the unconsolidated condensed interim statement of financial position immediately before the date of initial application, accordingly, there is no impact on the opening balances of unappropriated profit as on January 1, 2019. The recognised right-of-use assets relates to the office space and land for infrastructure towers acquired on rental basis. In case of Ethylene storage tanks, the right-of use assets were measured on a retrospective basis at its carrying amounts as if IFRS 16 had been applied since the commencement date of the respective leases, but discounted using the lessee’s incremental borrowing rate at the date of initial application.

	(Unaudited) June 30, 2019	**(Unaudited) January 1, 2019**
The recognised right-of-use assets relate to the following types of assets:	**-------------(Rupees)------------**	
Buildings and infrastructure	1,145,271	1,289,242
Storage tanks - Ethylene	2,587,100	2,778,739
Total right-of-use assets	3,732,371	4,067,981

The change in accounting policy affected the following items in the statement of financial position on January 1, 2019:

	---Rupees---
Right of Use assets - increased by	4,067,981
Unappropriated profits - decreased by	1,898,034
Deferred tax asset- increased by	743,047
Lease liabilities - increased by	6,709,062

Practical expedients applied

In applying IFRS 16 for the first time, they have used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics,
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases,
- the exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

b) Standards, interpretations and amendments to approved accounting standards that are not yet effective

There are certain new standards, interpretations and amendments to approved accounting standards that will be mandatory for the Group's annual accounting periods beginning on or after July 1, 2019 and may have an impact on the consolidated condensed interim financial statements of the Group. At present, the impact of application of these standards, amendments and interpretations on the Group's future financial statements is being assessed.

3.6 Earlier, the Securities and Exchange Commission of Pakistan (SECP) vide its circular dated June 22, 2009 deferred the implementation of IFRIC 4 to all companies to facilitate corporate sector as the application would involve complex calculations and materially affect the status of the assets, available profits and distribution of dividends to the shareholders which would in turn effect the overall financing of the companies. Engro Powergen Qadirpur Limited (EPQL), a subsidiary of Engro Energy Limited and Engro Elengy Terminal (Private) Limited (EETPL) , a subsidiary of Elengy Terminal Pakistan Limited, have applied to the SECP for exemption from the application of IFRS 16 citing the afore-mentioned issues and prepared their respective condensed interim financial statements without accounting for IFRS 16. The management of EPQL and EETPL is confident that an exemption shall be granted by the SECP in this regard. These consolidated condensed interim financial statements have been prepared accordingly.

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

4. BASIS OF CONSOLIDATION

4.1 The condensed interim financial statements of the subsidiary companies have 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.

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

4.3 The Group's interest in jointly controlled and associated entities i.e. Engro Vopak Terminal Limited, Engro Foods Limited, Sindh Engro Coal Mining Company Limited, GEL Utility Limited and Siddiqsons Energy Limited has been accounted for using the equity method.

4.4 These consolidated condensed interim financial statements are presented in Pakistan Rupees, which is the Holding Company's functional currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income, except where such gains and losses are directly attributable to the acquisition, construction or production of a qualifying asset, in which case, such gains and losses are capitalized as part of the cost of that asset.

	Unaudited June 30, 2019	Audited December 31, 2018
5. PROPERTY, PLANT AND EQUIPMENT	-------------(Rupees)------------	
Operating assets, at net book value (notes 5.1 and 5.2)	102,957,055	105,275,905
Capital work in progress - Expansion and other projects	140,169,101	98,326,481
Capital spares and standby equipments	2,322,796	943,599
	245,448,952	204,545,985

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

	Unaudited June 30, 2019	Audited December 31, 2018
	-------------(Rupees)------------	
Land	261,528	26,938
Plant and machinery	1,711,014	6,284,288
Building and civil works including pipelines	48,682	153,748
Furniture, fixture and equipment	316,638	637,691
Catalyst	-	213,900
Vehicles	142,359	259,665
Jetty	-	6,133
Dredging	-	116,758
	2,480,221	7,699,121

5.2 During the period, assets costing Rs. 122,745 (December 31, 2018: Rs. 125,839), having net book value of Rs. 61,187 (December 31, 2018: Rs. 23,917) were disposed / written-off for Rs. 49,703 (December 31, 2018: 45,501).

	Unaudited June 30, 2019	Audited December 31, 2018
	-------------(Rupees)------------	
6. LONG TERM INVESTMENTS		
Balance at beginning of the period / year	31,590,380	32,195,681
Add:		
- Investment in associates (note 6.1)	384,030	713,042
- Share of profit for the period / year	690,187	1,484,326
- Government securities - Pakistan Investment Bonds - Amortised cost (note 6.2)	1,350,962	-
	2,425,179	2,197,368
Less:		
- Dividend received during the period / year	(540,000)	(1,292,430)
- Provision against tax contingency	-	(1,355,679)
- Provision for impairment	-	(154,560)
	(540,000)	(2,802,669)
Balance at end of the period / year	33,475,559	31,590,380

6.1 This represents investment made during the period by Engro Energy Limited (EEL) in Sindh Engro Coal Mining Company Limited and Siddiqsons Energy Limited.

