



Dawood Hercules

QUARTERLY ACCOUNTS (UN-AUDITED)  
FOR THE 1<sup>ST</sup> QUARTER ENDED MARCH 31, 2016



making  
**food & energy**

Available, Affordable, Sustainable

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## COMPANY INFORMATION

### Board of Directors

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

### Board Audit Committee

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

### Board Compensation Committee

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

### Chief Financial Officer & Company Secretary

Mr. Shafiq Ahmed

### Registered Office

Dawood Centre, M.T. Khan Road  
Karachi-75530  
Tel: +92 (21) 35686001  
Fax: +92 (21) 35633972  
Email: [shareholders@dawoodhercules.com](mailto:shareholders@dawoodhercules.com)  
Website: [www.dawoodhercules.com](http://www.dawoodhercules.com)

### Bankers

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

### Auditors

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

### Shares Registrar

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

### Tax Consultants

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

### Legal Advisors

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



# DIRECTORS REPORT

## DIRECTORS REPORT

The Directors are pleased to present their report together with the unaudited unconsolidated condensed interim financial statements of the Company and the unaudited condensed consolidated interim financial statements of the Group for the quarter ended 31 March 2016.

## ECONOMIC REVIEW

Continuing on the gains achieved in the prior year, the macroeconomic indicators continued to show improvement during the quarter ended 31 March 2016 as economic activity remained robust with inflation remained controlled despite resurgence during the quarter under review and continued fiscal consolidation. With the current macroeconomic stability, subdued commodity prices especially in oil and gas sector, improved law and order situation, investment related to China Pakistan Economic Corridor (CPEC) and acceleration of credit growth are the main drivers behind the expected GDP growth of 4.5% in the financial year 2016.

Inflation clocked at 3.9% in March 2016. Key factors attributable to the current inflation primarily include commodity prices and further ease in supply side constraints. SBP expects average inflation to remain within the range of 3-4% within financial year 2016 and expects no major risks on the inflation in the short term. This is based on the expectation that global commodity prices are not expected to recover anytime soon and stable PKR is likely to keep inflation expectation further at dock.

The upcoming inclusion of Pakistan Stock Exchange (PSX) in emerging markets will aid in generating increased investor activity and boost investor sentiments and will result in the long awaited multiple re-rating of the stock market.

## BUSINESS REVIEW

### Fertilizers

Due to the better availability of gas in the country on account of imported LNG addition in the system and higher production by Plants on the Mari network, the total urea production increased to 1,411 KT as compared to 1216 KT for the similar period last year. Resultantly, due to this overall gas supply improvement, all fertilizer plants were in operation toward the end of the first quarter of 2016. Despite the fact that the gas is now abundant, but expensive, has reduced the delta between the local and international prices of urea. In view of the foregoing and expected oversupply of urea in the country in the coming periods, the fertilizer manufacturers are considering to approach the government to seek permission to export the locally manufactured urea to balance the demand and supply situation in the country.

Engro Fertilizer Limited (EFert) urea production for the quarter stood at 514KT as against 486KT for the same period last year, an increase of 6%. The prevailing industry situation as stated above, has restricted the urea off take to 286KT as compared to 481 KT for the Q1 2015, a decline of 41%. EFert gross profit for the first quarter stood at PKR 4,938 million as against PKR 6,770 million for the same period last year due to prevailing market condition and lower sale on account of drawing of channel inventory. The consolidated net profit was PKR 2,121 million as against PKR 3,100 million for the same period last year.

### FOODS

In Q1 2016, Engro Corporation (ENGRO) entered into a deal with Royal Friesland Campina (RFC) to sell up to 51% stake in Engro Foods (EFoods).

RFC is the third largest dairy cooperative in the world with a global footprint and a large dairy product portfolio. In the last decade, ENGRO has set up a green field dairy enterprise that is a clear market leader in the dairy space in Pakistan. Recognizing the potential of EFoods to capture the growing dairy segment in the country, RFC has shown strong willingness to partner with ENGRO.



RFC's global best practices in management, research and development, brand and product portfolio coupled with ENGRO's farmer network, retail presence and processing capabilities will ensure that Efoods maintains its superior market share, absorbs superior technological prowess and preserves shareholder wealth creation – all in a socially and economically sustainable manner.

Our vision has always been to make available its product in an affordable and sustainable manner. We wanted to solve the nutrition challenge of Pakistan and concluded that RFC is the best partner to join hands with us to lead this challenge. Efoods has been able to change the lives of vast majority of farmers and contributed to the health and increase in the nutritional values of its customers and has the strong desire to continue with this aspiration. In this light, the proposed deal with RFC is the best strategic way forward for Efoods to continue growth trajectory.

During the period, Efoods revenues were PKR 11.7 billion as against PKR 12.5 billion in the same period last year. Gross margins improved from 26.8% to 28.1%, resultantly, profits increased to PKR 1,108 million from PKR 1,069 million for the quarter ended 31 March 2016.

#### **ENERGY AND ENERGY INFRASTRUCTURE**

The Hub Power Company Limited (HUBCO) is progressing well toward setting up of 2x660 MW coal power plant. China Power Hub Generation Company (Private) Limited (CPHGC) has accepted the upfront tariff announced by NEPRA. CPHGC is evaluating bids for coal jetty, engaged with leading Chinese banks to arrange timely financial close and has inducted China Development Bank as the lead arranger. CPHGC has also approached major coal suppliers and is evaluating various suitable options. HUBCO is also partnering with CMEC and GOS on a US\$950 million SEC MC project for extracting coal from Thar coal mine and also partnering with Engro Powergen in US\$ 1.1 billion mine to mouth 2x330 MW power plants.

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

#### **FINANCIAL PERFORMANCE**

As stated last year that in accordance with requirement of IFRS -10 Consolidated Financial Statements, Engro Corporation Limited was classified as a subsidiary company is a part of the DH Group. ECorp financial statements are now consolidated with the financial statement of the company. During the first quarter the Group earned a gross profit of PKR 10,453 million as compared to a profit of PKR 11,191 million for the similar period last year. After accounting for share of profit from associate and joint ventures of PKR 735 million, the profit before tax stood at PKR 6,114 million as against PKR 6,128 million for 2015. Consolidated earnings per share was PKR 2.99 per share (2015: PKR 2.17 per share)

On standalone basis, the Company earned a dividend of PKR 777 million for the quarter ended 31 March 2016 as against PKR 159 million for 2015. After accounting for all expenses, the profit after tax was PKR 449 million as against loss of PKR 240 million for 2015.

Earning per share of the Company was PKR 0.93 over Loss per share of Rs 0.50 per share.

#### **FUTURE OUTLOOK**

Due to stability in the gas supply to industrial consumers by gas distribution companies in the country, it is expected that all fertilizer plants will operate at their normal capacity. However due to the carryover local and imported stock of urea, declining international urea prices equaling to local prices, low off-take and leftover stock with dealers, the fertilizer sector will



be under pressure in 2016. The fertilizers companies are planning to approach government for the permission to export urea to ease the pressure of high supply verses low demand.

On account of foods, we expect the finalization of deal for the sale of 51% shares of Efoods in 2016. The proceeds will enable the management to make further investment in energy and allied sectors. Energy companies under HUBCO and Tenaga Generasi Limited are progressing well and will contribute to easing the demand supply gap of energy by 2016 partially and by 2017 up to the generation capacity of these companies.

**Samad Dawood**  
Chief Executive

## ڈائریکٹرز رپورٹ:

داؤد ہر کو لیس کے ڈائریکٹران مسرت کے ساتھ کمپنی کے غیر آڈٹ شدہ غیر منظم عبوری مالی گوشواروں کی رپورٹ اور گروپ کے غیر آڈٹ اشتمال شدہ منظم عبوری مالی گوشوارے جو کہ 31 مارچ، 2016 کو ختم ہونے والی سہ ماہی کے ساتھ پیش کئے جاتے ہیں۔

## اقتصادی جائزہ:

گزشتہ سال حاصل کی گئی کامیابیوں کے تسلسل کو جاری رکھتے ہوئے، مائیکرو اکنامکس اشارے 31 مارچ، 2016 کو ختم ہونے والی سہ ماہی تک مسلسل مالی استحکام کی وضاحت کرتے ہیں، مضبوط اقتصادی سرگرمیاں جاری رہیں اور افراط زر کنٹرول میں رہا۔ میکرو اکنامک کے استحکام میں بنیادی کردار، اشیاء خوردنوش بالخصوص تیل اور گیس کے شعبے کے زخوں میں کمی، امن وامان کی صورت حال میں بہتری، (سی پیک) پاکستان اکنامک کورے ڈور میں سرمایہ کاری جیسے عوامل نے ترقی میں اضافہ کیا ہے جبکہ کریڈٹ گروتھ برائے مالی سال 2016 میں متوقع %4.5 جی ڈی پی کی ترقی میں بھی یہی عوامل بطور اہم عناصر کارفرما ہیں۔

