



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

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COMPANY INFORMATION

Board of Directors

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

Board Audit Committee

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

Human Resource & Remuneration Committee

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

Board Investment Committee

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

Chief Financial Officer

Mr. Mohammad Shamoon Chaudry

Company Secretary

Mr. Asim H. Akhund

Registered Office

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

Auditors

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

Shares Registrar

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

Tax Consultants

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

Legal Advisors

HaidermotaBNR & Co.
(Barristers at law)
D-79, Block – 5, Clifton
KDA Scheme No.5
Karachi - 75600
Tel: +92 (21) 111520000, 35879097
Fax: +92 (21) 35862329, 35871054

Bankers

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

DIRECTORS REVIEW

The Directors are pleased to present their report together with the unaudited unconsolidated condensed interim financial statements of the Company and the unaudited consolidated condensed interim financial statements of the Group for the quarter ended 31 March 2019.

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

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

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

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

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

Fertilizers

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

Petrochemicals

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

Coal Mining and Power Generation

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

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

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

Terminal Operations

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

FUTURE OUTLOOK

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

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

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

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

Inam ur Rahman
Chief Executive

Shabbir Hussain Hashmi
Director

Dated: 27th April 2019

ڈائریکٹرز رپورٹ

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

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

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

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

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

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

فریٹلائزرز

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

پیٹر و کیمیکل

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

1,094 ملین روپے رہا۔

کول مائننگ اینڈ پاور جزیشن

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

پاور جزیشن پروجیکٹ

18 مارچ 2019 کو اینگرو پاور جن تھر لمیٹڈ (EPTL) نے کامیابی سے اپنے 330 میگا واٹ پاور یونٹ کو نیشنل گرڈ سے منسلک کیا۔ 104 اپریل 2019 کو اسی صلاحیت کے دوسرے پاور پلانٹ کو بھی اسی طرح نیشنل گرڈ سے منسلک کر دیا اور یوں EPTL ملک کا پہلا پاور پلانٹ بن گیا جو مقامی طور پر حاصل کئے گئے کونکے سے کامیابی سے آپریٹ کیا جا رہا ہے۔

قادر پور پاور پلانٹ

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

ٹرمینل آپریشنز

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

مستقبل کے امکانات

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

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

سیکیورٹیز میں سرمایہ کاری کا جائزہ لے رہی ہے۔

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

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

شبیر حسین ہاشمی
ڈائریکٹر

انعام الرحمن
چیف ایگزیکٹو
27 اپریل 2019

DAWOOD HERCULES CORPORATION LIMITED

**Unconsolidated Condensed Interim Financial
Statements**

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

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

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

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

Inam ur Rahman
Chief Executive

Mohammad Shamoan Chaudry
Chief Financial Officer

Shabbir Hussain Hashmi
Director

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

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

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

Inam ur Rahman
Chief Executive

Mohammad Shamoony Chaudry
Chief Financial Officer

Shabbir Hussain Hashmi
Director

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

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

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

Inam ur Rahman
Chief Executive

Mohammad Shamoon Chaudry
Chief Financial Officer

Shabbir Hussain Hashmi
Director

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

	Issued, subscribed and paid up share	Revenue reserves		Sub-total	Total
		General reserve	Un- appropriated profit		
------(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 after taxation	-	-	3,848,085	3,848,085	3,848,085
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	3,848,085	3,848,085	3,848,085
Balance as at March 31, 2018	4,812,871	700,000	31,101,386	31,801,386	36,614,257
Balance as at January 1, 2019	4,812,871	700,000	29,451,555	30,151,555	34,964,426
Total comprehensive Income					
Profit after taxation	-	-	109,000	109,000	109,000
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	109,000	109,000	109,000
Balance as at March 31, 2019	4,812,871	700,000	29,560,555	30,260,555	35,073,426

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

Inam ur Rahman
Chief Executive

Mohammad Shamooun Chaudry
Chief Financial Officer

Shabbir Hussain Hashmi
Director

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

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

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

Inam ur Rahman
Chief Executive

Mohammad Shamooun Chaudry
Chief Financial Officer

Shabbir Hussain Hashmi
Director

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

1. LEGAL STATUS AND OPERATIONS

- 1.1** Dawood Hercules Corporation Limited (the Company) was incorporated in Pakistan on April 17, 1968 as a public limited company under the Companies Act, 1913 (now Companies Act, 2017) (the '**Act**') and its shares are quoted on Pakistan Stock Exchanges (PSX). The principal activity of the Company is to manage investments including in its subsidiary and associated companies. The registered office of the Company is situated at Dawood Center, M.T. Khan Road, Karachi.
- 1.2** During the year ended December 31, 2015, the Company had reassessed the control conclusion of its investment in Engro Corporation Limited (ECL) as a result of adoption of International Financial Reporting Standards (IFRS) - 10 'Consolidated Financial Statements', by Securities and Exchange Commission of Pakistan (SECP), that although, the Company has less than 50% voting rights in ECL based on the absolute size of the Company's shareholdings, the relative size of other shareholdings and the number of representation on ECL's Board, the Company has the ability to exercise control over ECL as per the terms of IFRS 10. Henceforth, the Company is deemed to be Holding Company of ECL.

