

# 2020

## **HALF YEARLY ACCOUNTS (UN-AUDITED)**

**FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020**



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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. Kamran Nishat - 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. Hasan Reza Ur Rahim - Member  
Mr. Kamran Nishat - Member

## Human Resource & Remuneration Committee

Mr. Hasan Reza Ur Rahim - Chairman  
Mr. Shahzada Dawood - Member  
Ms. Sabrina Dawood - Member  
Mr. Parvez Ghias - Member

## Board Investment Committee

Mr. Shahzada Dawood - Chairman  
Mr. Samad Dawood - Member  
Mr. Shabbir Hussain Hashmi - Member  
Mr. Imran Sayeed - Member

## Chief Financial Officer

Mr. Mohammad Shamoon Chaudry

## Company Secretary

Mr. Asim H. Akhund

## Registered Office

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Tel: +92 (21) 35686001  
Fax: +92 (21) 35644147  
Email: [shareholders@dawoodhercules.com](mailto:shareholders@dawoodhercules.com)  
Website: [www.dawoodhercules.com](http://www.dawoodhercules.com)

## Auditors

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Chartered Accountants  
State Life Building No 1-C,  
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Tel: +92 (21) 32426682-6  
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8-F, Near Hotel Faran, Nursery, Block 6  
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Chartered Accountants  
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## Legal Advisors

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(Barristers at law)  
D-79, Block – 5, Clifton  
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Karachi- 75600  
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## 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 along with the unaudited unconsolidated condensed interim financial statements of DH Corp and the unaudited consolidated condensed interim financial statements of the Group for the six months ended 30 June 2020.

The Covid-19 pandemic severely impacted the global economic landscape with the service sector and global trade suffering the most. Pakistan's economy also suffered gravely, however the Government responded promptly by implementing a lockdown program of enforcing social distancing. At the same time critical industries and sectors were allowed to operate thereby providing essential support to the economy.

Despite all these measures, the pandemic resulted in a contraction of the GDP by 0.4% - a first in Pakistan's history. The economy is expected to recover in 2020-21, with an expected growth of 2% - however it will largely depend on success in containing Covid.

In these challenging times, we remain committed to improving lives of the people of Pakistan and having a positive impact on the society we operate in. In order to fight COVID-19 and its negative impacts on Pakistan, PKR 1 billion, pledged by Dawood Hercules, Engro and the Group Chairman along with his family, is being deployed towards disease prevention, protecting healthcare practitioners, enabling patient care and bolstering livelihood and sustenance of the most deserving in society. Under the pledge, PKR 283 million has already been deployed. We believe we must remain fully transparent while attempting to make an impact and work towards saving lives. Information on how and where we allocate funds from the pledge is open to the public and can be viewed at the pledge website <https://www.hussaindawoodpledge.com>.

We give great importance to the health and safety of our employees. For the safety of our employees, DH Corp initiated Work From Home (WFH) even before it was made mandatory by the Government and the same is being continued to date. All meetings and coordination are conducted via video conferencing and operations are running smoothly and practically as efficiently as before. To facilitate our employees during the COVID-19 crisis, a Crisis Management Committee (CMC) was formed. This committee has been very effective in assisting our employees and families in testing, healthcare, and other aspects of life during the crisis.

On 19th May 2020, DH Corp incorporated a wholly owned subsidiary, Empiric AI (Private) Limited (EMPAK). EMPAK will be engaged in technology led businesses. It started its full operations on 1st June 2020.

During the period, the stock market remained bearish due to the outbreak of Covid-19, registering a drop of about 15.5% during the first half of 2020, which also affected DH Corp's portfolio.

With rapidly declining interest rates, the balance funds were placed in both short and long-term money markets' instruments to take advantage of any volatility in policy rates. This allowed us to manage and hedge the floating interest rate on our borrowings, with returns comparable to other money market / fixed income funds available in the market.

On a standalone basis, the loss after tax was PKR 43 million against profit of PKR 1,548 million for the same period last year primarily due to unrealized losses on the equities portfolio. However, PAT for the quarter stood at PKR 1,474 million against PKR 1,438 million for the same period last year. Loss per share for the period was PKR 0.09 per share.

Our consolidated revenue (on a like-for-like basis, excluding Thar power project) in the first half of 2020 is approximately 25% higher than the 2019 revenue in the same period. The consolidated Profit-After-Tax (PAT) for the first half of 2020 was PKR 13,954 million, up by 27% from the comparative period last year.

The portfolio of Engro Corporation is resilient and will sail through challenging times. The philosophy of operating

in sectors that help solve pressing issues of Pakistan implies that most of Engro's businesses are of critical nature and will continue to operate in times of lockdown.

The Fertilizer business achieved its highest-ever half yearly production of Urea in its history, as a result of continued focus on plant efficiency and engineering excellence. Construction work related to PVC expansion and VCM debottlenecking projects resumed, targeting COD in the first quarter of 2021. Thar coal mine supplied approximately two million tons of coal to Engro Powergen and construction for doubling of mine capacity is underway. The Thar Power Plant achieved 85% availability with a load factor of 83%, dispatching 2,175 GWh to the national grid during the period.

## **FUTURE OUTLOOK**

We believe that with the control on COVID-19 cases in Pakistan and the market gradually opening up, the recovery will be faster than previously expected. With the incentives from the Government, it is forecasted that the construction industry and sectors associated with it (cement, glass, steel, etc.), will experience a faster recovery.

The DH Corp portfolio is diverse enough to sustain large shocks in the medium term. The Board is however keeping a close watch on what the Company will need to do to be more agile and proactive. At this stage, the impact on our businesses and results is limited and is actually recovering. With the hopeful plateauing of the COVID-19 crisis and the recovery of economy and market, we expect our business to post positive result by year end albeit lower than last year.

Technology is well poised to play a greater role in the times ahead and fortunately DH Corp is well positioned to take advantage due to knowledge acquired and investment made in this sector.

The Board places on record its gratitude to shareholders for placing confidence in them and also acknowledges the management and employees for their sincere contributions towards the growth and prosperity of DH Corp.

**Shabbir Hussain Hashmi**  
Director

**Inam ur Rahman**  
Chief Executive

Dated: 24<sup>th</sup> August 2020

## ڈائریکٹرز کی جائزہ رپورٹ

ڈائریکٹرز کی جانب سے 30 جون 2020 کو ختم ہونے والی ششماہی کیلئے ڈی ایچ کارپوریشن کے عبوری، غیر آڈٹ شدہ، مالی حسابات کا خلاصہ اور گروپ کے عبوری، غیر آڈٹ شدہ مالی حسابات کا خلاصہ بمسرت پیش کیا جا رہا ہے۔

عالمی معیشتیں جو کہ عالمی وبائی مرض سے شدید متاثر ہوئیں وہ بحالی کے طریقوں کا جائزہ لے رہی ہیں اور کچھ معاملات میں بتدریج اس کی ابتدا بھی ہو رہی ہے۔ اگرچہ عالمی سطح پر پاکستان میں اس وباء سے متاثرہ افراد کی تعداد بہت زیادہ تھی، لیکن حکومت نے اس کا بھرپور انداز میں سامنا کیا اور لاک ڈاؤن پروگرام کو مؤثر انداز میں نافذ کیا۔ اس مرحلے میں حکومت نے اسمارٹ لاک ڈاؤن کے ذریعے سماجی دوری کو نافذ کیا جبکہ کچھ اہم صنعتوں کو آپریٹ کرنے کی اجازت دی، جس سے معیشت کو ضروری مدد کی فراہمی ممکن ہو سکی۔

عالمی معیشتوں کی طرح وبائی امراض نے پاکستان کی دباؤ میں پھنسی معیشت کو بھی بری طرح متاثر کیا، جس کے نتیجے میں پاکستان کی تاریخ میں پہلی مرتبہ ملکی جی ڈی پی میں 0.4 فیصد کمی واقع ہوئی۔ توقع ہے کہ 2020-21 میں معیشت کی بحالی 2 فیصد تک ممکن ہوگی۔