مارچ 2016 تک مہنگائی کارحجان %3.9 تک رہا ہے۔ حالیہ افراط زر کی شرح نمو میں سدھار دراصل بنیادی اشیاء کے زخوں میں کمی اور سپلائی کی رکاوٹوں میں مزید آسانی ہے۔ اسٹیٹ بینک آف پاکستان مالی سال 2016 میں 3 سے 4 فیصد اوسط کے اندر افراط زر کی شرح برقرار رکھنے کے لئے پرامید ہے اور شارٹ ٹرم میں افراط زر پر کسی بڑے خسارے کی توقع بھی نہیں رکھتا ہے۔ اس بنیاد پر امید ہے کہ بین الاقوامی نرخ برائے اشیاء خوردنوش پاک روپیہ کی کسی بھی وقت کی وصول بیانی کے لئے مستحکم ہے اس لئے مزید افراط زر کو بندھا رکھنے کا امکان ہے۔

پاکستان اسٹاک ایکسچینج (PSX) کی ابھرتی ہوئی منڈیوں میں آئندہ شمولیت بڑھتی ہوئی سرمایہ کاری میں سرگرمی پیدا کرنے میں مدد فراہم کرے گی، جس سے سرمایہ کار کے کاروباری جذبات کو فروغ ملے گا نتیجاً اسٹاک مارکیٹ کی طویل عرصہ درجہ بندی مختلف حاصل ضرب ہوگی۔

## کاروباری جائزہ

### فرٹیلائزرز

ملک میں گیس کی بہتر دستیابی اور درآمد شدہ اضافی ایل این جی، اور ماری نیٹ ورک پلانٹس کے ذریعے اعلیٰ پیداوار کی بناء پر فرٹیلائزر پیداوار پچھلے سال اسی دوانیہ کی بہ نسبت کل حجم 1,216 KT سے بڑھا کر 1,411 KT کر دیا گیا ہے۔ نتیجتاً، اس تمام گیس سپلائی کی بہتری کے سبب تمام فرٹیلائزرز پلانٹس 2016 کی پہلی سہ ماہی کے اختتام پر کام کر رہے تھے۔ اس حقیقت کے باوجود کہ اب گیس کی فراوانی ہے مگر مہنگی ہونے کی وجہ سے یوریا کی مقامی اور بین الاقوامی زخوں کے درمیان ڈیلٹا کو پھر بھی کم کر دیا ہے۔ اس نقطہء نظر سے کہ آئندہ مدتوں میں ملک میں یوریا کی رواں اور تمام تر متوقع سپلائی جاری رہے فرٹیلائزر مینوفیکچررز ملک میں مانگ اور سپلائی کی صورت حال میں توازن برقرار رکھنے کے لئے مقامی یوریا کی ایکسپورٹ کرنے کی منظوری کے لئے حکومت تک رسائی پر غور کر رہے ہیں۔

اینٹرو فرٹیلائزرز لمیٹڈ (EFert) یوریا پیداوار برائے سہ ماہی گزشتہ سال اسی مدت کے لئے 486KT کے مقابلے میں 6 فیصدی کے اضافہ کے ساتھ 514KT پر آگئی ہے۔ درج بالا اعداد شمار کے مطابق موجودہ صنعت کی صورت حال 2015 کے پہلی سہ ماہی کے لئے 481KT کے مقابلے میں 41 فیصد کمی کے ساتھ 286KT پر آگئی ہے جو کہ محدود یوریا کے استعمال کو ظاہر کرتا ہے۔ پہلی سہ ماہی کے لئے EFert کا مجموعی منافع گزشتہ سال اسی مدت کے لئے چینل انوینٹری کے ڈرائنگ اکاؤنٹ کے باعث موجودہ مارکیٹ کے حالات اور کم فروخت کی وجہ سے 6,770 ملین روپے کے مقابلے میں 4,938 ملین روپے پر آگیا ہے۔ مجموعی کل منافع گزشتہ سال اسی مدت کے لئے 3,100 ملین روپے کے مقابلے میں منظم 2,121 ملین روپے تھا۔

## غذا:

2016 کی پہلی سہ ماہی میں اینٹرو کارپوریشن ( اینٹرو ) 51 فیصد اسٹیک کی اینٹرو فوڈز ( ای فوڈز ) میں فروخت کے لئے رائل فرائزلینڈ کیمپینا ( آر ایف سی ) سے بنیادی معاہدہ (MOU) کرچکا ہے۔ آر ایف سی (RFC) عالمی شناخت اور ایک بڑے ڈیری پروڈکٹ کے پورٹ فولیو کے ساتھ دنیا میں ڈیری تعاون پر مبنی تیسرا بڑا ادارہ ہے۔ گزشتہ دہائی میں اینٹرو نے ایک گرین فیلڈ ڈیری انٹرپرائز قائم کیا ہے جو پاکستان میں ڈیری کی دنیا کا ایک واضح مارکیٹ لیڈر ہے۔ ای فوڈز کی صلاحیت کا اعتراف کرتے ہوئے ملک میں بڑھتی ہوئے ڈیری سیگمنٹ پر قابو پانے کے لئے آر ایف سی نے اینٹرو کے ساتھ شراکت داری کے لئے شدید خواہش کا اظہار کیا ہے۔

آر ایف سی بہترین مینجمنٹ، ریسرچ اور ڈولپمنٹ، برانڈ اور پروڈکٹ کے حوالے سے بین الاقوامی طور پر مانا جاتا ہے جو کہ اینٹرو کے ساتھ جڑ گیا ہے جبکہ اینٹرو کے فارمر نیٹ ورک، خوردہ (کریانہ) موجودگی اور پروڈکٹ صلاحیتوں کی وجہ سے ای فوڈز اعلیٰ مارکیٹ کے شیئر کو یقینی بنائیں گے، جذب کرنے کی اعلیٰ ٹیکنیکی صلاحیت اور شراکت داری کی تخلیق دولت کو سماجی و اقتصادی انداز میں محفوظ بنائیں گے،

ہمارا مقصد ہمیشہ سستے اور پائیدار انداز میں اپنی مصنوعات کی دستیابی کو ممکن بنانا رہا ہے۔ ہم پاکستان میں غذائیت سے متعلق چیلنج کو حل کرنا چاہتے ہیں اور اس نتیجے پر پہنچے ہیں کہ اس چیلنج کی قیادت کے لئے ہمارے ساتھ آر ایف سی کی شراکت داری بہترین ہے۔ ای فوڈز کے پاس کسانوں کی زندگی کو بدلنے کی صلاحیت موجود ہے اور اپنے صارفین کی صحت اور غذائی قدروں میں اضافہ کرنے میں اپنا کردار ادا کیا ہے اور اس آرزو کو جاری رکھنے کی شدید خواہش رکھتا ہے۔ اس کی روشنی میں آر ایف سی کے ساتھ موجودہ مجوزہ معاہدہ ای فوڈز کی ترقی کو جاری رکھنے کے لئے بہترین حکمت عملی ہے۔

ای فوڈز کی آمدنی گزشتہ سال اسی مدت میں 12.5 بلین روپے کے مقابلے میں اب 11.7 بلین روپے ہے۔ مجموعی بچت میں 26.8 فیصد سے 28.1 فیصد اضافہ ہوا، نتیجتاً منافع 31 مارچ، 2016 کو ختم ہونے والی سہ ماہی کے لئے 1,069 ملین روپے سے بڑھ کر 1,108 ملین روپے ہو گیا۔

## توانائی اور توانائی کے بنیادی ڈھانچے:

دی حب پاور کمپنی لمیٹڈ (حبکو) عمدہ کارکردگی کے لئے کوئلہ انرجی کے 660 میگا واٹ کے دو پلانٹس کا سیٹ اپ کر رہی ہے۔ چائنہ پاور حب جزیئر کمپنی (پرائیوٹ) لمیٹڈ (سی پی ایچ جی سی) نے نیپرا کی طرف سے اعلان کئے گئے نرخوں کو تسلیم کر لیا ہے۔ سی پی ایچ جی سی معروف چائنہ بینک کے ساتھ

کوئلہ جیٹی کے لئے بروقت مالیاتی اختتام کو ترتیب دینے کے لئے بولیوں کا جائزہ لے رہی ہے اور مالیاتی انتظامی قیادت کا عہدہ چائے ڈولپمنٹ بینک کو دیا ہے۔ سی پی اینجی سی نے کوئلہ کے اہم سپلائروں کے ساتھ رابطہ بھی کیا ہے اور مناسب آپشنز کا جائزہ لے رہی ہے۔ جبکہ، سی ایم ای سی اور جی او ایس کے ساتھ تھر کی کوئلہ کی کان سے کوئلہ نکالنے 950 ملین یو ایس ڈالر کی شرکت داری کی ہے جبکہ ایس ای سی ایم سی بیرونی کوئلہ تھر کول کے لئے اینگرو پاور جن کے ساتھ 1.1 بلین یو ایس ڈالر کی 330 میگا واٹ بجلی کے دو پلانٹس کے لئے حصہ داری کر رہی ہے۔