2. BASIS OF PREPARATION AND PRESENTATION

- 2.1** These unconsolidated condensed interim financial statements of the Company for the three months period ended March 31, 2019 have been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 - "Interim Financial Reporting" and provisions of and directives issued under the Act. In case where requirements differ, the provisions of or directives issued under the Act have been followed. These unconsolidated condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2018, which have been prepared in accordance with International Financial Reporting Standards (IFRSs).
- 2.2** These unconsolidated condensed interim financial statements comprise of the statement of financial position as at March 31, 2019 and the unconsolidated condensed interim profit and loss account, the unconsolidated condensed interim statement of total comprehensive income, the unconsolidated condensed interim statement of changes in equity, the unconsolidated condensed interim cash flow statement and notes thereto for the three months period then ended.
- 2.3** The comparative statement of financial position presented in these unconsolidated condensed interim financial statements as at December 31, 2018 has been extracted from the audited financial statements of the Company for the year then ended. The comparative unconsolidated condensed interim profit and loss account, unconsolidated condensed interim statement of total comprehensive income, unconsolidated condensed interim statement of changes in equity and unconsolidated condensed interim cash flow statement for the three months ended March 31, 2018 have been extracted from the unconsolidated condensed interim financial statements of the Company for the three months then ended.

3. ACCOUNTING POLICIES

- The accounting policies and the methods of computation adopted in the preparation of these unconsolidated condensed interim financial statements are the same as those applied in the preparation of the financial statements for the year ended December 31, 2018.
- 3.1** New standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2019 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations and are, therefore, not disclosed in these unconsolidated condensed interim financial statements.

4. ACCOUNTING ESTIMATES

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

In preparing these unconsolidated condensed interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimating uncertainty were the same as those that were applied to the financial statements for the year ended December 31, 2018.

5. SEASONALITY OF OPERATIONS

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

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

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

7. LONG TERM INVESTMENTS

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

7.1 Investment in subsidiary company

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

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

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

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

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

	Note	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
------(Rupees in '000)-----			
7.2	Other investment		
	e2e Business Enterprises (Private) Limited 11,664,633 (December 31, 2018: 11,664,633) ordinary shares of Rs 10 each	7.2.1	116,646
	Less: impairment loss		116,646
		<u>(116,646)</u>	<u>(116,646)</u>
		<u>-</u>	<u>-</u>

Percentage of holding 19.14% (December 31, 2018: 19.14%)

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

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

8. ADVANCES, DEPOSITS AND PREPAYMENTS

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

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

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

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

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

	Note	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
------(Rupees in '000)-----			
10. LONG TERM FINANCING			
Isalamic mode			
Sukuk certificates - I	10.1	5,154,777	5,154,777
Sukuk certificates - II	10.2	5,951,114	5,951,114
		<u>11,105,891</u>	<u>11,105,891</u>
Less: Current portion			
Sukuk certificates - I		(1,040,000)	(1,040,000)
Sukuk certificates - II		(1,200,000)	(600,000)
		<u>(2,240,000)</u>	<u>(1,640,000)</u>
		<u>8,865,891</u>	<u>9,465,891</u>

10.1 These represent the amortised cost of the rated, over-the-counter listed and secured Islamic Certificates (Sukuk - I), amounting to Rs 5,200 million issued by the Company to Qualified Institutional Buyers (QIBs) through private placement by JS Bank Limited as an agent and advisor. The Sukuk - I are secured against the Company's investment in ECL shares with 50% margin as disclosed in note 7.1.2 and charge over all the assets of the Company with a 25% margin. The Sukuk - I carry mark-up at the rate of three months KIBOR plus 100 basis points per annum. The Sukuk - I are for a period of 5 years and are payable semiannually with the first principal repayment to be made in May 2019.

10.2 These represent the amortised cost of the rated, over-the-counter listed and secured Islamic Certificates (Sukuk - II), amounting to Rs 6,000 million, issued by the Company on March 1, 2018, to Qualified Institutional Buyers (QIBs) through private placement by JS Bank Limited as an agent and advisor. The Sukuk - II are secured against the Company's investment in ECL shares with 50% margin as disclosed in note 7.1.2 and charge over all the assets of the Company with a 25% margin. The Sukuk - II carry mark-up at the rate of three months KIBOR plus 100 basis points per annum. The Sukuk - II are for a period of 5 years and are payable semiannually with the first principal repayment to be made in September 2019.