اس مشکل وقت میں ہم اپنے بنیادی نظریہ پر قائم ہیں کہ ہمیں اس دور کے اہم مسائل کو حل کرنے، پاکستانی عوام کی زندگیاں بہتر بنانے اور جس معاشرے میں ہم کام کر رہے ہیں اس پر مثبت اثرات مرتب کرنے ہیں۔ اس سلسلے میں داؤد ہرکولیس، اینگلو کارپوریشن اور گروپ چیئرمین نے اپنے فیملی ممبرز کے ہمراہ ایک بلین روپے کا عطیہ دیا۔ یہ عطیہ قلیل، درمیانی اور طویل مدت کیلئے خدمات، اجناس اور نقد رقم کی شکل میں استعمال ہو رہا ہے۔ جس کے ذریعے بیماریوں کی روک تھام، ہیلتھ کیئر پریکٹیشنرز کی حفاظت، مریضوں کی دیکھ بھال کو ممکن بنانے، معاش میں استحکام پیدا کرنے اور معاشرے میں انتہائی مستحق افراد کی زندگی کی بحالی پر توجہ دی جا رہی ہے۔ اس سلسلے میں اب تک 283 ملین روپے فراہم کئے جا چکے ہیں۔ ہمیں یقین ہے کہ ہمیں لوگوں کی زندگیوں کو بہتر بنانے اور جان بچانے کیلئے کام کرنے کی کوشش کرتے ہوئے مکمل طور پر شفاف رہنا چاہئے۔ ہم اس عطیہ سے فراہم کی گئی رقم کا استعمال کس طرح اور کہاں کرتے ہیں اس کے بارے میں معلومات عوام کیلئے کھلی ہیں اور ہماری ویب سائٹ <https://www.hussaindawoodpledge.com> پر دیکھی جاسکتی ہیں۔

ہم اپنے ملازمین کی صحت و تحفظ کو خاص اہمیت دیتے ہیں۔ اپنے ملازمین کی حفاظت کے پیش نظر داؤد ہرکولیس کارپوریشن نے حکومت کی جانب سے لازمی قرار دیئے جانے سے پہلے ہی اپنے ملازمین کے لئے گھر سے کام کرنے کے عمل کا آغاز کر دیا۔ یہ سلسلہ آج بھی کامیابی سے جاری ہے۔ تمام میٹنگز اور کوآرڈینیشن ویڈیو کانفرنسنگ کے ذریعے کی جاتی ہیں اور آپریشنز بلا روک ٹوک چل رہے ہیں۔ کوویڈ-19 بحران کے دوران اپنے ملازمین کی سہولت کے لیے، تمام ڈپارٹمنٹ ہیڈز پر مشتمل ایک کرائسٹس مینجمنٹ کمیٹی تشکیل دی گئی۔ جو تمام ملازمین اور ان کے اہل خانہ کو سپورٹ فراہم کرنے کا ذمہ دار ہے۔

19 مئی 2020 کو کمپنی نے مکمل ملکیتی ماتحت ادارے کے طور پر ایمپیکر اے آئی (پرائیویٹ) لمیٹڈ (EMPAK) کو شامل کیا۔ EMPAK ٹیکنالوجی سے متعلقہ کاروبار کا ذمہ دار ہوگا۔ اس ادارے نے یکم جون 2020 کو اپنا باقاعدہ آپریشن شروع کیا۔

اس عرصے کے دوران، کوویڈ-19 پھیلنے کی وجہ سے اسٹاک مارکیٹ مندی کا شکار رہی، اور یوں 2020 کی پہلی ششماہی کے دوران تقریباً 15.5 فیصد کمی ریکارڈ کی گئی، جس سے ڈی ایچ کارپورٹ فوکیو کو بھی متاثر ہوا۔

شرح سود میں تیزی سے گراؤٹ کے باعث، بیلنس فنڈز پالیسی اور ریٹ میں کسی بھی اتار چڑھاؤ سے فائدہ اٹھانے کے لئے مختصر اور طویل المدتی منی مارکیٹوں میں رکھے گئے۔ اس سے ہمیں اپنے قرضوں پر جاری سود کی شرح کو مؤثر انداز میں سنبھالنے اور کسی ممکنہ نقصان کی تلافی کی سہولت ملی۔

علیحدہ بنیاد پر نقصان بعد از ٹیکس، گزشتہ سال اسی مدت کے 1,548 ملین روپے منافع کے مقابلے میں 43 ملین روپے تھا، تاہم، بعد از ٹیکس منافع گزشتہ سال کی اسی مدت کے دوران ہونے والے منافع 1,438 ملین روپے کے مقابلے میں 1,474 ملین روپے رہا۔ اس مدت کیلئے فی شیئر نقصان 0.09 روپے تھا۔

2020 کی پہلی ششماہی میں ہماری مستحکم آمدن (لائیک - فار - لائیک بنیاد پر، تھرپاور پراجیکٹ کو چھوڑ کر) 2019 اسی مدت کی آمدن سے تقریباً 25 فیصد زیادہ ہے۔ 2020 کی پہلی ششماہی میں مجموعی منافع بعد از ٹیکس 13,954 ملین روپے تھا، جو گزشتہ سال کے تقابلی دورانیے سے 27 فیصد زیادہ ہے۔

اینکرو کارپوریشن کا پورٹ فولیو مشکل حالات سے نمٹنے کی بھرپور صلاحیت کا حامل ہے۔ ایسے شعبوں میں کام کرنے کا فلسفہ جو پاکستان کے اہم مسائل کو حل کرنے میں مدد دیں، یہ ظاہر کرتا ہے کہ معاشرے کے روزمرہ کاروبار کے لئے اینکرو کے بیشتر کاروبار انتہائی اہمیت کے حامل ہیں اور لاک ڈاؤن کے دوران بھی کام کرتے رہیں گے۔

اس پلانٹ کی کارکردگی اور انجینئرنگ کے اعلیٰ معیار پر مستقل توجہ کے نتیجے میں فریلائزر برزس نے اپنی تاریخ میں یورپا کی اب تک کی سب سے بڑی ششماہی پیداوار حاصل کی۔ پی وی سی توسیعی منصوبے اور وی سی ایم ڈی بوتل نیلنگ منصوبے دوبارہ سے شروع ہوئے اور 2021 کی پہلی سہ ماہی میں سی او ڈی کی منصوبہ بندی کی گئی ہے۔ مائننگ آپریشن باسانی جاری رہا، اور اس مائن سے سہ ماہی کے دوران اینکرو پاور جن تھر کوئیس لاکھٹن سے زیادہ کوئلہ فراہم کیا گیا۔ تھر پاور جنریشن پروجیکٹ کے اس پلانٹ نے 83 فیصد لوڈ فیکٹر کے ساتھ 85 فیصد دستیابی حاصل کی، اور اس مدت کے دوران نیشنل گرڈ کو 2,175 گیگا واٹ توانائی فراہم کی۔

### مستقبل کا جائزہ

ہمیں یقین ہے کہ پاکستان میں کوویڈ-19 کیسوں پر قابو پانے اور معیشت کے آہستہ آہستہ کھلنے سے حالات توقع سے زیادہ تیزی سے بہتر ہوں گے۔ حکومت کی طرف سے دی گئی مراعات کے پیش نظر، پیش گوئی کی گئی ہے کہ تعمیراتی صنعت اور اس سے وابستہ شعبے (سیمنٹ، شیشے، اسٹیل وغیرہ) میں تیزی سے بہتری آئے گی۔

درمیانی مدت میں ڈی ایچ کارپوریشن کا پورٹ فولیو بڑے صدمے برداشت کرنے میں کافی باصلاحیت ہے۔ تاہم بورڈ اس بات پر گہری نظر رکھے ہوئے ہے کہ کمپنی کو زیادہ مستعدی سے کام کرنے اور متحرک ہونے کے لئے کیا کرنے کی ضرورت ہے۔ اس مرحلے پر، ہمارے کاروبار اور نتائج پر اثر محدود ہے۔ کوویڈ-19 بحران کی پرامید صورتحال اور معیشت و مارکیٹ کی ریکوری سے، ہم توقع کرتے ہیں کہ ہمارے کاروبار میں پچھلے سال کے مقابلے میں سال کے آخر تک مثبت نتائج ظاہر ہوں گے۔

گمان ہے کہ ٹیکنالوجی آنے والے وقتوں میں زیادہ اہم کردار ادا کرے گی اور خوش قسمتی سے اس شعبے کے بارے میں سیکھنے کے سلسلے میں کی جانے والی تمام سرمایہ کاری کی وجہ سے اس وقت داؤد ہر کوئیس کارپوریشن اس سے فائدہ اٹھانے کی زیادہ بہتر پوزیشن میں ہے۔

بورڈ اپنے تمام شیئرز ہولڈرز سے ان کے اعتماد اور حمایت کے لیے اظہار تشکر کرتا ہے۔ ہم کمپنی کی ترقی و خوش حالی کیلئے مخلصانہ کوششوں پر کمپنی کی انتظامیہ اور ملازمین کا شکریہ بھی ادا کرتے ہیں۔

انعام الرحمن  
چیف ایگزیکٹو

شبیر حسین ہاشمی  
ڈائریکٹر

تاریخ: 24 اگست، 2020



# 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, 2020 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, 2020 and June 30, 2019 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, 2020.