مندرجہ بالا تمام اقدامات کا نتیجہ سستی اور قابل گنجائش توانائی کی سپلائی میں نکلے گا، لہذا گروپ کا نشاۃ منزل بھی ملک میں سستی اور پائیدار توانائی کی دستیابی ہے۔ یہ عناصر پاکستان کی جی ڈی پی میں اضافہ، صارفین کے استعمال میں اضافہ اور مجموعی طور پر افراط زر کی شرح میں کمی پیدا کر دے گی۔

### مالیاتی کارکردگی:

جیسا کہ بیان کیا ہے کہ IFRS - 10 اشتہالی مالیاتی گوشواروں کے تقاضوں کے مطابق اینگرو کارپوریشن لمیٹڈ ایک ماتحت کمپنی کے طور پر مخصوص تھی جو کہ داؤد ہر کولیس گروپ کا حصہ ہے۔ اینگرو کارپوریشن کے مالیاتی گوشوارے کمپنی کے گوشواروں کے ساتھ اشتہال کئے گئے ہیں۔ اس لحاظ سے گزشتہ سال اسی مدت کے لئے 11,191 ملین روپے کے منافع کے مقابلے میں 2016 کے پہلی سہ ماہی میں 10,453 ملین روپے کا مجموعی منافع حاصل کیا۔ ایسوسی ایٹ اور جوائنٹ وینچر سے 735 ملین روپے کے منافع کے حصہ داری کے لئے حساب کے بعد، قبل از ٹیکس منافع 2016 کے لئے 6,114 ملین روپے ہے جو کہ 2015 میں 6,128 ملین روپے تھا۔ فی شیئر مستحکم آمدنی 2.99 روپے فی شیئر تھی (2015 : 2.17 روپے فی شیئر) انفرادی بنیاد پر 31 مارچ، 2016 کو ختم ہونے والی سہ ماہی کے لئے کمپنی نے 2015 کے لئے 159 ملین روپے کے مقابلے میں 777 ملین روپے کا ڈیویڈنڈ حاصل کیا۔ تمام ٹیکسوں کے حسابات کے بعد منافع 449 ملین روپے رہا جبکہ اس کے مقابلے میں 2015 میں منافع 240 ملین روپے تھا۔ کمپنی کی فی شیئر آمدنی 0.93 روپے تھی جبکہ 2015 میں یہی فی شیئر خسارہ 0.50 روپے تھا۔

### فیوچر آؤٹ لک:

صنعتی صارفین کو گیس کی فراہمی میں استحکام کی بناء پر ملک میں تقسیمی کمپنیوں کی جانب سے یہ توقع کی گئی کہ تمام فریلائزر پلانٹس اپنی معمول کی صلاحیت پر چلائے جائیں گے۔ تاہم مقامی اور درآمد شدہ یوریا اسٹاک، مقامی قیمتوں کے برابر بین الاقوامی یوریا کی گرتی ہوئی قیمتیں، لو آف ٹیک اور ڈیلرز کی طرف چھوڑے ہوئے اسٹاک کی وجہ سے فریلائزر کا شعبہ 2016 میں دباؤ کا شکار رہے گا۔ فریلائزرز کمپنیاں کم طلب کے مقابلے میں اعلیٰ فراہمی کے دباؤ کو دور کرنے کے لئے یوریا درآمد کرنے کی منظوری کے لئے حکومت تک رسائی کرنے کا منصوبہ بنا رہی ہیں۔

غذا کے حوالے سے، ہم 2016 میں ای فوڈز کے 51 فیصد شیئرز کی فروخت کے لئے حتمی معاہدے کی توقع رکھتے ہیں۔ یہ آغاز انتظامیہ کو انرجی اور الائیڈ کے شعبوں میں مزید سرمایہ کاری کرنے کے قابل بنائے گا۔ جبکہ اور تنگہ جزیسی لمیٹڈ کے تحت انرجی کمپنیاں نمایاں کارکردگی کا مظاہرہ کر رہی ہیں اور جزوی طور پر 2016 تک توانائی کی رسد کی فراہمی کی خلاء دور کرنے کے لئے اہم کردار ادا کرے گی اور 2017 تک ان کمپنیوں کی جزییشن صلاحیت میں اضافہ کر دے گی۔

### صمد داؤد

### چیف ایگزیکٹو



# Unconsolidated Condensed Interim Balance Sheet

As at March 31, 2016

Note	March 31, 2016 (Unaudited)	December 31, 2015 (Audited)		
------(Rupees in '000)-----				
<b>ASSETS</b>				
<b>NON CURRENT ASSETS</b>				
	Property, plant and equipment	6	127,850	130,733
	Intangible assets		-	1
	Long term investments	7	37,573,738	37,573,738
	Defined benefit asset - funded gratuity		2,593	2,593
			<b>37,704,181</b>	<b>37,707,065</b>
<b>CURRENT ASSETS</b>				
	Advance, deposits and prepayment		45,285	41,899
	Other receivables		116,194	114,532
	Short term investments	8	35,000	-
	Dividend receivable from associate		776,619	-
	Cash and bank balances		11,197	1,008,059
			<b>984,295</b>	<b>1,164,490</b>
	<b>TOTAL ASSETS</b>		<b>38,688,476</b>	<b>38,871,555</b>
<b>EQUITY AND LIABILITIES</b>				
<b>SHARE CAPITAL AND RESERVES</b>				
	Authorised capital		<b>10,000,000</b>	<b>10,000,000</b>
	Issued, subscribed and paid up share capital		<b>4,812,871</b>	<b>4,812,871</b>
	Revenue reserves		<b>29,431,334</b>	<b>28,982,384</b>
			<b>34,244,205</b>	<b>33,795,255</b>
<b>NON CURRENT LIABILITIES</b>				
	Long term financing	9	<b>3,750,000</b>	<b>3,889,143</b>
	Defined benefit liability - unfunded gratuity		<b>849</b>	<b>587</b>
			<b>3,750,849</b>	<b>3,889,730</b>
<b>CURRENT LIABILITIES</b>				
	Current maturity of long term finance	9	<b>191,322</b>	<b>103,442</b>
	Short term finance	10	-	<b>431,808</b>
	Trade and other payables	11	<b>178,837</b>	<b>446,982</b>
	Accrued mark-up		<b>160,473</b>	<b>99,642</b>
	Taxation - net		<b>162,790</b>	<b>104,696</b>
			<b>693,422</b>	<b>1,186,570</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>		<b>38,688,476</b>	<b>38,871,555</b>
	<b>CONTINGENCIES AND COMMITMENTS</b>	12		

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



# Unconsolidated Condensed Interim Profit and Loss Account - Unaudited

For the quarter ended March 31, 2016

	Note	Quarter ended	
		March 31, 2016	March 31, 2015
------(Rupees in '000)-----			
Dividend income	13	776,619	158,828
Administrative expenses		(187,370)	(361,988)
Gross profit / (loss)		589,249	(203,160)
Other operating expenses		(226)	-
Other income / (loss)		2,446	(1,452)
Operating profit / (loss)		591,469	(204,612)
Finance costs		(83,763)	(23,420)
Profit/(loss) before taxation		507,706	(228,032)
Taxation		(58,756)	(11,912)
Profit/(loss) after taxation		448,950	(239,944)
Earnings/(Loss) per share (Rupees)			
- basic and diluted		0.93	(0.50)

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

# Unconsolidated Condensed Interim Statement of Total Comprehensive Income - Unaudited

For the quarter ended March 31, 2016



Quarter ended  
**March 31,**      March 31,  
**2016**              2015  
 -----(Rupees in '000)-----

Profit / (loss) after taxation	<b>448,950</b>	(239,944)
Other comprehensive income for the period		
Items that will not be reclassified subsequently to profit and loss		
Remeasurements of post-retirement benefits obligation	-	-
Other comprehensive income for the period	-	-
Total comprehensive income/(loss) for the period	<b><u>448,950</u></b>	<b><u>(239,944)</u></b>

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

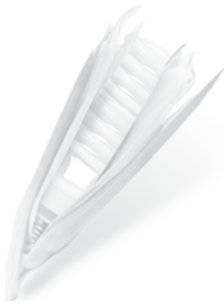


# Unconsolidated Condensed Interim Statement of Changes in Equity - Unaudited

For the quarter ended March 31, 2016

	Issued, subscribed and paid up share capital	Revenue reserves			Surplus on revaluation of investment	Total
		General reserve	Un- appropriated profit	Sub-total		
------(Rupees in '000)-----						
<b>Balance as at January 1, 2015</b>	4,812,871	700,000	14,344,945	15,044,945	-	19,857,816
<b>Total comprehensive income</b>						
Loss after taxation	-	-	(239,944)	(239,944)	-	(239,944)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	(239,944)	(239,944)	-	(239,944)
<b>Balance as at March 31, 2015</b>	4,812,871	700,000	14,105,001	14,805,001	-	19,617,872
<b>Balance as at January 1, 2016</b>	4,812,871	700,000	28,282,384	28,982,384	-	33,795,255
<b>Total comprehensive income</b>						
Profit after taxation	-	-	448,950	448,950	-	448,950
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	448,950	448,950	-	448,950
<b>Balance as at March 31, 2016</b>	4,812,871	700,000	28,731,334	29,431,334	-	34,244,205