11. TRADE AND OTHER PAYABLES

Creditors	13,846	13,915
Accrued expenses	300,036	357,943
Others	865	893
	<u>314,747</u>	<u>372,751</u>

12. CONTINGENCIES AND COMMITMENTS

12.1 Contingencies

There were no change in the status of contingencies since December 31, 2018.

		March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
------(Rupees in '000)-----			
12.2 Commitments			
Commitments in respect of operating lease not later than one year	12.2.1	9,453	9,399

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

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

	Quarter Ended	
	March 31, 2019	March 31, 2018
15. Cash and Cash equivalent		
Cash at bank	248,295	131,287
Short term investments	22,880,204	22,552,243
	23,128,499	22,683,530

16. FINANCIAL RISK MANAGEMENT AND FINANCIAL DISCLOSURES

16.1 Financial risk factors

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

These unconsolidated condensed interim financial statements do not include all financial risk management information and disclosures which are required in the annual financial statements and should be read in conjunction with the Company's annual financial statements as at December 31, 2018. There have been no changes in any risk management

16.2 Fair value of financial assets and liabilities

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

17. RELATED PARTY TRANSACTIONS

Significant transactions with related parties are as follows:

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

18. GENERAL

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

19. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

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

Inam ur Rahman
Chief Executive

Mohammad Shamoan Chaudry
Chief Financial Officer

Shabbir Hussain Hashmi
Director

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

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

(Amounts in thousand)

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

(Amounts In thousand)

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

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

Inam ur Rahman
Chief Executive

Mohammad Shamoan Chaudry
Chief Financial Officer

Shabbir Hussain Hashmi
Director

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

(Amounts in thousand except for earnings per share)

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

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

Inam ur Rahman
Chief Executive

Mohammad Shamoon Chaudry
Chief Financial Officer

Shabbir Hussain Hashmi
Director

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

(Amounts in thousand)

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

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

Inam ur Rahman
Chief Executive

Mohammad Shamoon Chaudry
Chief Financial Officer

Shabbir Hussain Hashmi
Director

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

(Amounts in thousand)

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

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

Inam ur Rahman
Chief Executive

Mohammad Shamoan Chaudry
Chief Financial Officer

Shabbir Hussain Hashmi
Director

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

(Amounts in thousand)

	Note	Three months ended	
		March 31, 2019	March 31, 2018
-----Rupees-----			
Cash flows from operating activities			
Cash generated from operations	10	13,591,284	10,123,020
Retirement and other service benefits paid		(160,183)	(125,317)
Finance cost paid		(1,202,721)	(1,462,958)
Taxes paid		(2,039,446)	(653,548)
Long term loans and advances - net		(43,769)	20,156
Net cash generated from operating activities		10,145,165	7,901,353
Cash flows from investing activities			
Purchase of property, plant and equipment (PPE)		(5,237,164)	(4,621,490)
Sale proceeds on disposal of PPE		49,322	804
Proceeds on disposal of investments		-	18,141,820
Income on deposits / other financial assets		2,754,201	1,083,881
Investment in associate		(185,904)	-
Investments made during the period - net		8,887,577	6,939,710
Dividends received		270,000	483,873
Net cash generated from / (utilised in) investing activities		6,538,032	22,028,598
Cash flows from financing activities			
Proceeds from/repayment of borrowings - net		4,071,540	3,055,009
Proceeds from issuance of right shares		2,629,032	-
Share issuance cost		(20,163)	(20,455)
Unclaimed dividend paid		(4,271)	(10,645)
Dividends paid		(30,027)	-
Net cash generated from / (utilised in) financing activities		6,646,111	3,023,909
Net increase/(decrease) in cash and cash equivalents		23,329,308	32,953,860
Cash and cash equivalents at beginning of the period		93,371,304	42,863,608
Cash and cash equivalents at end of the period	11	116,700,612	75,817,468

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

Inam ur Rahman
Chief Executive

Mohammad Shamooun Chaudry
Chief Financial Officer

Shabbir Hussain Hashmi
Director

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

(Amounts in thousand)

1. LEGAL STATUS AND OPERATIONS

1.1 Dawood Hercules Corporation Limited (the Holding Company) was incorporated in Pakistan on April 17, 1968 as a public limited company under the Companies Act 1913 (now Companies Act, 2017) (the Act) and its shares are quoted on Pakistan Stock Exchange Limited (the PSX). The principal activity of the Company is to manage investments including in its subsidiary and associated companies. The registered office of the Holding Company is situated at Dawood Center, M.T. Khan Road, Karachi.