6.2 These securities have a tenor of 3 years and are maturing on July 12, 2021. The yield on these securities ranges from 13.50% - 13.70% per annum.

7. DERIVATIVE FINANCIAL ASSET

During the period, Engro Polymer & Chemicals Limited has entered into Forward Exchange agreement on Import Letter of Credit to manage exchange rate exposure on foreign currency payments amounting to CNY 152,000 due on account of purchase of machinery for expansion projects.

8. 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;

- ETPL has made a profit after tax;
- any and all losses incurred by ETPL 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 June 30, 2019 amounts to Rs. 3,658,751 (December 31, 2018: Rs. 2,484,685) which has not been recognized in this consolidated condensed interim financial statements.

9. CONTINGENCIES AND COMMITMENTS

9.1 **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 :

9.1.1 During the period:

- ECL pledged shares of Engro Fertilizers Limited and Engro Foods Limited against the Standby Letter of Credit (SBLC) provided by Engro Energy Limited have been replaced by Treasury Bills amounting to Rs 7,250,000; and

- the amount of Equity SBLC provided in connection with Engro Powergen Thar (Private) Limited has been reduced to USD 138 (December 31, 2018: USD 17,827) (in PKR equivalent).

9.1.2 In the year 2017, the High Court of Islamabad in its order dated June 8, 2017 declared that the income derived by M/s Snamprogetti Engineering (the Contractor) from its contract with EFert, is subject to tax as per Clause 4 of Article 5 of Double Taxation Treaty between Pakistan and the Netherlands. As per the terms of the contract, EFert is liable to reimburse the Contractor for any taxes applied to the income of the Contractor under the contract by the taxation authorities. In respect thereof, the Contractor preferred an appeal in the Supreme Court of Pakistan (SCP). During the period, the SCP decided the case on ex-parte basis against the Contractor. A review application for case restoration has been filed with SCP. The management of EFert based on the opinion of its legal counsel feels that the chances of restoration application being allowed by SCP are good. Hence, no provision has been made in this respect.

9.1.3 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.

9.1.4 On June 27, 2019, EEL furnished a bank guarantee amounting to Rs. 100,000 expiring on October 4, 2019, to Frontier Works Organization (FWO) along with a proposal for participation as equity partner for the white oil pipeline project being developed by FWO.

9.1.5 During the period the Holding Company's ex-subsidiary, DH Fertilizer Limited (now Fatima Fertilizer Company Limited) was served with a income tax demand amounting to Rs. 10.47 million in relation to the tax year 2013. The demand mainly pertain to the tax impact of certain expenses disallowed by the Commissioner Inland Revenue. The ex-subsidiary being aggrieved filed an appeal before Commissioner Inland Revenue (Appeals), the decision of which is pending to date. The management is confident of a favourable decision. However, on a prudent basis an accrual amounting to Rs. 5 million has been recorded in these consolidated condensed interim financial statements.

9.2 **Commitments**

9.2.1 Commitments in respect of capital expenditure contracted but not incurred amount to Rs. 18,144,814 (2018: Rs. 23,026,122).

9.2.2 Due to adoption of IFRS 16 (as stated in note 3.5.3), the operating lease are now part of IFRS 16 as 'Right of Use' asset.

10. EARNINGS PER SHARE - BASIC AND DILUTED

	---(Unaudited)---			
	Quarter ended		Six months ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	---Rupees---			
There is no dilutive effect on the basic earnings per share of the Group, which is based on the following:				
Profit after taxation (attributable to the owners of the Holding Company)	613,964	145,875	2,215,479	12,732,128
	---Number in thousands---			
Weighted average number of ordinary shares	481,287	481,287	481,287	481,287

(Amounts in thousand)

	(Unaudited) Six months ended June 30, 2019	(Unaudited) Six months ended June 30, 2018
	Rupees	Rupees
11. CASH GENERATED FROM OPERATIONS		
Profit before taxation	19,375,732	27,296,235
Adjustment for non-cash charges and other items:		
Depreciation and amortization	4,519,500	3,926,332
Loss / (Gain) on disposal / write off of property, plant and equipment	11,509	(12,441)
Provision for retirement and other service benefits	154,770	86,578
Gain on disposal of investment	-	(11,530,352)
Income on deposits / other financial assets	(5,857,330)	(2,759,332)
Share of income from joint venture and associated companies	(690,187)	501,605
Reversal of provision for Workers Welfare Fund	-	(509,766)
Dividend income	-	(258,873)
Finance cost	4,007,381	2,217,381
(Gain) / Loss on foreign currency translations	1,711,275	564,874
Working capital changes (note 11.1)	24,589,589	6,197,494
	47,822,239	25,719,735
11.1 Working capital changes		
Decrease / (Increase) in current assets		
- Stores, spares and loose tools	57,097	(172,091)
- Stock-in-trade	5,020,383	(552,728)
- Trade debts	(2,520,559)	(593,450)
- Loans, advances, deposits and prepayments	592,901	(365,402)
- Other receivables - net	2,127,267	1,068,471
	5,277,089	(615,200)
Increase in current liabilities		
- Trade and other payables, including other service benefits - net	19,312,500	6,812,694
	24,589,589	6,197,494
12. CASH AND CASH EQUIVALENTS		
Cash and bank balances	22,653,953	11,852,798
Short term investments	82,216,967	93,884,711
Short term borrowings	(7,291,964)	(6,172,546)
	97,578,956	99,564,963

13. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

13.1 Financial risk factors

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

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

13.2 Fair value estimation

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- 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)

Assets	Level 1	Level 2	Level 3	Total
	---------- Rupees ----------			
Financial assets at fair value through profit and loss				
- Short term investments	39,437,982	80,044,592	-	119,482,574
- Derivative financial asset	379,388	-	-	379,388

There were no transfers between Levels during the period. Further, there were no changes in valuation techniques during the period.

Level 2 fair valued instruments comprise of fixed income placements and treasury bills which have been valued using discounted cash flow model.

13.3 **Fair value of financial assets and liabilities**

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

14. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of parent company, joint venture companies, associates, 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:

	(Unaudited) Six months ended June 30, 2019	(Unaudited) Six months ended June 30, 2018
	----Rupees----	
Associated companies and joint ventures		
Purchases and services	3,448,409	2,551,172
Services rendered / sale of goods	7,630	4,927
Dividends received	540,000	1,071,754
Dividends paid	1,232,349	888,813
Payment against EPC contract	11,710,404	12,535,052
Mark-up on borrowings	111,398	98,680
Reimbursements from associates	193,485	112,762
Reimbursements to associates	144,737	111,431
Loan received	263,039	393,187
Finance cost paid	-	62,633
Share capital issued	4,560,529	1,982,350
Donations	46,895	62,000
Others	385	1,019
Key Management Personnel		
Remuneration paid to key management personnel / directors	841,658	643,956
Reimbursements to key management personnel	35,904	3,061
Dividend paid	696,549	159,965
Profit on Engro Rupiya Certificates	9,804	9,784
Directors' fees	79,990	35,594
Contribution for retirement benefits	382,066	330,559

15. 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.

15.1

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.

15.2 Liabilities are reported segment-wise to the Board of Directors on an annual basis. Hence, segment-wise details of liabilities have not been presented in these consolidated condensed interim financial statements.

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

	(Unaudited)			
	Quarter ended		Six months ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	Rupees		Rupees	
Revenue				
Fertilizer	26,990,496	22,897,535	50,642,948	41,116,414
Polymer	9,256,687	8,414,411	18,600,321	17,101,613
Food	987,033	691,096	1,747,069	1,649,019
Power and mining	4,043,380	3,206,786	7,421,837	6,063,364
Other operations	4,606,534	3,628,400	11,784,889	9,461,284
Elimination - net	(542,372)	(630,026)	(4,207,948)	(3,658,617)
Consolidated	45,341,758	38,208,202	85,989,116	71,733,077
Profit for the period				
Fertilizer	3,177,360	3,259,781	7,184,175	7,149,376
Polymer	450,236	1,335,562	1,544,394	2,783,671
Food	(123,951)	100,543	(84,484)	226,891
Power and mining	40,695	888,999	579,967	1,315,172
Other operations	2,811,328	1,119,081	7,574,223	8,633,810
Elimination / adjustment - net	(1,890,772)	(3,046,880)	(5,659,452)	1,410,904
Consolidated	4,464,896	3,657,086	11,138,823	21,519,824

	(Unaudited) June 30, 2019	(Audited) December 31, 2018
	Rupees	
Assets		
Fertilizer	118,294,992	117,721,049
Polymer	43,547,544	36,023,287
Food	31,611,970	31,554,174
Power and mining	177,175,763	133,172,457
Other operations	157,402,931	156,246,355
Elimination - net	(57,004,253)	(53,103,683)
Consolidated	471,028,947	421,613,639

16. SEASONALITY

16.1 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.

16.2 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.

17. NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE

17.1 The Board of Directors of the Holding Company in its meeting held on August 21, 2019 has approved an interim cash dividend of Rs. 3 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.

18. CORRESPONDING FIGURES

18.1 Corresponding figures have been rearranged and reclassified, wherever considered necessary, for the purpose of comparison, the effects of which are not material.

18.2 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 audited financial statements of preceding financial year, whereas, the consolidated condensed interim statement of profit or loss, the consolidated condensed interim statement of comprehensive income, the consolidated condensed interim statement of changes in equity and the consolidated condensed interim statement of cash flows have been compared with the balances of comparable period of immediately preceding financial year.

19. DATE OF AUTHORIZATION

This consolidated condensed interim financial information is authorized for issue on August 21, 2019 by the Board of Directors of the Holding Company.

Inam ur Rahman **Chief Executive**	**M.Shamoon Chaudry** **Chief Financial Officer**	**Shabbir Hussain Hashmi** **Director**

Dawood Hercules

Dawood Hercules Corporation Limited

Dawood Centre, M.T. Khan Road, Karachi - 75530
Tel: +92-21-35686001 Fax: +92-21-35644147

www.dawoodhercules.com