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



# Unconsolidated Condensed Interim Cash Flow Statement - Unaudited

For the quarter ended March 31, 2016

	Note	Quarter ended	
		March 31, 2016	March 31, 2015
------(Rupees in '000)-----			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash utilized in operations	14	(452,388)	(299,678)
Finance cost paid		(22,791)	(34,622)
Taxes paid		(664)	(512)
Employees retirement and other service benefits paid		(1,685)	(1,054)
Net cash utilized in operating activities		(477,528)	(335,866)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment		(3,308)	(19,178)
Investment in subsidiary - Bubber Sher (Private) Limited		-	(10)
Income received from bank deposits		1,902	495
Proceeds from disposal of fixed assets		707	-
Net cash utilized in investing activities		(699)	(18,693)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Long term finance repaid		(51,263)	(43,940)
Dividends paid		(563)	(108)
Net cash utilized in financing activities		(51,826)	(44,048)
Net decrease in cash and cash equivalents		(530,054)	(398,607)
Cash and cash equivalents at the beginning of the period		576,251	(250,758)
Cash and cash equivalents at the end of the period		46,197	(649,365)

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



# Notes to and Forming Part of the Unconsolidated Condensed Interim Financial Statements

For the quarter ended March 31, 2016

## 1. LEGAL STATUS AND OPERATIONS

- 1.1 Dawood Hercules Corporation Limited (the Company) was incorporated in Pakistan on April 17, 1968 as a public limited company under the Companies Act 1913 (now Companies Ordinance, 1984) (the Ordinance) and its shares are quoted on Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange in which Lahore and Islamabad stock exchanges have merged). The principal activity of the Company is to manage investments in its subsidiary and associated companies. The registered office of the Company is situated at Dawood Center, M.T. Khan Road, Karachi.
- 1.2 As a result of adoption of International Financial Reporting Standard (IFRS) - 10 'Consolidated Financial Statements', by Securities and Exchange Commission of Pakistan (SECP), the Company reassessed the control conclusion of its investment in Engro Corporation Limited (ECL) that although, the Company has less than 50% voting rights in ECL, however, based on the absolute size of the Company's shareholding and the relative size of the other shareholdings, the Company has the ability to exercise control over ECL as per the terms of IFRS 10. Henceforth, the Company is deemed to be holding company of ECL.

## 2. BASIS OF PREPARATION AND PRESENTATION

- 2.1 These unconsolidated condensed interim financial statements of the Company for the quarter ended March 31, 2016 have been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 - "Interim Financial Reporting" and provisions of and directives issued under the Ordinance. In case where requirements differ, the provisions of or directives issued under the Ordinance have been followed. These unconsolidated condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2015, which have been prepared in accordance with International Financial Reporting Standards (IFRSs).
- 2.2 These unconsolidated condensed interim financial statements comprise of the balance sheet as at March 31, 2016 and the unconsolidated condensed interim profit and loss account, the unconsolidated condensed interim statement of total comprehensive income, the unconsolidated condensed interim statement of changes in equity, the unconsolidated condensed interim cash flow statement and notes thereto for the quarter then ended.
- 2.3 The comparative balance sheet presented in these unconsolidated condensed interim financial statements as at December 31, 2015 has been extracted from the audited financial statements of the Company for the year then ended. The comparative unconsolidated condensed interim profit and loss account, unconsolidated condensed interim statement of total comprehensive income, unconsolidated condensed interim statement of changes in equity and unconsolidated condensed interim cash flow statement for the quarter ended March 31, 2015 have been extracted from the unconsolidated condensed interim financial statements of the Company for the quarter 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, 2015.

# Notes to and Forming Part of the Unconsolidated Condensed Interim Financial Statements

For the quarter ended March 31, 2016

- 3.1 New standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2016 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, 2015.

## 5. SEASONALITY OF OPERATIONS

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

	Note	March 31, 2016 (Unaudited)	December 31, 2015 (Audited)
------(Rupees in '000)-----			
<b>6. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets	6.1	114,850	117,733
Capital work in progress		13,000	13,000
		<u>127,850</u>	<u>130,733</u>
<b>6.1 Net book value at the beginning of the period / year</b>		117,733	77,926
Add: Additions during the period / year	6.1.1	3,308	61,650
		121,041	139,576
Less: Disposals during the period / year - net book value	6.1.2	239	2,581
Depreciation charged during the period / year		5,952	19,262
		6,191	21,843
Net book value at the end of the period / year		<u>114,850</u>	<u>117,733</u>

# Notes to and Forming Part of the Unconsolidated Condensed Interim Financial Statements

For the quarter ended March 31, 2016

	Note	March 31, 2016 (Unaudited)	December 31, 2015 (Audited)
------(Rupees in '000)-----			
<b>6.1.1</b>	Additions during the period / year		
		274	11,298
		2,127	4,098
		-	35,947
		907	10,307
		<b>3,308</b>	<b>61,650</b>
<b>6.1.2</b>	Disposals during the period / year - net book value		
		134	2,506
		105	75
		<b>239</b>	<b>2,581</b>
<b>7.</b>	<b>LONG TERM INVESTMENTS</b>		
	7.1	23,308,927	23,308,927
	7.2	14,169,098	14,169,098
	7.3	95,713	95,713
		<b>37,573,738</b>	<b>37,573,738</b>
<b>7.1</b>	Investment in subsidiary companies		
	7.1.1	23,308,927	23,308,927
		-	-
		-	-
		<b>23,308,927</b>	<b>23,308,927</b>
<b>7.1.1</b>	Engro Corporation Limited - quoted		
		194,972,555 (December 31, 2015: 194,972,555) ordinary shares of Rs 10 each	
		<b>23,308,927</b>	<b>23,308,927</b>
		Percentage of holding 37.22% (December 31, 2015: 37.22%)	
<b>7.1.1.1</b>	As more fully explained in note 1.4, ECL is reclassified as subsidiary of the Company. The investment was previously classified as "investment in associate" as required under IAS-28. No reclassification in amount is required as the investment was previously carried at cost in these financial statements.		
<b>7.1.1.2</b>	The market value of investment in ECL as at March 31, 2016 was Rs 61,552 million (December 31, 2015: Rs 54,473 million).		

# Notes to and Forming Part of the Unconsolidated Condensed Interim Financial Statements

For the quarter ended March 31, 2016

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

Bank	As at March 31, 2016			As at December 31, 2015		
	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
	(in '000)	------(Rupees in '000) -----		(in '000)	------(Rupees in '000) -----	
Meezan Bank Limited	29,000	290,000	9,155,300	15,131	151,308	4,227,394

	March 31, 2016 (Unaudited)	December 31, 2015 (Audited)
	------(Rupees in '000)-----	
7.1.2 DH Fertilizers Limited - unquoted		
Opening balance: 100,000,000 ordinary shares of Rs 10 each	-	1,615,119
Less: Disposal of Nil (2015: 100,000,000) ordinary shares of Rs 10 each	-	(1,615,119)
	<u>-</u>	<u>-</u>
Percentage of holding Nil (December 31, 2015: Nil)		

During the year 2015, investment in DHFL was disposed off following the signing of the SPA with Pakarab Fertilizers Limited (PAFL) and the shares were transferred in the name of Fatima Fertilizer Company Limited (assignee of PAFL)

	March 31, 2016 (Unaudited)	December 31, 2015 (Audited)
	------(Rupees in '000)-----	
7.1.3 Bubber Sher (Private) Limited		
Opening balance: 1,000 ordinary shares of Rs 10 each	-	10
Less: Disposal of Nil (2015: 1,000) ordinary shares of Rs 10 each	-	(10)
	<u>-</u>	<u>-</u>
Percentage of holding Nil (December 31, 2015: Nil)		

During the year 2015, investment in BSPL was also disposed off following the signing of a separate SPA with Pakarab Fertilizers Limited (PAFL). The shares were transferred in the name of of Fatima Fertilizer Limited (assignee of PAFL)

	Note	March 31, 2016 (Unaudited)	December 31, 2015 (Audited)
		------(Rupees in '000)-----	
7.2 Investment in associate - quoted			
The Hub Power Company Limited	7.2.1	<u>14,169,098</u>	<u>14,169,098</u>
7.2.1 The Hub Power Company Limited			
172,582,000 (December 31, 2015: 172,582,000) ordinary shares of Rs 10 each		<u>14,169,098</u>	<u>14,169,098</u>
Percentage of holding 14.91% (December 31, 2015: 14.91%)			

# Notes to and Forming Part of the Unconsolidated Condensed Interim Financial Statements

For the quarter ended March 31, 2016

7.2.2 The Company effectively has 14.91% (December 31, 2015: 14.91%) of the voting power in the Hub Power Company Limited (HUBCO) by virtue of its shareholding. Due to the representation of the Company's nominees on the Board of Directors of HUBCO, the Company has significant influence over HUBCO.

7.2.3 The market value of investment in The Hub Power Company Limited (HUBCO) as at March 31, 2016 was Rs 18,041 million (December 31, 2015: Rs 17,707 million).