1.2 The "Group" consists of:

Ultimate Parent Company: Dawood Hercules Corporation Limited;

Holding Company: Dawood Hercules Corporation Limited;

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

	%age of direct holding	
	2019	2018
- Engro Corporation Limited (ECL)	37.22	37.22

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

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

2. BASIS FOR PREPARATION

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

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

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

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

2.3 During the preparation of these consolidated condensed interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation and uncertainty were the same as those that apply to the consolidated financial statements of the Group for the year ended December 31, 2018.

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

3. BASIS OF CONSOLIDATION

- 3.1 The condensed interim financial information of the subsidiary companies has been consolidated on a line by line basis. The carrying value of investments held by the Holding Company is eliminated against the subsidiaries' share capital and pre-acquisition reserves.
- 3.2 Non-controlling interest has been presented as a separate item in this consolidated condensed interim financial information. All material intercompany balances and transactions have been eliminated.
- 3.3 The Group's interest in jointly controlled and associated entities, Engro Vopak Terminal Limited, Sindh Engro Coal Mining Company Limited, GEL Utility Limited and Engro Foods Limited has been accounted for using the equity method.

4. ACCOUNTING POLICIES

- 4.1 The significant accounting policies adopted in the preparation of these consolidated condensed interim financial statements are the same as those applied in the preparation of audited annual consolidated financial statements of the Group for the year ended December 31, 2018.

- 4.2 There are certain new International Financial Reporting Standards (IFRS) and amendments and interpretations to published IFRS that are mandatory for the financial year beginning on January 1, 2019, as mentioned below:

- IFRS 15 'Revenue from contracts with customers'
- IFRS 16 'Leases'

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

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

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

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

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

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

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

6. NON - CONTROLLING INTEREST

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

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

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

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

7. BORROWINGS

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

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

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

8. CONTINGENCIES AND COMMITMENTS**8.1 Contingencies**

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

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

8.2 Commitments

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

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

9. EARNINGS PER SHARE - BASIC AND DILUTED

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

(Amounts in thousand)

		------(Unaudited)-----	
		Three months ended	
		March 31,	March 31,
		2019	2018
		-----Rupees-----	
10.	CASH GENERATED FROM OPERATIONS		
	Profit before taxation	9,604,875	21,262,231
	Adjustment for non-cash charges and other items:		
	Depreciation and amortization	2,046,156	1,863,656
	Gain on disposal / write off of property, plant and equipment	(18,628)	(529)
	Provision for retirement and other service benefits	91,723	58,388
	Gain on disposal of investment	-	(11,530,352)
	Income on deposits / other financial assets	(2,710,076)	(1,182,613)
	Share of income from joint venture and associated companies	(409,732)	(416,051)
	Dividend income	(5,480)	(258,873)
	Finance cost	1,705,725	1,339,700
	Unrealised gain on remeasurment of investment classified as financial assets at fair value through profit or loss	(17,902)	
	(Gain) / Loss on foreign currency translations	105,495	354,242
	Working capital changes (note 10.1)	3,199,128	(1,366,779)
		<u>13,591,284</u>	<u>10,123,020</u>
10.1	Working capital changes		
	(Increase) / decrease in current assets		
	- Stores, spares and loose tools	(39,895)	(288,452)
	- Stock-in-trade	(1,134,853)	(39,574)
	- Trade debts	3,437,715	2,390,040
	- Loans, advances, deposits and prepayments	286,604	81,721
	- Other receivables - net	808,818	(620,825)
		<u>3,358,389</u>	<u>1,522,910</u>
	Decrease in current liabilities		
	- Trade and other payables, including other service benefits - net	(159,261)	(2,889,689)
		<u>3,199,128</u>	<u>(1,366,779)</u>
11.	CASH AND CASH EQUIVALENTS		
	Cash and bank balances	16,742,721	9,552,646
	Short term investments	104,265,010	71,451,644
	Short term borrowings	(4,307,119)	(5,186,822)
		<u>116,700,612</u>	<u>75,817,468</u>
12.	FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS		
12.1	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.		
12.2	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-----				
Assets				
Financial assets at fair value through profit and loss	3,495,244	66,624,201	-	70,119,445
Held to maturity	-	26,184,847	-	26,184,847
Liabilities				
Derivatives				
- Derivative financial instruments	-	11,869,996	-	11,869,996

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

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

13. TRANSACTIONS WITH RELATED PARTIES

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

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

14. SEGMENT REPORTING

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

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

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

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

15. SEASONALITY

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

16. NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE

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

17. CORRESPONDING FIGURES

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

18. DATE OF AUTHORIZATION

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

Inam ur Rahman
Chief Executive

Mohammad Shamoan Chaudry
Chief Financial Officer

Shabbir Hussain Hashmi
Director

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