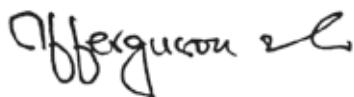
### Scope of Review

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.



Chartered Accountants

Karachi

Date: August 28, 2020

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network  
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● KARACHI ● LAHORE ● ISLAMABAD

**DAWOOD HERCULES CORPORATION LIMITED**

**Unconsolidated Condensed Interim Financial  
Statements**

FOR THE SIX MONTHS ENDED  
JUNE 30, 2020

# UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2020

	Note	June 30, 2020 (Un-audited)	December 31, 2019 (Audited)
----- (Rupees in '000) -----			
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	5	76,654	91,073
Right-of-use assets		41,868	75,560
Deferred tax asset		52,392	-
Long term investments	6	24,832,151	24,698,293
		<b>25,003,065</b>	24,864,926
<b>CURRENT ASSETS</b>			
Advances, deposits and prepayments		19,082	56,695
Other receivables		225,532	409,575
Short term investments	7	15,588,889	16,589,381
Cash and bank balances		178,358	337,103
		<b>16,011,861</b>	17,392,754
<b>TOTAL ASSETS</b>		<b>41,014,926</b>	42,257,680
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised share capital		10,000,000	10,000,000
Issued, subscribed and paid up share capital		4,812,871	4,812,871
Revenue reserves		25,790,389	26,790,852
		<b>30,603,260</b>	31,603,723
<b>NON CURRENT LIABILITIES</b>			
Long term financings		6,153,090	7,258,850
Lease liabilities		20,048	54,993
Defined benefit liabilities		4,251	5,666
Deferred tax liability		-	98,964
		<b>6,177,389</b>	7,418,473
<b>CURRENT LIABILITIES</b>			
Current portion of long term financings		2,240,000	2,240,000
Current portion of lease liabilities		35,467	36,551
Trade and other payables		85,378	73,375
Unclaimed dividend		125,651	135,980
Unpaid dividend		962,574	-
Accrued mark-up		78,036	141,667
Taxation - net		707,171	607,911
		<b>4,234,277</b>	3,235,484
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>41,014,926</b>	42,257,680
<b>CONTINGENCIES AND COMMITMENTS</b>	8		

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

Inam ur Rahman  
Chief Executive

Mohammad Shamooun Chaudry  
Chief Financial Officer

Shabbir Hussain Hashmi  
Director

# UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS - UNAUDITED

FOR THE QUARTER AND SIX MONTHS PERIOD ENDED JUNE 30, 2020

	Note	Quarter Ended		Six Months Period	
		June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
----- (Rupees in '000) -----					
Return on investments	9	<b>2,421,358</b>	2,475,645	<b>1,394,176</b>	3,078,367
Administrative expenses		<b>(255,349)</b>	(170,047)	<b>(511,809)</b>	(324,512)
Gross profit		<b>2,166,009</b>	2,305,598	<b>882,367</b>	2,753,855
Other (expense) / income - net		<b>(2,121)</b>	(30,049)	<b>(2,058)</b>	(27,549)
Operating profit		<b>2,163,888</b>	2,275,549	<b>880,309</b>	2,726,306
Finance costs		<b>(282,420)</b>	(352,945)	<b>(629,632)</b>	(656,982)
Profit before taxation		<b>1,881,468</b>	1,922,604	<b>250,677</b>	2,069,324
Taxation		<b>(407,260)</b>	(483,986)	<b>(293,486)</b>	(521,706)
<b>Profit / (loss) after taxation</b>		<b>1,474,208</b>	1,438,618	<b>(42,809)</b>	1,547,618
Earnings / (loss) per share (Rupees)					
- basic and diluted	10	<b>3.06</b>	2.99	<b>(0.09)</b>	3.22

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

Inam ur Rahman  
Chief Executive

Mohammad Shamooun Chaudry  
Chief Financial Officer

Shabbir Hussain Hashmi  
Director

# UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF TOTAL COMPREHENSIVE INCOME (UN-AUDITED)

FOR THE QUARTER AND SIX MONTHS PERIOD ENDED JUNE 30, 2020

	Quarter Ended		Six Months Period	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
	----- (Rupees in '000) -----			
Profit / (loss) after taxation	<b>1,474,208</b>	1,438,618	<b>(42,809)</b>	1,547,618
<b>Other comprehensive income for the period</b>				
<i>Items that will not be reclassified to profit or loss</i>				
Remeasurements of post-retirement benefits liability	<b>4,920</b>	(2,367)	<b>4,920</b>	(2,367)
Other comprehensive income for the period				
Total comprehensive income / (loss) for the period	<u><b>1,479,128</b></u>	<u>1,436,251</u>	<u><b>(37,889)</b></u>	<u>1,545,251</u>

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

**Inam ur Rahman**  
Chief Executive

**Mohammad Shamooun Chaudry**  
Chief Financial Officer

**Shabbir Hussain Hashmi**  
Director

# UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020

	----- Revenue reserves -----				
	Issued, subscribed and paid up share capital	General reserve	Un-appro- priated profit	Sub-total	Total
	----- (Rupees in '000) -----				
<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 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
<b>Transaction with owners</b>					
Final cash dividend @ 40% for the year ended December 31, 2018 (Rs 4 per ordinary share)	-	-	(1,925,148)	(1,925,148)	(1,925,148)
Interim cash dividend @ 50% for the year ended December 31, 2019 (Rs 5 per ordinary share)	-	-	(2,406,436)	(2,406,436)	(2,406,436)
<b>Balance as at June 30, 2019</b>	4,812,871	700,000	26,665,222	27,365,222	32,178,093
<b>Balance as at January 1, 2020</b>	4,812,871	700,000	26,090,852	26,790,852	31,603,723
<b>Total comprehensive Income</b>					
Loss for the period	-	-	(42,809)	(42,809)	(42,809)
Other comprehensive income	-	-	4,920	4,920	4,920
Total comprehensive loss for the period	-	-	(37,889)	(37,889)	(37,889)
Interim cash dividend @ 20% for the year ending December 31, 2020 (Rs 2 per ordinary share)	-	-	(962,574)	(962,574)	(962,574)
<b>Balance as at June 30, 2020</b>	4,812,871	700,000	25,090,389	25,790,389	30,603,260

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

Inam ur Rahman  
Chief Executive

Mohammad Shamoony Chaudry  
Chief Financial Officer

Shabbir Hussain Hashmi  
Director

# UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020

Note

		June 30, 2020	June 30, 2019
		----- (Rupees in '000) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash (utilised in) / generated from operations	11	<b>(230,952)</b>	1,054,714
Finance cost paid		<b>(674,983)</b>	(619,383)
Taxes paid		<b>(345,582)</b>	(453,351)
Employees retirement and other service benefits paid		<b>(8,951)</b>	(1,075)
Net cash utilised in operating activities		<b>(1,260,468)</b>	(19,095)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment		<b>(8,439)</b>	(10,403)
Interest received on bank deposits and investments		<b>716,987</b>	440,294
Proceeds from disposal of property, plant and equipment		<b>310</b>	3,068
Long term investments made		<b>(45,542)</b>	(1,329,282)
Short term investment purchased and redeemed - net		<b>2,274,613</b>	(1,976,304)
Dividends received		<b>1,557,964</b>	1,920,301
Net cash generated from / (utilised in) investing activities		<b>4,495,893</b>	(952,326)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Long term financings repaid		<b>(1,120,000)</b>	(520,000)
Lease rentals paid during the period		<b>(25,227)</b>	-
Dividends paid		<b>(10,329)</b>	(4,308,897)
Net cash utilised in financing activities		<b>(1,155,556)</b>	(4,828,897)
Net increase / (decrease) in cash and cash equivalents		<b>2,079,869</b>	(5,800,318)
Cash and cash equivalents at the beginning of the period		<b>7,337,103</b>	21,731,666
Cash and cash equivalents at the end of the period	12	<b>9,416,972</b>	15,931,348

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

**Inam ur Rahman**  
Chief Executive

**Mohammad Shamooun Chaudry**  
Chief Financial Officer

**Shabbir Hussain Hashmi**  
Director

# NOTES TO AND FORMING PART OF THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020

## 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 the 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, and liaison offices are at Islamabad and Lahore.
- 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.
- 1.4 The COVID 19 outbreak which was declared a Pandemic has developed rapidly during the current period, with a significant number of infections being recorded globally. The pandemic has resulted in consequences on economy, health and society, affecting the earnings and cash flows of businesses, after the announcement of lockdowns by the government authorities, resulting in closure of business operations except for specifically exempted industries. The specific impacts of the pandemic on results of the Company during the current period includes the following:
- Decrease in fair value of the Company's investments, mainly in equity securities, has resulted in unrealised loss on investments which has been recorded in these unconsolidated interim financial statements.
  - The Company has entered this crisis in a strong position, having net assets of Rs 31,603 million as at December 31, 2019, and believes that as normalcy of operations comes about, the impacts will eventually recede. During the quarter ended June 30, 2020, the Company's profit after taxation has already exceeded as compared to the same period last year. The management and the Board of Directors of the Company continue to monitor the developing situation.