7.2.3 The details of shares pledged as security against finance facilities are as follows:

Bank	As at March 31, 2016			As at December 31, 2015		
	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
	(in '000)	------(Rupees in '000) -----	------(Rupees in '000) -----	(in '000)	------(Rupees in '000) -----	------(Rupees in '000) -----
<b>Long term:</b>						
Allied Bank Limited	82,570	825,700	8,631,868	12,581	125,810	985,847
<b>Short term:</b>						
Bank Al Habib Limited	31,256	135,000	3,267,502	13,500	135,000	1,057,860
United Bank Limited	15,656	100,000	1,636,678	10,000	100,000	783,600

Note **March 31, 2016 (Unaudited)** December 31, 2015 (Audited)  
------(Rupees in '000)-----

## 7.3 Other investment

e2e Business Enterprises (Private) Limited  
11,664,633 (December 31, 2015:  
11,664,633)

ordinary shares of Rs 10 each  
Less: impairment loss

7.3.1 **95,713** 95,713  
- -  
**95,713** **95,713**

Percentage of holding 19.14% (December 31, 2015: 19.14%)

Note **March 31, 2016 (Unaudited)** December 31, 2015 (Audited)  
------(Rupees in '000)-----

## 8. SHORT TERM INVESTMENTS

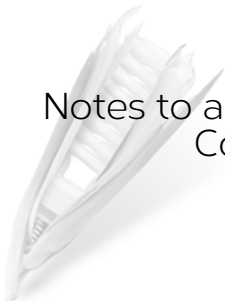
Term deposit receipts - held till maturity  
- Bank AL Habib Limited (7 days)

**35,000** -  
**35,000** -

8.1 These carry 6% to 7% mark-up rates (December 31, 2015: 4% to 7%) per annum.

# Notes to and Forming Part of the Unconsolidated Condensed Interim Financial Statements

For the quarter ended March 31, 2016



	Note	March 31, 2016 (Unaudited)	December 31, 2015 (Audited)
------(Rupees in '000)-----			
<b>9. LONG TERM FINANCING</b>			
Balance as at January 1			
Long term finance	9.1	242,585	330,465
Syndicate term finance	9.2	3,750,000	-
		<u>3,992,585</u>	<u>330,465</u>
Acquired during the period / year	9.2	-	3,750,000
Repayments during the period / year		(51,263)	(87,880)
		<u>3,941,322</u>	<u>3,992,585</u>
Less : Current portion of long term financing		(191,322)	(103,442)
		<u>3,750,000</u>	<u>3,889,143</u>

9.1 This represents utilised portion of long term finance facility under mark-up arrangement from Allied Bank Limited aggregating Rs 380 million (December 31, 2015: Rs 380 million). The finance facility is secured by way of hypothecation charge over all assets of the Company with 25% margin and pledge of HUBCO shares as more fully explained in note 7.2.3 with 50% margin. The facility carries mark-up at the rate of six months KIBOR plus 200 basis points per annum. The facility is for the period of 5 years and is payable semi annually in arrears with the first principal repayment made on July 5, 2013. The facility will be repaid in full by July 2017.

9.2 This represents utilized portion of syndicated term finance facility of Rs 4,000 million (December 31, 2015: 4,000 million) obtained from a syndicate of banks led by Allied Bank Limited as investment agent. The facility is secured against shares of HUBCO at a 50% margin as more fully explained in note 7.2.3. The facility carries mark-up at the rate of six months KIBOR plus 200 basis points per annum payable semi annually. The facility is for a period of 5 years and the principal will be payable semi annually in equal installments at the expiry of the 2 years grace period commencing from May 2017.

		March 31, 2016 (Unaudited)	December 31, 2015 (Audited)
------(Rupees in '000)-----			
<b>10. SHORT TERM RUNNING FINANCE</b>			

Running finance under mark-up arrangement	10.1&10.2	<u>-</u>	<u>431,808</u>
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10.1 The Company has an approved short-term running finance facility aggregating to Rs 1,500 million (2015: Rs 1,500 million) obtained under mark-up arrangements from Bank Al-Habib Limited which remained unutilized as at March 31, 2016 (2015: Rs 2,000 million). The facility is secured by way of pledge of HUBCO shares (2015: HUBCO shares) as more fully explained in note 7.2.3. Rate of mark-up applicable to the facility is three months KIBOR plus 95 basis points (2014: three months KIBOR plus 95 basis points) per annum. The facility will expire on April 30, 2016.

# Notes to and Forming Part of the Unconsolidated Condensed Interim Financial Statements

For the quarter ended March 31, 2016

**10.2** The Company has a short-term running finance facility aggregating to Rs 1,000 million (2015: Rs 1,000 million) obtained under mark-up arrangements from United Bank Limited which remained unutilized as at March 31, 2016. The facility is secured by way of pledge of HUBCO shares (2015: HUBCO shares) as more fully explained in note 7.2.3. Rate of mark-up applicable to the facility is one month KIBOR plus 90 basis points (2015: one month KIBOR plus 90 basis points) per annum. The facility will expire on May 2, 2016.

**10.3** The Company has a short-term running finance facility aggregating to Rs 2,000 million (2015: Rs Nil) obtained under mark-up arrangements from Habib Metropolitan Bank Limited which remained unutilized as at March 31, 2016. The facility is secured by way of pledge of HUBCO shares (2015: Nil). The shares will be pledged at the time of drawdown of the facility. Rate of mark-up applicable to the facility is one month KIBOR plus 75 basis points. The facility will expire on December 31, 2016.

<b>March 31, 2016 (Unaudited)</b>	December 31, 2015 (Audited)
------(Rupees in '000)-----	

## 11. TRADE AND OTHER PAYABLES

Creditors	48,952	354,052
Accrued expenses	81,447	44,371
Unclaimed dividend	47,808	48,371
Others	630	188
	<u>178,837</u>	<u>446,982</u>

## 12. CONTINGENCIES AND COMMITMENTS

### 12.1 Contingent liabilities

**12.1.1** The Company has pledged 15.131 million shares of ECL with Meezan Bank Limited in favour of Fatima Fertilizer Company Limited against potential tax liabilities of DHFL. These shares will be released by March 2018.

<b>March 31, 2016 (Unaudited)</b>	December 31, 2015 (Audited)
------(Rupees in '000)-----	

<b>12.2</b> Commitments in respect of operating lease not later than one year	12.2.1 & 12.2.2	<u>32,060</u>	<u>29,243</u>
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**12.2.1** The Company has signed lease agreements for premises on rent from Dawood Foundation, a related party, for Karachi office which is due to expire in September 2017. The same is revocable by either party through prior notice of at least 3 months.

**12.2.2** This includes vehicle leased under operating lease arrangement from a financial institution.

# Notes to and Forming Part of the Unconsolidated Condensed Interim Financial Statements

For the quarter ended March 31, 2016

Note	Quarter ended	
	March 31, 2016 (Unaudited)	March 31, 2015 (Unaudited)
------(Rupees in '000)-----		
<b>13. DIVIDEND INCOME</b>		
The Hub Power Company Limited	<u>776,619</u>	<u>158,828</u>
	<u>776,619</u>	<u>158,828</u>
<b>14. CASH UTILIZED IN OPERATIONS</b>		
Profit/(loss) before taxation	507,706	(228,032)
Adjustments for non cash expenses and other items:		
Depreciation and amortization	5,952	4,187
Finance cost	83,763	23,420
Unrealized exchange loss / (gain)	-	1,947
Dividend income	(776,619)	(158,828)
Provision for employees' retirement and other	-	-
Gain on disposal of fixed assets	(469)	-
Defined service benefits and other service costs	1,685	1,286
Income received from bank deposits	(1,902)	(495)
Working capital changes	14.1 (272,504)	56,837
Cash utilised in operations	<u>(452,388)</u>	<u>(299,678)</u>
<b>14.1 Working capital changes</b>		
(Increase) / decrease in current assets		
Advance, deposits and prepayment	(3,259)	(138,531)
Other receivables	(1,662)	(369)
Interest accrued on bank deposits and investments	-	915
	(4,921)	(137,985)
Increase / (decrease) in trade and other payables	<u>(267,582)</u>	<u>194,822</u>
	<u>(272,504)</u>	<u>56,837</u>
<b>15. FINANCIAL RISK MANAGEMENT AND FINANCIAL DISCLOSURES</b>		
<b>15.1 Financial risk factors</b>		

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, 2015. There have been no changes in any risk management policies since the year end.

# Notes to and Forming Part of the Unconsolidated Condensed Interim Financial Statements

For the quarter ended March 31, 2016

## 16. RELATED PARTY TRANSACTIONS

Significant transactions with related parties are as follows:

Note	Quarter ended	
	March 31, 2016 (Unaudited)	March 31, 2015 (Unaudited)
----- (Rupees in '000) -----		
Subsidiary company		
Reimbursement of expenses by the Company	-	26
Reimbursement of expenses to the Company	2798	428
Sale of goods and services	-	159
Investment in subsidiary - Bubber Sher (Private) Limited	-	10
Associates		
Purchase of goods and services	5,984	5,439
Sale of goods and services	-	1,442
Dividend income	776,619	158,828
Reimbursement of expenses from associates	1,870	1,439
Reimbursement of expenses to associates	370	380
Membership fee and other subscriptions	2	-
Key management personnel		
Salaries and other short term employee benefits	103,131	49,050
Post retirement benefit plans	4,719	3,597
Sale of assets	707	-

## 17. GENERAL

- 17.1 All financial information, except as otherwise stated, has been rounded to the nearest thousand rupees.
- 17.2 The Board of Directors in its meeting held on February 23, 2016 proposed a cash dividend of Rs 4 per share for the year ended December 31, 2015 which was approved by the members at the Annual General Meeting held on April 23, 2016. These unconsolidated condensed interim financial statements do not recognize the declared dividend as deduction from unappropriated profit.
- 17.3 These unconsolidated condensed interim financial statements were authorised for issue by the Board of Directors on April 29, 2016.

Consolidated  
Financial

Statements



# Consolidated Condensed Interim Balance Sheet

As at March 31, 2016

(Amounts In thousand)

	Note	March 31, 2016 (Unaudited)	December 31, 2015 (Audited)
-----Rupees-----			
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	128,025,536	128,534,524
Biological assets		1,019,416	1,024,251
Intangible assets		4,765,976	4,777,248
Deferred taxation		1,041,106	982,699
Deferred employee compensation expense		114,331	147,456
Long term investments		9,335,994	9,598,639
Defined benefit asset - funded gratuity		2,593	2,593
Long term loans and advances		3,775,557	3,758,094
		<b>148,080,509</b>	<b>148,825,504</b>
<b>Current assets</b>			
Stores, spares and loose tools		7,868,954	7,679,172
Stock-in-trade		19,455,905	14,088,701
Trade debts		6,652,819	6,733,613
Deferred employee compensation expense		74,111	92,986
Derivative financial instruments		5,763	29,207
Loans, advances, deposits and prepayments		1,749,260	1,549,898
Other receivables		8,856,627	8,049,202
Taxes recoverable		2,224,847	2,245,086
Short term investments		6,822,718	14,050,112
Cash and bank balances		17,427,075	5,120,357
		<b>71,138,079</b>	<b>59,638,334</b>
<b>TOTAL ASSETS</b>		<b>219,218,588</b>	<b>208,463,838</b>



# Consolidated Condensed Interim Balance Sheet

As at March 31, 2016

(Amounts In thousand)

Note	<b>March 31, 2016 (Unaudited)</b>	December 31, 2015 (Audited)
	-----Rupees-----	

## EQUITY AND LIABILITIES

### Equity

Share capital	4,812,871	4,812,871
Employee share compensation reserve	198,130	225,217
Revaluation reserve on business combination	19,706	20,655
Maintenance reserve	60,117	60,117
Exchange revaluation reserve	11,684	11,412
Hedging reserve	(34,072)	(34,459)
General reserve	700,000	700,000
Unappropriated profit	28,654,633	27,221,478
Share of income of associate	(4,348)	(3,269)
Remeasurement of post-employment benefits	(48,665)	(48,665)
	<b>29,557,185</b>	<b>28,152,486</b>
	<b>34,370,056</b>	<b>32,965,357</b>

Non-controlling interest

69,914,175	59,901,520
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### Total Equity

<b>104,284,231</b>	<b>92,866,877</b>
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### Liabilities

#### Non-current liabilities

Borrowings	8	42,713,758	40,882,279
Derivative financial instruments		18,518	17,382
Deferred taxation		9,442,628	8,696,201
Deferred liabilities		128,410	161,829
		<b>52,303,314</b>	<b>49,757,691</b>

#### Current liabilities

Trade and other payables	28,699,586	34,618,973
Accrued interest / mark-up	1,015,575	1,427,789
Current portion of :		
- borrowings	26,530,473	22,692,902
- deferred liabilities	72,695	98,083
Short term borrowings	5,884,660	6,608,453
Derivative financial instruments	265,264	393,070
Provision for taxation	162,790	-
	<b>62,631,043</b>	<b>65,839,270</b>

### Total Liabilities

<b>114,934,357</b>	<b>115,596,961</b>
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### Contingencies and Commitments

9

### TOTAL EQUITY AND LIABILITIES

<b>219,218,588</b>	<b>208,463,838</b>
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The annexed notes 1 to 19 form an integral part of this consolidated condensed interim financial information.

Karachi  
April 29, 2016

**Samad Dawood**  
Chief Executive

**M. A. Aleem**  
Director



# Consolidated Condensed Interim Profit and Loss Account (Unaudited)

For the three months ended March 31, 2016

(Amounts In thousand except for earnings per share)

	Note	Three months ended	
		March 31, 2016	March 31, 2015 (Restated)
-----Rupees-----			
Net sales		34,326,439	41,339,258
Cost of sales		(23,873,084)	(30,148,442)
<b>Gross profit</b>		<b>10,453,355</b>	<b>11,190,816</b>
Selling and distribution expenses		(2,433,500)	(2,420,596)
Administrative expenses		(1,109,398)	(1,354,646)
		6,910,457	7,415,574
Other income		470,272	1,152,012
Other operating expenses		(512,784)	(582,489)
Finance cost		(1,488,766)	(2,530,813)
Share of income from associate & joint ventures		735,795	673,859
<b>Profit before taxation</b>		<b>6,114,974</b>	<b>6,128,143</b>
Taxation	10	(1,641,374)	(2,197,846)
<b>Profit for the period</b>		<b>4,473,600</b>	<b>3,930,297</b>
Profit attributable to:			
- Owners of the Holding Company		1,441,385	1,045,532
- Non-controlling interest		3,032,215	2,884,765
		4,473,600	3,930,297
Earnings per share			
- Basic	11	2.99	2.17
- Diluted	11	2.97	2.17

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

# Consolidated Condensed Interim Statement of Comprehensive Income (Unaudited)

For the three months ended March 31, 2016

(Amounts in thousand)

	Three months ended <b>March 31, 2016</b>	March 31, 2015 (Restated)
	----- Rupees -----	
<b>Profit for the period</b>	<b>4,473,600</b>	3,930,297
<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	(80,250)	(11,679)
- Reclassification adjustments for losses included in profit or loss	83,305	30,585
- Adjustments for amounts transferred to initial carrying amount of hedged items	-	37,621
	3,055	56,527
<b>Share of other comprehensive income of associate</b>	(1,079)	500
<b>Revaluation reserve on business combination</b>	(5,328)	(5,328)
<b>Exchange differences on translation of foreign operations</b>	733	2,984
	(4,595)	(2,344)
<b>Income tax relating to:</b>		
- Hedging reserve - cash flow hedges	(2,510)	(17,964)
- Revaluation reserve on business combination	1,758	1,758
	(752)	(16,206)
<b>Other comprehensive income for the period net of tax</b>	<b>(3,371)</b>	38,477
<b>Total comprehensive income for the period</b>	<b>4,470,229</b>	3,968,774
<b>Total comprehensive income attributable to:</b>		
- Owners of the Holding Company	1,440,016	1,058,945
- Non-controlling interest	3,030,213	2,909,829
	<b>4,470,229</b>	<b>3,968,774</b>

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

# Consolidated Condensed Interim Statement of Changes in Equity

For the three months ended March 31, 2016

(Amounts in thousand)