## 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 audited financial statements of the Company for the year ended December 31, 2019 (December 2019 / unconsolidated financial statements) 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, 2020 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



# NOTES TO AND FORMING PART OF THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020

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, 2020 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, 2019 has been extracted from December 2019 unconsolidated financial statements of the Company for the year ended December 31, 2019. 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, 2019 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, 2019 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 December 2019 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 are certain amendments to published standards and interpretations that become applicable to the Company during the current period. These did not have any significant effect on the Company financial reporting and operations and are, therefore not disclosed in these unconsolidated condensed interim financial statements.

### 2.5.4 Standard, amendments to published accounting standards and an interpretations 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, 2021. 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

During the preparation of these unconsolidated condensed interim financial statements, significant judgments made by management in applying the Company's accounting policies and the key sources of estimating were same as those that were applied in the December 2019 unconsolidated financial statements.

The financial risk management objectives and policies are consistent with those disclosed in the December 2019 unconsolidated financial statements.

## 4 SEASONALITY OF OPERATIONS

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

# NOTES TO AND FORMING PART OF THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020

	Note	Unaudited June 30, 2020	Audited December 31, 2019
----- (Rupees in '000) -----			
<b>5 PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets (WDV) - opening balance		<b>91,073</b>	137,107
Add: Additions during the period / year	5.1	<b>8,439</b>	21,151
		<b>99,512</b>	158,258
Less: Disposals during the period / year (WDV)	5.2	<b>8,198</b>	31,268
Depreciation charge for the period / year		<b>14,660</b>	35,917
Operating fixed assets (WDV) - closing balance		<b>76,654</b>	91,073
----- (Rupees in '000) -----			
<b>5.1 Additions during the period</b>			
Furniture, fittings and equipment		<b>657</b>	4,348
Vehicles		<b>2,974</b>	3,058
Data processing equipment		<b>4,808</b>	2,997
		<b>8,439</b>	10,403
<b>5.2 Disposals during the period - net book value</b>			
Furniture, fittings and equipment		<b>8,041</b>	58
Vehicles		-	30,881
Data processing equipment		<b>157</b>	8
		<b>8,198</b>	30,947
----- (Rupees in '000) -----			
<b>6 LONG TERM INVESTMENTS</b>			
Investment in subsidiaries - at cost	6.1	<b>23,408,927</b>	23,308,927
Government securities - Pakistan			
Investment Bonds - at amortised cost	6.2	<b>1,423,224</b>	1,389,366
Other investment - at fair value			
through profit or loss	6.3	-	-
		<b>24,832,151</b>	24,698,293

# NOTES TO AND FORMING PART OF THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020

	Note	Unaudited June 30, 2020	Audited December 31, 2019
----- (Rupees in '000) -----			
<b>6.1 Investment in subsidiaries - at cost</b>			
Engro Corporation Limited (ECL) - quoted			
214,469,810 (December 31, 2019: 214,469,810)	6.1.1		
ordinary shares of Rs 10 each. Percentage of	&		
holding 37.22% (December 31, 2019: 37.22%)	6.1.2	<b>23,308,927</b>	23,308,927
Empiric AI (Private) Limited (EMPAK) - unquoted			
10,000,000 (December 31, 2019: Nil)			
Percentage of holding 100% ordinary shares			
of Rs 10 each.	6.1.3	<b>100,000</b>	-
		<b>23,408,927</b>	23,308,927

6.1.1 The market value of investment in ECL as at June 30, 2020 was Rs 62,822.497 million (December 31, 2019: Rs 74,045.702 million).

6.1.2 The details of shares pledged as security are as follows:

	As at June 30, 2020			As at December 31, 2019		
Bank	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) -----		
<b>Pledged in favor of Fatima Fertilizer Company Limited against potential liabilities of DH Fertilizer Limited</b>						
Meezan Bank Limited - as agent	<b>10,491,800</b>	<b>104,918</b>	<b>3,073,258</b>	10,491,800	104,918	3,622,294
<b>Pledged in favor of JS Bank Limited against issuance of Sukuks</b>						
JS Bank Limited	<b>66,256,039</b>	<b>662,560</b>	<b>19,407,719</b>	74,539,316	745,393	25,734,699

6.1.3 On May 19, 2020, the Company incorporated a wholly owned subsidiary, Empiric AI (Private) Limited (EMPAK). The Company's two nominees hold 2 ordinary shares of EMPAK. EMPAK will be engaged in technology led businesses.

		Unaudited June 30, 2020	Audited December 31, 2019
----- (Rupees in '000) -----			
<b>6.2 At amortised cost</b>			
Government securities -			
Pakistan Investment Bonds (PIBs)	6.2.1	<b>1,423,224</b>	1,389,366

# NOTES TO AND FORMING PART OF THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020

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

	Note	Unaudited June 30, 2020	Audited December 31, 2019
		----- (Rupees in '000) -----	
<b>6.3 Other investment - at fair value through profit or loss</b>			
le2e Business Enterprises (Private) Limited-unquoted [23,770,701 (December 31, 2019: 11,664,633) ordinary shares of Rs 10 each]	6.3.1	<b>237,707</b>	116,646
Less: Accumulated impairment		<b>(237,707)</b>	(116,646)
		<u>-</u>	<u>-</u>

Percentage of holding 39.00% (December 31, 2019: 19.14%).

6.3.1 The Company had made an 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 commercial operations were planned to start in the year 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 financial and liquidity issues, it has not been able to service its outstanding loans and working capital requirements.

The Company had disposed of part of its shareholding i.e. 19.86% in e2eBE during the year 2015. However, the said disposal had not been recorded by e2eBE in its register of members. The Company had informed the Securities and Exchange Commission of Pakistan (the SECP) in this respect through its letters dated May 12, 2016 and January 22, 2018.

In view of the pending registration of the transfer of shares in the name of the transferee, during the period the Company, on the basis of legal advice, had entered into an agreement dated May 8, 2020 with the transferee whereby it was agreed to reverse the original share sale-purchase transaction in a manner that the disposed 19.86% shares shall revert to the Company as if those were never held or sold to the transferee. Accordingly, the sales proceeds amounting to Rs 2 million received by the Company for against the disposal of 19.86% shares in e2eBE were returned to the transferee. In this regard, the Company has through its letter dated April 10, 2020 withdraw its complaints lodged with the SECP against e2eBE related to its failure to transfer 19.86% shares in the name of the transferee. Further, an intimation to this effect has been made to e2eBE through the Company's letter dated May 15, 2020.

Further, the Company has assessed the carrying amount of its investment in e2eBE in accordance with the requirements of the applicable accounting standard and the investment has been fully impaired as the possibility of commencement of operations of e2eBE is considered remote.

# NOTES TO AND FORMING PART OF THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020

	Note	Unaudited June 30, 2020	Audited December 31, 2019
		----- (Rupees in '000) -----	
<b>7. SHORT TERM INVESTMENTS</b>			
<b>At amortised cost</b>			
- Term Deposit Receipts (TDRs)	7.1 & 7.2	<b>10,018,000</b>	10,457,700
<b>At fair value through profit and loss</b>			
- Market Treasury bills (T-Bills)	7.3	<b>1,940,519</b>	1,831,299
- Quoted shares		<b>3,630,370</b>	4,300,382
		<b>15,588,889</b>	16,589,381

7.1 These carry profit ranging from 5% to 12.00% per annum (December 31, 2019: 8.75% to 14.25% per annum).

7.2 As of June 30, 2020, the Company held TDR with a commercial bank carrying profit at the rate of 5% per annum. The TDR is due to mature on April 27, 2021. The Bank has marked lien over this TDR against Corporate Credit Card facilities.

7.3 These carry profit ranging from 7.70% to 10.26% per annum (December 31, 2019: 13.80% to 13.90%) are maturing on November 5, 2020.

## 8. CONTINGENCIES AND COMMITMENTS

8.1 There has been no significant change in the status of matters stated in notes 16.1 to 16.2 to the December 2019 unconsolidated financial statements, except for the facts the matter disclosed in note 8.2 below.