Attributable to owners of the Holding Company - Revenue reserves

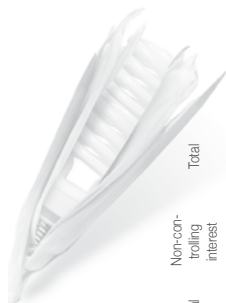
	Share capital	Share premium	Employee share compensation reserve	Revaluation reserve on business combination	Maintenance reserve	Exchange revaluation reserve	Hedging reserve	General reserve	Unappropriated profit	Share of other comprehensive income of associates	Remeasurement of post employment benefits - Actuarial gain / (loss)	Sub total	Non-controlling interest	Total
<b>Balance as at December 31, 2014 (audited) / January 01, 2015 (restated)</b>	4,812,871	-	152,488	24,453	68,475	1,919	(65,041)	700,000	22,034,014	(1,942)	(21,075)	27,716,162	46,743,143	74,459,305
<b>Total comprehensive income / (loss) for the three months ended March 31, 2015 (unaudited)</b>	-	-	-	(949)	-	1,110	12,752	-	1,045,552	500	-	1,045,532	2,884,765	3,930,297
Profit for the period	-	-	-	(949)	-	1,110	12,752	-	1,045,552	500	-	1,045,532	2,884,765	3,930,297
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	25,084	38,477
<b>Transactions with owners</b>														
Shares issued to IFC on exercise of conversion	-	-	-	-	-	-	-	264,036	-	-	-	264,036	733,267	997,303
Revaluation reserve on business combination	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exchange revaluation reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Hedging reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Employees Share Option Scheme of Subsidiary Company	-	-	(315)	-	-	-	-	-	-	-	-	(315)	(531)	(846)
	-	-	(315)	-	-	-	-	264,036	-	-	-	263,721	733,736	996,457
<b>Balance as at March 31, 2015 (unaudited)</b>	<b>4,812,871</b>	<b>-</b>	<b>152,173</b>	<b>23,504</b>	<b>68,475</b>	<b>3,029</b>	<b>(42,289)</b>	<b>700,000</b>	<b>23,343,592</b>	<b>(1,442)</b>	<b>(21,075)</b>	<b>29,038,828</b>	<b>50,385,708</b>	<b>79,424,936</b>
Balance December 31, 2015 (audited) / January 01, 2016	4,812,871	-	225,217	20,655	60,117	11,412	(34,459)	700,000	27,221,478	(3,269)	(48,665)	32,965,357	59,901,520	92,886,877
<b>Total Comprehensive income / (loss) for the three months ended March 31, 2016</b>														
Profit for the period	-	-	-	(949)	-	272	387	-	1,441,385	(1,079)	-	1,441,385	3,032,215	4,473,600
Other comprehensive income	-	-	-	(949)	-	272	387	-	1,441,385	(1,079)	-	(1,369)	(2,002)	(3,371)
<b>Transaction with owners</b>														
Employee Share Option Scheme of subsidiary company	-	-	(27,057)	-	-	-	-	-	-	-	-	-	(45,689)	(72,776)
Dividend by subsidiary company allocable to non controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	(948,023)	(948,023)
Share capital issued during the year	-	-	-	-	-	-	-	-	(8,230)	-	-	(8,230)	8,033,579	8,033,579
Share issue cost	-	-	(27,057)	-	-	-	-	-	(8,230)	-	-	(8,230)	(57,425)	(65,655)
	-	-	(27,057)	-	-	-	-	-	(8,230)	-	-	(8,230)	6,992,442	6,992,442
<b>Balance as at March 31, 2016</b>	<b>4,812,871</b>	<b>-</b>	<b>198,130</b>	<b>19,706</b>	<b>60,117</b>	<b>11,684</b>	<b>(34,072)</b>	<b>700,000</b>	<b>28,654,693</b>	<b>(4,348)</b>	<b>(48,665)</b>	<b>34,370,056</b>	<b>89,914,175</b>	<b>104,284,231</b>

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

Karachi  
April 29, 2016

Samad Dawood  
Chief Executive

M. A. Aleem  
Director





# Consolidated Condensed Interim Statement of Cash Flows (Unaudited)

For the three months ended March 31, 2016

(Amounts in thousand)

Three months ended  
Note **March 31,**      March 31,  
                  **2016**                      2015

----- Rupees -----

## Cash flows from operating activities

Cash utilized in operations	12 (3,626,229)	(7,786,110)
Retirement and other service benefits paid	(52,289)	(43,599)
Finance cost paid	(1,845,343)	(2,716,018)
Taxes paid	(789,235)	(955,225)
Payment against provision for contractual commitments	(23,604)	-
Long term loans and advances - net	4,787	(443,348)
<b>Net cash utilized in operating activities</b>	<b>(6,331,913)</b>	<b>(11,944,300)</b>

## Cash flows from investing activities

Purchase of property, plant and equipment (PPE) and biological assets	(1,860,378)	(3,429,081)
Sale proceeds on disposal of PPE and biological assets	57,021	55,536
Income on deposits / other financial assets	100,112	617,814
Proceeds from short term investments	679,541	15,960,740
Investment made during the period	(14,657)	(67,902)
Dividends received	270,000	247,500
<b>Net cash generated (utilized in)/ from investing activities</b>	<b>(768,361)</b>	<b>13,384,607</b>

## Cash flows from financing activities

Repayments of borrowings - net	(51,263)	(3,831,136)
Proceeds from/repayment of borrowings - net	5,610,143	-
Proceeds from issuance of right shares	8,033,579	-
Proceeds from short term finance	(550,000)	1,000,000
Share issuance cost	(65,655)	-
Advance for insurance policy	(43,880)	-
Unclaimed dividend	26,352	-
Dividends paid	(2,422)	(1,315)
<b>Net cash generated from/(utilized) in financing activities</b>	<b>12,956,854</b>	<b>(2,832,451)</b>

<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>5,856,580</b>	<b>(1,392,144)</b>
Cash and cash equivalents at beginning of the period	11,832,739	8,355,496
Cash and cash equivalents at end of the period	13 <b>17,689,319</b>	<b>6,963,352</b>

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

Karachi  
April 29, 2016

**Samad Dawood**  
Chief Executive

**M. A.Aleem**  
Director



# Notes to the Consolidated Condensed Interim Financial Information (Unaudited)

For the three months ended March 31, 2016

(Amounts in thousand)

## 1. LEGAL STATUS AND OPERATIONS

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

### 1.2 The "Group" consists of:

**Ultimate Parent Company:** Dawood Hercules Corporation Limited;

**Holding Company:** Dawood Hercules Corporation Limited;

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

	%age of direct holding	
	2016	2015
- Engro Corporation Limited (ECL)	37.22	37.22
- DH Fertilizers Limited (DHFL)	-	100

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, 2016	December 31, 2015
- Engro Powergen Limited (1.4.1)	100	100
- Elengy Terminal Pakistan Limited	100	100
- Engro Eximp Agriproducts (Private) Limited	100	100
- Engro Foods Limited (note 1.4.2)	87.06	87.06
- Engro Fertilizers Limited (note 1.4.3)	78.78	78.78
- Engro Polymer and Chemicals Limited (note 1.4.4)	56.19	56.19

**Joint Venture Company:**

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

For the three months ended March 31, 2016

(Amounts in thousand)

## 1.4 Other Subsidiary companies

### 1.4.1 Engro Powergen Limited

#### - Engro Powergen Qadirpur Limited (EPQL)

EPQL is a subsidiary company of Engro Powergen Limited, a wholly owned subsidiary. During the period, WAPDA's Auto Transformer T-3: 500/ 200 KV/ 450 MVA at Guddu (the transformer) caught fire on January 21, 2016. Resultantly, the transformer went out of operation and thus impacted power evacuation in the region where the EPQL's plant operates. The plant is under standby mode since then due to the load evacuation issue thereby reducing energy purchase price and corresponding cost of generation. Initially, it was estimated that the transformer will be repaired/replaced within a month of the incident, however as per latest information available from WAPDA, the work on the transformer is still in progress and may take longer. Meanwhile, EPQL is entitled to full Capacity Purchase Payment (CPP) as the plant is available for dispatch to the power purchaser.

#### - Engro Powergen Thar (Private) Limited (EPTL)

EPTL is a subsidiary company of Engro Powergen Limited, a wholly owned subsidiary. EPTL has been formed for the purpose of the development of 2 x 330 MW mine mouth power plants at Thar Block II, Sindh. During 2015, EPTL had entered into almost all the project agreements and had signed all major foreign and local financing agreements. Subsequent to the balance sheet date, financial close has also been achieved.

During the period, 442,234,273 ordinary shares of EPTL have been issued to Engro Powergen Limited, representing a stake of 50.10% and the remaining stake of 49.90% is held by China Machinery Engineering Corporation, Thar Power Investment Limited, Habib Bank Limited and Liberty Mills Limited.

### 1.4.2 Engro Foods Limited

During the period, on March 03, 2016, ECL has notified the Pakistan Stock Exchange that it has received a public announcement of intention by a potential acquirer to acquire upto 51% of ECL's shareholding in Efoods. Accordingly Efoods has been asked to provide certain information to enable potential acquirer to commence due diligence, which is in progress as at the balance sheet date.

### 1.4.3 Engro Fertilizers Limited

During the period, on February 18, 2016, ECL has notified the Pakistan Stock Exchange that as part of its strategic initiatives with respect to its subsidiaries and in order to enable ECL to diversify its portfolio and meet its capital allocation requirements, ECL has appointed advisors for the potential sale, subject to market conditions, of up to 24% of the shares of EFert, by way of a private offering to local and international investors.



# Notes to the Consolidated Condensed Interim Financial Information (Unaudited)

For the three months ended March 31, 2016

(Amounts in thousand)

Subsequent to the balance sheet date, the shareholders of the ECL, in its Annual General Meeting held on April 15, 2016, have approved the sale/disposal of upto 24% of the ECL shareholding in EFert i.e.319,423,000 shares.

## 1.4.4 Engro Polymers and Chemicals Limited

On November 24, 2015, the stock exchanges of Pakistan were notified that ECL has received a public announcement of intention by a potential acquirer to acquire entire shareholding of the ECL in EPCL. Accordingly EPCL had been asked to provide certain information to enable potential acquirer to conduct due diligence.

## 2. BASIS FOR PREPARATION

2.1 This consolidated condensed interim financial information is unaudited and has been prepared in accordance with the requirements of the International Accounting Standard 34 - 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984 (the Ordinance). In case where requirements differ, the provisions of or directives issued under the Ordinance have been followed. This consolidated condensed interim financial information is being submitted to the shareholders in accordance with section 245 of the Ordinance and should be read in conjunction with the consolidated financial statements of the Group for the year ended December 31, 2015.