8.2 During the period on June 18, 2020, the Company received an income tax demand amounting to Rs 201.196 million in relation to the tax year 2019. Out of such demand, an amount of Rs 92 million seems an apparent error for which a rectification application has been submitted to the tax authorities against which order is awaited as yet. The remaining demand of Rs 109 million was made as the taxation authorities are of the view that the Company's interest income does not meet the criteria of the 'income from business' and should be treated as 'income from other sources'. As a result, the common expenses incurred by the Company cannot be allocated to 'income from other sources' resulting in increased tax liability. However, the Company is of the view that earning interest / money market income is one of the principal revenue streams of the Company and should be treated as 'income from business'. Subsequent to June 30, 2020, an appeal has been filed by the Company before the Commissioner Inland Revenue (Appeals), the decision of which is pending to date. The Company in view of the tax consultant's advice is expecting a favourable outcome of the appeal. However, on a prudent basis tax charge amounting to Rs 109 million has been recorded in these unconsolidated condensed interim financial statements.

# NOTES TO AND FORMING PART OF THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020

	Note	Quarter Ended		Six Months Period Ended	
		June 30, 2020	June 30, 2019	June 30, 2020 (Un-audited)	June 30, 2019 (Un-audited)
----- (Rupees in '000) -----					
<b>9. RETURN ON INVESTMENTS</b>					
Dividend income	9.1	<b>1,522,643</b>	1,916,724	<b>1,557,964</b>	1,922,204
Interest income	9.2	<b>336,842</b>	593,450	<b>805,303</b>	1,172,790
Others	9.3	<b>561,873</b>	(34,529)	<b>(969,091)</b>	(16,627)
		<b>2,421,358</b>	2,475,645	<b>1,394,176</b>	3,078,367
<b>9.1 Dividend income</b>					
Subsidiary - Engro Corporation Limited		<b>1,501,289</b>	1,891,234	<b>1,501,289</b>	1,891,234
Other investments on quoted shares		<b>21,354</b>	25,490	<b>56,675</b>	30,970
		<b>1,522,643</b>	1,916,724	<b>1,557,964</b>	1,922,204
<b>9.2 Interest income</b>					
Income on T-Bills		<b>142,415</b>	239,043	<b>266,676</b>	676,163
Return on TDRs		<b>152,340</b>	271,385	<b>440,148</b>	402,227
Income on PIBs		<b>37,184</b>	30,874	<b>88,316</b>	30,874
Profit on saving accounts		<b>4,903</b>	52,148	<b>10,163</b>	63,526
		<b>336,842</b>	593,450	<b>805,303</b>	1,172,790
<b>9.3 Others</b>					
Gain on sale of quoted shares		<b>10,873</b>	4,061	<b>39,950</b>	4,061
Unrealised loss on quoted shares		<b>551,000</b>	(20,688)	<b>(1,009,041)</b>	(20,688)
Unrealised appreciation on remeasurement of investments classified as financial assets at fair value through profit or loss - net		-	(17,902)	-	-
		<b>561,873</b>	(34,529)	<b>(969,091)</b>	(16,627)
<b>10. EARNINGS PER SHARE</b>					
		Quarter Ended		Six Months Period Ended	
		June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
----- (Rupees in '000) -----					
Profit / (loss) after taxation		<b>1,474,208</b>	1,438,618	<b>(42,809)</b>	1,547,618
----- (Number of shares) -----					
Weighted average number of ordinary shares outstanding during the period		<b>481,287,116</b>	481,287,116	<b>481,287,116</b>	481,287,116
----- (Rupees in '000) -----					
Earnings / (loss) per share		<b>3.06</b>	2.99	<b>(0.09)</b>	3.22

# NOTES TO AND FORMING PART OF THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020

	Note	Six Months Period Ended	
		June 30, 2020 (Un-audited)	June 30, 2019 (Un-audited)
		----- (Rupees in '000) -----	
<b>11. CASH (UTILISED IN) / GENERATED FROM OPERATIONS</b>			
Profit before taxation		<b>250,677</b>	2,069,324
Adjustments for non cash expenses and other items:			
Depreciation on property, plant and equipment		<b>14,660</b>	19,593
Depreciation on right-of-use assets		<b>17,172</b>	-
Finance cost		<b>629,632</b>	656,982
Return on investments		<b>(1,394,176)</b>	(3,078,367)
Provision for staff retirement and other service benefits		<b>7,536</b>	2,655
Loss on disposal of operating fixed assets		<b>7,888</b>	27,879
Reversal of loss booked on sold shares - e2eBE		<b>(119,061)</b>	-
Impairment charge - e2eBE		<b>121,061</b>	-
Working capital changes	11.1	<b>233,659</b>	1,356,648
Cash (utilised in) / generated from operations		<b>(230,952)</b>	1,054,714
<b>11.1 Working capital changes</b>			
Decrease / (increase) in current assets			
Advances, deposits and prepayments		<b>37,613</b>	(25,204)
Other receivables		<b>184,043</b>	1,684,281
		<b>221,656</b>	1,659,077
Increase / (decrease) in trade and other payables		<b>12,003</b>	(302,429)
		<b>233,659</b>	1,356,648
<b>12. CASH AND CASH EQUIVALENTS</b>			
		<b>178,358</b>	160,410
Cash at bank		<b>9,238,614</b>	15,770,938
Short term investments		<b>9,416,972</b>	15,931,348

# NOTES TO AND FORMING PART OF THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020

	Six Months Period Ended	
	June 30, 2020 (Un-audited)	June 30, 2019 (Un-audited)
	----- (Rupees in '000) -----	
<b>Subsidiaries</b>		
Reimbursement of expenses made to the Company	4,135	2,451
Reimbursement of expenses made by the Company	43,916	9,616
Dividend income	1,501,289	1,891,234
Sale of goods and services	45	-
Cost sharing of services	-	52,212
Investment in subsidiary	100,000	-
<b>Associated companies</b>		
Purchase of services	17,131	17,936
Sale of services	8,607	7,630
Reimbursement of expenses made to associates	10,372	1,605
Reimbursement of expenses made by associates	25,922	25,186
Donation	119,000	26,395
Dividend paid	-	879,527
<b>Other related parties</b>		
Membership fee and other subscriptions	-	300
Purchase of services	599	1,322
Contribution to staff gratuity fund	3,262	3,442
Contribution to staff provident fund	5,890	6,223
Reimbursement of expenses from the Company	204	-
Sale of goods and services	21	-
Other payments	-	74
<b>Key management personnel</b>		
Salaries and other short term employee benefits	156,993	225,448
Directors' fee	11,000	6,000
Post retirement benefit plans	2,453	3,630
Dividend paid	-	608,888
Loss on sale of an item of operating fixed asset	-	30,132
Payment of special bonus accrued in unconsolidated financial statements of the Company for the year ended December 31, 2018 as stated in note 26.5 to those financial statements	-	235,292

## 14. GENERAL

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

14.2 These unconsolidated condensed interim financial statements were authorised for issue by the Board of Directors on August 24, 2020.



# NOTES TO AND FORMING PART OF THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020

## 15 NON-ADJUSTING EVENT AFTER THE STATEMENT OF FINANCIAL POSITION DATE

The Board of Directors in its meeting held on August 24, 2020 approved an interim cash dividend of Rs 5 per share amounting to Rs 2,406 million for the six months period ended June 30, 2020. (Rs 3 per share amounting to PKR 1,444 million 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 reporting date.

**Inam ur Rahman**  
Chief Executive

**Mohammad Shamoon Chaudry**  
Chief Financial Officer

**Shabbir Hussain Hashmi**  
Director

**DAWOOD HERCULES CORPORATION LIMITED**

**Consolidated Condensed Interim Financial  
Statements**

FOR THE SIX MONTHS ENDED  
JUNE 30, 2020

# CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2020

	Note	Consolidated	
		Unaudited June 30, 2020	Audited December 31, 2019
		----- (Rupees in '000) -----	
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	261,088,868	253,465,387
Right-of-use assets		4,676,049	4,926,781
Intangible assets		5,638,646	5,461,267
Deferred taxation		540,170	228,024
Long term investments	6	31,928,509	37,273,516
Net investment in lease		48,620,566	45,563,942
Financial asset at amortized cost		6,381,750	-
Long term loans and advances		2,093,002	3,305,027
		<b>360,967,560</b>	<b>350,223,944</b>
<b>Current assets</b>			
Stores, spares and loose tools		8,513,541	7,637,331
Stock-in-trade		23,605,064	19,913,340
Trade debts		53,487,299	51,816,893
Loans, advances, deposits and prepayments		5,319,162	4,925,076
Other receivables		15,682,583	17,299,368
Accrued Income		798,913	817,106
Contract asset		3,241,655	5,313,283
Current portion of net investment in lease		3,216,882	2,543,927
Dividend receivable		-	-
Short term investments		97,334,457	90,593,525
Cash and bank balances		17,721,809	21,229,837
		<b>228,921,365</b>	<b>222,089,686</b>
Asset classified as held for sale		<b>1,325,595</b>	<b>1,325,595</b>
<b>TOTAL ASSETS</b>		<b>591,214,520</b>	<b>573,639,225</b>

# CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2020

	Note	Unaudited June 30, 2020	Audited December 31, 2019
----- (Rupees in '000) -----			
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		4,812,871	4,812,871
Revaluation reserve on business combination		3,564	5,463
Maintenance reserve		60,117	60,117
Exchange revaluation reserve		376,218	226,682
Hedging reserve		(11,092)	(10,980)
General reserve		700,000	700,000
Unappropriated profit		59,100,126	58,265,869
Remeasurment of investments		116,377	-
Remeasurement of post-employment benefits		(34,157)	(39,077)
		<b>60,311,153</b>	<b>59,208,074</b>
Non-controlling interest		<b>65,124,024</b>	<b>64,020,945</b>
		<b>151,565,972</b>	<b>144,023,629</b>
<b>Total Equity</b>		<b>216,689,996</b>	<b>208,044,574</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings		154,627,447	145,858,867
Deferred taxation		13,362,923	13,498,354
Lease liabilities		52,895,316	50,996,209
Deferred liabilities		2,345,770	2,344,875
		<b>223,231,456</b>	<b>212,698,305</b>
<b>Current liabilities</b>			
Trade and other payables		99,514,533	103,382,190
Accrued interest / mark-up		2,091,460	3,457,429
Current portion of :			
- borrowings		21,792,290	22,096,424
- lease liabilities		5,110,778	4,443,548
- deferred liabilities		549,955	430,358
Taxes payable		5,237,100	3,438,915
Short term borrowings		14,216,840	15,511,348
Unclaimed dividends		519,977	135,980
Unpaid dividend		2,260,135	-
Derivative financial instruments		-	154
		<b>151,293,068</b>	<b>152,896,346</b>
<b>Total Liabilities</b>		<b>374,524,524</b>	<b>365,594,651</b>
<b>Contingencies and Commitments</b>	7		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>591,214,520</b>	<b>573,639,225</b>

The annexed notes 1 to 17 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

# CONSOLIDATED CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UNAUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2020

(Amounts in thousand except for earnings per share)

	Note	Quarter Ended		Six Months Ended	
		June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
		----- (Rupees) -----			
Net sales		<b>62,194,887</b>	44,130,704	<b>107,172,054</b>	84,778,062
Cost of sales		<b>(43,026,198)</b>	(31,302,687)	<b>(74,283,553)</b>	(59,947,834)
<b>Gross profit</b>		<b>19,168,689</b>	12,828,017	<b>32,888,501</b>	24,830,228
Selling and distribution expenses		<b>(2,118,826)</b>	(1,356,814)	<b>(3,175,544)</b>	(3,097,262)
Administrative expenses		<b>(1,680,177)</b>	(1,229,348)	<b>(3,445,163)</b>	(2,727,981)
		<b>15,369,686</b>	10,241,855	<b>26,267,794</b>	19,004,985
Other income		<b>4,496,339</b>	4,622,541	<b>6,912,232</b>	7,575,595
Other operating expenses		<b>(2,053,140)</b>	(2,060,001)	<b>(3,800,188)</b>	(2,761,897)
Finance cost		<b>(5,481,064)</b>	(3,481,758)	<b>(11,894,661)</b>	(5,300,903)
Share of income from associates & joint ventures		<b>872,780</b>	280,455	<b>1,143,096</b>	690,187
<b>Profit before taxation</b>		<b>13,204,601</b>	9,603,092	<b>18,628,273</b>	19,207,967
Taxation		<b>(3,674,613)</b>	(5,257,309)	<b>(4,674,462)</b>	(8,188,257)
<b>Profit for the period</b>		<b>9,529,988</b>	4,345,783	<b>13,953,811</b>	11,019,710
Profit attributable to:					
- Owners of the Holding Company		<b>2,079,295</b>	547,261	<b>1,796,831</b>	2,148,776
- Non-controlling interest		<b>7,450,693</b>	3,798,522	<b>12,156,980</b>	8,870,934
		<b>9,529,988</b>	4,345,783	<b>13,953,811</b>	11,019,710
Earnings per share - basic and diluted	8	<b>4.32</b>	1.13	<b>3.73</b>	4.46

The annexed notes 1 to 17 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

# CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2020

	Quarter Ended		Six Months Ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
	----- (Rupees in '000) -----			
<b>Profit for the period</b>	<b>9,529,988</b>	4,345,783	<b>13,953,811</b>	11,019,710
<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	-	353,050	-	353,050
- Reclassification adjustments for losses included in profit or loss	316	(218)	(436)	(433)
	316	352,832	(436)	352,617
Fair value gain on remeasurement of short term investments classified as FVOCI	332,263	-	332,263	-
<b>Share of other comprehensive income of associate</b>				
<b>Revaluation reserve on business combination</b>	(20,260)	(5,251)	(10,058)	(10,501)
<b>Exchange differences on translation of foreign operations</b>	-	-	-	-
	(118,910)	341,620	401,763	372,241
	(139,170)	336,369	391,705	361,740
<b>Income tax relating to:</b>				
- Hedging reserve - cash flow hedges	-	(102,385)	-	(102,385)
- Revaluation reserve on business combination	-	1,680	2,917	3,360
	-	(100,705)	2,917	(99,025)
<b>Items that will not be reclassified to profit or loss</b>				
Remeasurement of post employment benefits obligation	4,920	(2,367)	4,920	(2,367)
	<b>198,329</b>	586,129	<b>731,369</b>	612,965
Total comprehensive income for the period	<b>9,728,317</b>	4,931,964	<b>14,685,180</b>	11,632,675
Total comprehensive income attributable to:				
- Owners of the Holding Company	2,147,863	748,804	2,065,653	2,290,484
- Non-controlling interest	7,580,454	4,302,221	12,619,527	9,342,191
	<b>9,728,317</b>	5,051,025	<b>14,685,180</b>	11,632,675

The annexed notes 1 to 17 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

# CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2020

	----- Attributable to owners of the Holding Company -----											Total
	----- Capital reserves -----					----- Revenue reserves -----				Sub total	Non-Con- trolling Interest	
	Share capital	Revaluation reserve on business combination	Maintenance reserve	Exchange revaluation reserve	Hedging reserve	General reserve	Unappro- priated Profit	Remeasure- ment of investments	Remeasure- ment of post employment benefits - Actuarial gain / (loss)			
----- (Rupees in '000) -----												
<b>Balance December 31, 2018 (audited) / January 01, 2019</b>	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
<b>Total comprehensive income / (loss) for the six months ended June 30, 2019 (unaudited)</b>												
Profit for the period	-	-	-	-	-	-	2,148,776	-	-	2,148,776	8,870,934	11,019,710
Other comprehensive income	-	(1,899)	-	93,661	52,313	-	-	-	(2,367)	141,708	471,257	612,965
	-	(1,899)	-	93,661	52,313	-	2,148,776	-	(2,367)	2,290,484	9,342,191	11,632,675
<b>Transaction with owners</b>												
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)
<b>Balance as at June 30, 2020 (unaudited)</b>	<b>4,812,871</b>	<b>7,362</b>	<b>60,117</b>	<b>241,244</b>	<b>41,333</b>	<b>700,000</b>	<b>59,008,838</b>	<b>-</b>	<b>(32,390)</b>	<b>64,839,375</b>	<b>143,381,969</b>	<b>208,221,344</b>
<b>Balance December 31, 2019 (audited) / January 01, 2020</b>	4,812,871	5,463	60,117	226,682	(10,980)	700,000	58,265,869	-	(39,077)	64,020,945	144,023,629	208,044,574
<b>Total Comprehensive income /(loss) for the six months ended June 30, 2020 (unaudited)</b>												
Profit for the period	-	-	-	-	-	-	1,796,831	-	-	1,796,831	12,156,980	13,953,811
Other comprehensive income	-	(1,899)	-	149,536	(112)	-	-	116,377	4,920	268,822	462,547	731,369
	-	(1,899)	-	149,536	(112)	-	1,796,831	116,377	4,920	2,065,653	12,619,527	14,685,180
<b>Transaction with owners</b>												
Dividend by subsidiaries allocable to Non-Controlling interest	-	-	-	-	-	-	-	-	-	-	(5,077,184)	(5,077,184)
Interim cash dividend @ 20% for the year ending December 31, 2020 (Rs 2 per ordinary share)	-	-	-	-	-	-	(962,574)	-	-	(962,574)	-	(962,574)
	-	-	-	-	-	-	(962,574)	-	-	(962,574)	(5,077,184)	(3,430,889)
<b>Balance as at June 30, 2020</b>	<b>4,812,871</b>	<b>3,564</b>	<b>60,117</b>	<b>376,218</b>	<b>(11,092)</b>	<b>700,000</b>	<b>59,100,126</b>	<b>116,377</b>	<b>(34,157)</b>	<b>65,124,024</b>	<b>151,565,972</b>	<b>222,729,754</b>

The annexed notes 1 to 17 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

# CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2020

	Note	Six Months Ended	
		June 30, 2020	June 30, 2019
----- (Rupees in '000) -----			
<b>Cash flows from operating activities</b>			
Cash generated from operations	9	<b>28,386,136</b>	47,654,474
Retirement and other service benefits paid		<b>(161,392)</b>	(167,611)
Finance cost paid		<b>(11,373,462)</b>	(7,133,202)
Taxes paid		<b>(6,443,772)</b>	(7,970,533)
Proceeds from net investment in lease		<b>1,173,385</b>	-
Finance cost paid on lease liability		<b>(1,964,954)</b>	-
Finance income received on net investment in lease		<b>2,718,199</b>	-
Repayment of lease liability		<b>(1,433,742)</b>	-
Deferred income		<b>(721,086)</b>	-
Bank Balance held as margin		<b>353,830</b>	-
Long term loans and advances - net		<b>168,996</b>	(428,248)
Net cash generated from operating activities		<b>10,702,138</b>	31,954,880
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment (PPE)		<b>(7,988,904)</b>	(30,054,545)
Sale proceeds on disposal of PPE		<b>22,414</b>	49,733
Income on deposits / other financial assets		<b>3,692,466</b>	4,998,558
Long term Investment made		<b>5,405</b>	(1,329,282)
Short term investment purchased and redeemed - net		<b>4,560,999</b>	(2,865,969)
Dividends received		<b>326,675</b>	299,067
Net cash generated from / (utilised in) investing activities		<b>619,055</b>	(28,902,438)
<b>Cash flows from financing activities</b>			
Proceeds from/repayment of borrowings - net		<b>1,286,269</b>	6,083,819
Lease rentals paid during the period		<b>(961,966)</b>	(677,609)
Repayment of loan by joint venture		<b>206,221</b>	-
Proceeds from issuance of shares		-	3,793,809
Advance against issuance of shares		-	1,216,030
Share issuance cost		-	(36,794)
Unclaimed dividend paid		<b>(10,329)</b>	-
Dividends paid		<b>(3,853,509)</b>	(9,391,810)
Net cash generated from / (utilised in) financing activities		<b>(3,333,314)</b>	987,445
Net increase/(decrease) in cash and cash equivalents		<b>7,987,879</b>	4,039,887
Cash and cash equivalents at beginning of the period		<b>34,523,200</b>	93,371,304
Cash and cash equivalents at end of the period	10	<b>42,511,079</b>	97,411,191

The annexed notes 1 to 17 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



# NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2020

## 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	
		2020	2019
- Empiric AI (Private) Limited (EMPAK)	1.2.1	100	-
- Engro Corporation Limited (ECL)		37.22	37.22

1.2.1 On May 19, 2020, the Holding Company incorporated a wholly owned subsidiary, Empiric AI (Private) Limited (EMPAK). The Holding Company's two nominees hold 2 ordinary shares of EMPAK. EMPAK is engaged in technology led businesses.

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	
		June 30, 2020	December 31, 2019
- Engro Energy 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 Eximp FZE		100	100
- Engro Infiniti (Private) Limited		100	100

**Joint Venture Company:**

- Engro Vopak Terminal Limited	50	50
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**Associated Company:**

- FrieslandCampina Engro Pakistan Limited	39.9	39.9
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## 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

# NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2020

- 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, 2019.
- 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, 2019.
- 2.5 On 11 March 2020, the World Health Organization declared Coronavirus disease (COVID-19) a pandemic, and its spread has gained momentum. As at June 30, 2020, COVID-19 has spread throughout the country and lockdowns have been imposed in most parts of the country. The measures taken to reduce the spread have resulted in an overall economic slowdown and disruptions to various businesses. As this is still an evolving situation at the time of issuing these special purpose consolidated condensed interim financial statements, the overall impact on the Group's financial position cannot be estimated with reasonable certainty.

## 3. BASIS OF CONSOLIDATION

- 3.1 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.
- 3.2 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.
- 3.3 The Group's interest in jointly controlled and associated entities i.e. Engro Vopak Terminal Limited, FrieslandCampina Engro Pakistan Limited, Sindh Engro Coal Mining Company Limited, GEL Utility Limited and SiddiqueSons Energy 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, 2019, except for the following:

### Foreign currency transactions and translations

These consolidated condensed interim financial statements are presented in Pakistan Rupees which is the Group's functional currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at period end exchange rates are capitalised as permissible under SRO 986 (I) 2019 dated September 02, 2019 issued by the Securities and Exchange Commission of Pakistan. This SRO has granted exemption from the requirements of

# NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2020

International Accounting Standard (IAS) 21 - 'The Effects of Changes in Foreign Exchange Rates' to the extent of capitalisation of exchange differences to all companies that have executed their Power Purchase Agreements before January 1, 2019. Accordingly, the Group has capitalised all related exchange differences as per IAS 21 related to its power projects and has concluded that the retrospective application of this change is not material to this special purpose consolidated condensed interim financial statements.

	<b>Unaudited June 30 2020</b>	<b>Audited December 31, 2019</b>
	----- (Rupees in '000) -----	
<b>5. PROPERTY, PLANT AND EQUIPMENT</b>		
Operating assets, at net book value	<b>237,176,301</b>	233,566,594
Capital work in progress - Expansion and other projects	<b>21,192,585</b>	17,508,521
Capital spares and standby equipments	<b>2,719,982</b>	2,390,272
	<b>261,088,868</b>	253,465,387

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

	<b>Unaudited June 30 2020</b>	<b>Audited December 31, 2019</b>
	----- (Rupees in '000) -----	
Land	-	283,342
Plant and machinery	<b>9,173,886</b>	134,424,582
Building and civil works including pipelines	<b>518,081</b>	1,913,121
Furniture, fixture and equipment	<b>764,412</b>	1,445,011
Catalyst	-	371,195
Vehicles	<b>681,672</b>	1,407,990
Jetty	-	-
Dredging	-	67,617
	<b>11,138,051</b>	139,912,858

5.2 During the period, assets costing Rs. 165,088 (December 31, 2019: Rs. 1,164,290), having net book value of Rs. 43,155 (December 31, 2019: Rs. 32,322) were disposed / written-off for Rs. 22,307 (December 31, 2019: 97,513).

## 6. LONG TERM INVESTMENTS

The Holding 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 commercial operations were planned to start in year 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 financial and liquidity issues, it has not been able to service its outstanding loans and working capital requirements.

The Holding Company had disposed of part of its shareholding i.e.19.86% in e2eBE during the year 2015. However, the said disposal had not been recorded by e2eBE in its register of members. The Holding Company had informed the Securities and Exchange Commission of Pakistan (the SECP) in this respect through its letters dated May 12, 2016 and January 22, 2018.

# NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2020

In view of the pending registration of the transfer of shares in the name of the transferee, during the period the Holding Company, on the basis of legal advice, had entered into an agreement dated May 8, 2020 with the transferee whereby it was agreed to reverse the original share sale-purchase transaction in a manner that the disposed 19.86% shares shall revert to the Holding Company as if those were never held or sold to the transferee. Accordingly, the sales proceeds amounting to Rs 2 million received by the Holding Company for against the disposal of 19.86% shares in e2eBE were returned to the transferee. In this regard, the Holding Company had through its letter dated April 10, 2020 withdrawn its complaints lodged with the SECP against e2eBE related to its failure to transfer 19.86% shares in the name of the transferee. Further, an intimation to this effect has been made to e2eBE through the Holding Company's letter dated May 15, 2020.

Further, the Holding Company has assessed the carrying amount of its investment in e2eBE in accordance with the requirements of the applicable accounting standard and the investment has been fully impaired as the possibility of start of e2eBE operations is considered remote.

## 7. CONTINGENCIES AND COMMITMENTS

### 7.1 Contingencies

As at June 30, 2020, there is no material change in the status of matters reported as contingencies in audited financial statements of the Group for the year ended December 31, 2019, except for the matter disclosed below:

#### Dawood Hercules Corporation Limited

During the period on June 18, 2020, the Holding Company received an income tax demand amounting to Rs 201.196 million in relation to the tax year 2019. Out of such demand, an amount of Rs 92 million seems an apparent error for which a rectification application has been submitted to the tax authorities against which order is awaited as yet. The remaining demand of Rs 109 million was made to the Holding Company as the taxation authorities are of the view that the Holding Company's interest income does not meet the criteria of the 'income from business' and should be treated as 'income from other sources'. As a result of which the common expenses incurred by the Holding Company cannot be allocated to 'income from other sources' resulting in increased tax liability. However, the Holding Company is of the view that the earning interest / money market income is one of the principal revenue streams of the Holding Company and should be treated as 'income from business'. Subsequent to June 30, 2020, an appeal has been filed by the Holding Company before the Commissioner Inland Revenue (Appeals), the decision of which is pending to date. The Holding Company in view of the tax consultant's advice is expecting a favourable outcome of the appeal. However, on a prudent basis tax charge amounting to Rs 109 million has been recorded in these consolidated condensed interim financial statements.

### 7.2 Commitments

Commitments in respect of capital expenditure contracted but not incurred amount to Rs. 13,229,533 (2019: Rs. 9,297,407).

## 8. EARNINGS PER SHARE - BASIC AND DILUTED

	----- (Unaudited) -----			
	Quarter Ended		Six Months Ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
----- (Rupees in '000) -----				
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)	2,079,295	547,261	1,796,831	2,148,776
----- (Number in '000) -----				
Weighted average number of ordinary shares	481,287	481,287	481,287	481,287

# NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2020

	----- (Unaudited) ----- Six Months Ended	
	June 30, 2020	June 30, 2019
	----- (Rupees in '000) -----	
<b>9. CASH GENERATED FROM OPERATIONS</b>		
Profit before taxation	<b>18,628,273</b>	19,207,967
Adjustment for non-cash charges and other items:		
Depreciation and amortization	<b>6,984,433</b>	4,519,500
Gain on disposal / write off of property, plant and equipment	<b>31,578</b>	11,509
Rent concession on lease liability	<b>(31,570)</b>	-
Gain on derecognition of right-of-use assets	<b>(19,463)</b>	-
Impairment loss	<b>253,793</b>	-
Provision for retirement and other service benefits	<b>116,630</b>	154,770
Provisions, net	<b>1,075,832</b>	-
Income on deposits / other financial assets	<b>(5,635,707)</b>	(5,857,330)
Share of income from joint venture and associated companies	<b>(1,143,096)</b>	(690,187)
Dividend income	<b>(56,675)</b>	-
Finance cost	<b>10,887,448</b>	4,007,381
Reversal of loss booked on sold shares - e2eBE	<b>(119,061)</b>	-
Finance income on net investment in lease	<b>(2,718,199)</b>	-
Finance cost on lease liability	<b>1,964,954</b>	-
Exchange gain on lease liability	<b>4,032,558</b>	-
Exchange loss on net investment in lease	<b>(4,085,774)</b>	-
(Gain) / Loss on foreign currency translations	<b>1,892,907</b>	1,711,275
Working capital changes (note 9.1)	<b>(3,672,725)</b>	24,589,589
	<b>28,386,136</b>	47,654,474
<b>9.1 Working capital changes</b>		
(Increase) / decrease in current assets		
- Stores, spares and loose tools	<b>(900,835)</b>	57,097
- Stock-in-trade	<b>(3,756,786)</b>	5,020,383
- Trade debts	<b>(6,749,621)</b>	(2,520,559)
- Loans, advances, deposits and prepayments	<b>7,124,145</b>	592,901
- Other receivables - net	<b>1,251,329</b>	2,127,267
	<b>(3,031,768)</b>	5,277,089
Decrease in current liabilities		
- Trade and other payables, including other service benefits - net	<b>(640,957)</b>	19,312,500
	<b>(3,672,725)</b>	24,589,589
<b>10. CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b>17,655,383</b>	22,653,953
Short term investments	<b>36,099,362</b>	82,216,967
Short term borrowings	<b>(11,243,666)</b>	(7,291,964)
	<b>42,511,079</b>	97,578,956

# NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2020

## 11. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

### 11.1 Financial risk factors

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.

### 11.2 Fair value estimation

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)

	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
<b>Assets</b>				
Financial assets at fair value through profit and loss	<u>3,630,370</u>	<u>49,063,639</u>	<u>-</u>	<u>52,694,009</u>
Financial assets through other comprehensive income	<u>-</u>	<u>28,384,949</u>	<u>-</u>	<u>28,384,949</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 quoted shares.
- 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.

# NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2020

## 12. 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:

----- (Unaudited) -----  
**Six Months Ended**  
**June 30,                      June 30,**  
**2020                              2019**  
 ----- (Rupees in '000) -----

### Associated companies and joint ventures

Purchases and services	<b>23,693,242</b>	3,447,087
Services rendered / sale of goods	<b>8,628</b>	7,630
Dividends received	<b>270,000</b>	540,000
Dividend paid	<b>280,214</b>	1,232,349
Payment against EPC contract	<b>778,702</b>	11,710,404
Interest on borrowing	<b>1,282,467</b>	111,398
Reimbursements from associates	<b>119,271</b>	169,904
Reimbursements to associates	<b>75,359</b>	168,318
Loan received	<b>-</b>	263,039
Loan paid	<b>2,766,038</b>	653,630
Share capital issued	<b>-</b>	4,560,529
Donations	<b>205,489</b>	46,895

### Key Management Personnel

Remuneration paid to key management personnel / directors	<b>520,800</b>	841,658
Reimbursements to key management personnel	<b>2,019</b>	35,904
Dividend paid	<b>83,981</b>	696,551
Profit on Engro Rupiya Certificates	<b>-</b>	9,804
Directors' fees	<b>77,954</b>	28,324

<b>Contribution for retirement benefits</b>	<b>394,707</b>	382,066
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## 13. 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.

13.1 Type of segments	Nature of business
Fertilizer	Manufacture, purchase and market fertilizers.
Polymer	Manufacture, market and sell Poly Vinyl Chloride (PVC), PVC compounds, and related chemicals.
Terminal	Operates and maintains integrated liquid chemical terminal and storage farm, and LNG terminal
Power and mining	Includes Independent Power Projects (IPP).
Other operations	Includes management of investments, telecommunication infrastructure and digital and technology services.



# NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2020

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

	----- (Unaudited) -----			
	Quarter Ended		Six Months Ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
	----- (Rupees in '000) -----			
<b>Revenue</b>				
Fertilizer	29,911,271	26,990,496	40,702,810	50,642,948
Polymer	5,816,352	9,256,687	12,874,294	18,600,321
Food	1,527,281	987,033	2,526,370	1,747,069
Terminal	3,225,653	2,789,023	6,910,208	6,320,785
Power and mining	21,550,746	4,043,380	43,845,865	7,421,837
Other operations	3,838,546	606,457	4,396,436	4,253,050
Elimination - net	(3,674,962)	(542,372)	(4,083,929)	(4,207,948)
Consolidated	62,194,887	44,130,704	107,172,054	84,778,062
<b>Profit for the period</b>				
Fertilizer	3,886,076	3,177,360	4,456,840	7,184,175
Polymer	29,782	450,236	222,621	1,544,394
Food	27,755	(123,951)	45,883	(84,484)
Terminal	489,747	141,135	1,572,689	1,053,614
Power and mining	4,025,661	40,695	7,898,082	579,967
Other operations	5,147,056	2,551,080	3,796,047	6,401,496
Elimination - net	(4,076,089)	(1,890,772)	(4,038,351)	(5,659,452)
Consolidated	9,529,988	4,345,783	13,953,811	11,019,710
			<b>Unaudited</b>	<b>Audited</b>
			<b>June 30,</b>	<b>December 31,</b>
			<b>2020</b>	<b>2019</b>
			----- (Rupees in '000) -----	
<b>Assets</b>				
Fertilizer			126,671,776	127,261,901
Polymer			61,988,392	57,519,217
Terminal			67,435,986	64,714,675
Power and mining			220,757,611	210,798,860
Other operations			152,404,570	130,753,431
Elimination - net			(38,043,815)	(17,408,859)
Consolidated			591,214,520	573,639,225

## 14. SEASONALITY

- 14.1 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.
- 14.2 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.



# NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2020

## 15. **NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE**

15.1 The Board of Directors of the Holding Company in its meeting held on August 24, 2020 has approved an interim cash dividend of Rs. 5 per share for the year ending December 31, 2020 (2019: Rs. 3 per share). This consolidated condensed interim financial information does not include the effect of the said interim dividend.

## 16. **CORRESPONDING FIGURES**

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

16.2 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.

## 17 **DATE OF AUTHORIZATION**

This consolidated condensed interim financial information is authorized for issue on August 24, 2020 by the Board of Directors of the Holding Company.

Inam ur Rahman  
Chief Executive

Mohammad Shamoony Chaudry  
Chief Financial Officer

Shabbir Hussain Hashmi  
Director



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