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

2.3 During the preparation of this consolidated condensed interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation and uncertainty were the same as those that apply to the consolidated financial statements of the Group for the year ended December 31, 2015 except for changes in certain estimates regarding the new Employees Share Option Scheme(ESOS) of Efoods, a other subsidiary company. The estimated fair value of these options and the underlying assumptions are disclosed in note 7. Any change in these assumptions may materially impact the carrying amount of deferred employee share compensation expenses and employee share compensation reserve within the current and next financial year.

## 3. BASIS OF CONSOLIDATION

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

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.



# Notes to the Consolidated Condensed Interim Financial Information (Unaudited)

For the three months ended March 31, 2016

(Amounts in thousand)

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

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

#### 4. ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of this consolidated condensed interim financial information are the same as those applied in the preparation of audited annual consolidated financial statements of the Group for the year ended December 31, 2015.

#### 5. PROPERTY, PLANT AND EQUIPMENT

	March 31, 2016 (Unaudited)	December 31, 2015 (Audited)
	----- (Rupees) -----	
Operating assets, at net book value	<b>121,984,913</b>	123,743,680
Capital work-in-progress		
- Expansion and other projects	<b>5,007,378</b>	3,708,782
- Capital spares	<b>1,033,245</b>	1,082,062
	<b><u>128,025,536</u></b>	<u>128,534,524</u>

#### 6. LONG TERM INVESTMENTS

SECMC is an associated company of Engro Powergen Limited (EPL), a wholly owned subsidiary of ECL. SECMC has been formed for the purpose of the development, construction and operations of an open cast lignite mine in Block II of Thar Coal Field, Sindh, with an initial annual mining capacity of 6.5 million tons of coal. SECMC had signed almost all project and financing agreements during 2015. Subsequent to the balance sheet date, financial close has also been achieved.

In 2015, after investment by new shareholders in SECMC (i.e. The Hub Power Company Limited, Thal Limited, Habib Bank Limited and China Machinery Engineering Corporation, EPL's shareholding in SECMC was reduced to 19.80%. During the current period after issuance of new shares, EPL's shareholding in SECMC has further reduced to 12.80%.

#### 7. EMPLOYEES' SHARE OPTION SCHEME

In 2013, the shareholders of Engro Foods Limited (E Foods) approved Employees' Share Option Scheme (the Scheme) for granting of options to certain critical employees up to 16.9 million new ordinary shares, to be determined by the Board Compensation Committee of E Foods.



# Notes to the Consolidated Condensed Interim Financial Information (Unaudited)

For the three months ended March 31, 2016

(Amounts in thousand)

Under the Scheme, options can be granted in the years 2013 to April 2015. 50% of the options granted will vest in two years whereas the remaining 50% will vest in three years from the date of the grant of options. These options are exercisable within 3 years from the end of vesting period. The details of share options granted to date, which remained outstanding as at March 31, 2016 are as follows:

- number of options	5,200,000
- range of exercise price	Rs. 182.85 - Rs. 253.77
- weighted average remaining contractual life	2.91 years

The weighted average fair value of options granted till date, as estimated at the date of grant using the Black-Scholes model was Rs. 24.81 per option, whereas weighted average fair value of options to be granted has been estimated as Rs. 33.62 per option. The following weighted average assumptions were used in calculating the fair values of the options:

	Options granted in 2013	Options granted in 2015	Options to be granted
- number of options	4,400,000	800,000	11,700,000
- share price	Rs. 133.58	Rs 107.67	Rs159.24
- exercise price	Rs 191.89	Rs 182.85	Rs 230.76
- expected volatility	32.54%	30.32%	34.82%
- expected life	3 years	3.5 years	3.69 years
- annual risk free interest rate	9.42%	7.93%	6.15%

The volatility has been measured as the standard deviation of quoted share prices over the last one year from each respective / expected grant date.

The time period under the Scheme for granting of share options expired during the year in April 2015. However, EFoods obtained approval of shareholders for extension in share options grant period for for further 3 years in the Annual General Meeting held on April 27, 2015. The approval from SECP for aforementioned modification in the Scheme and the related vesting period has also been received through letter dated August 31, 2015.

In respect of the Scheme, Employee share option compensation reserve and the related deferred expense amounting to Rs. 398,894 has been recognized, out of which Rs.203,232 has been amortized to date, including Rs. 6,502 being charge for the current period, in respect of related employees services received to the balance sheet date.

## 8. BORROWINGS

### 8.1 Engro Fertilizers Limited (EFert)

During the period:

- EFert exercised the call option of the Privately Placed Term Finance Certificates



# Notes to the Consolidated Condensed Interim Financial Information (Unaudited)

For the three months ended March 31, 2016

(Amounts in thousand)

(PPTFCs) of Rs 6,000,000. These were refinanced through three bilateral loans from MCB Bank Ltd (Rs 3,000,000), Allied Bank Ltd (Rs 2,000,000) and Standard Chartered Bank (Pakistan) Ltd (Rs 1,000,000). The new loans have a pricing of 6 months KIBOR + 0.80% and will mature in March 2018. Further, the loans are part of the Senior debts of EFert;

'- the pricing of the IFC loans have been revised to 6M LIBOR + 3.0% from 6M LIBOR + 6.0% effective February 15, 2016;

'- Habib Bank Limited bought out SAMBA Financial Group's portion in the USD portion of the Offshore Islamic Finance Facility of USD 36,000.

## 8.2 Engro Polymenr & Chemicals Limited (EPCL)

Under the terms of the agreements for long term borrowings from International Finance Corporation (IFC) and Syndicate banks and under the bilateral loans agreements, EPCL is required to comply with certain debt covenants. As at March 31, 2016, EPCL is not in compliance with some of these debt covenants and has accordingly notified the concerned financial institutions. EPCL is considering various measures, including issuance of preference shares, as approved by shareholders in the previous year, to improve the EPCL's financial position.

## 8.3 Engro Elengy Terminal Private Limited (EETPL)

During the period, EETPL, a wholly owned subsidiary company of Elengy Terminal Pakistan Limited (ETPL), entered into a Common Terms Agreement (CTA) and financing agreements with Asian Development Bank (ADB), International Finance Corporation (IFC), Askari Bank Limited, Pak Brunei Investment Company and NIB Bank Limited as arrangers / lenders, to obtain the following finance facilities:

---(Rupees)---

USD Loan from IFC (USD 20M)	2,096,966
USD Loan from ADB (USD 30M)	3,145,449
PKR Loan from Local Syndicate	4,031,672

**8.3.1** The loan is repayable in 16 half yearly installments starting June 15, 2016 as per agreed schedule: 1st - 8th installments at 6.75% of principal; 9th - 12th installments at 5.00% of principal; and 13th - 16th installment at 6.50% of principal.

**8.3.2** The USD portion of the loan carries interest at 6 month LIBOR +5% while the PKR portion is priced at 6 month KIBOR + 2.25% till the first repayment and 6 month KIBOR +1.8% thereafter.

**8.3.3** The facility has been secured by way of the following:

- Pledge of 51% holding in ETPL by the Holding Company
- Pledge of 100% holding in EETPL by ETPL; and
- Mortgage by EETPL of its land and hypothecating all its project assets



# Notes to the Consolidated Condensed Interim Financial Information (Unaudited)

For the three months ended March 31, 2016

(Amounts in thousand)

## 9. CONTINGENCIES AND COMMITMENTS

Significant changes in the status of contingencies and commitments since December 31, 2015 are mentioned below :

	<b>March 31, 2016 (Unaudited)</b>	December 31, 2015 (Audited)
	------(Rupees)-----	
<b>Contingencies:</b>		
<b>9.1 Corporate Guarantees issued by ECL in favor of its Subsidiary Companies:</b>		
- Engro Fertilizers Limited (note 9.1.1)	<b>22,571,235</b>	30,905,573
- Engro Powergen Limited (note 9.1.2)	<b>9,772,136</b>	228,000
- Engro Powergen Qadirpoor Limited	<b>1,048,000</b>	1,047,500
- Engro Elengy Terminal (Private) Limited	<b>3,217,360</b>	3,320,575
	<b>36,608,731</b>	35,501,648
Others	<b>610,000</b>	610,000
	<b>37,218,731</b>	36,111,648

- 9.1.1** Includes Corporate Guarantee amounting to USD 33,670 to International Finance Corporation (IFC) against outstanding loans of USD 11,670 (December 31, 2015: USD 23,335) under the C Loan Agreement (Original Agreement) and further USD 22,000 (December 31, 2015: USD 22,000) under the Amended Facility Agreement entered into by the Subsidiary Company with IFC.

Subsequent to the balance sheet date, all Corporate Guarantees (other than those extended to IFC) have been released.

- 9.1.2** ECL has pledged shares of Engro Fertilizers Limited and Engro Foods Limited against the Standby Letters of Credit (Equity SBLCs) provided by Engro Powergen Limited, the subsidiary company through National Bank of Pakistan amounting to USD 18,900 and 51,100 (in PKR equivalent) for its equity commitments related to the Sindh Engro Coal Mining Company Limited (SECMC), its associated company and Engro Powergen Thar (Pvt.) Limited (EPTL), its subsidiary company, in favour of the Intercreditor Agent (Habib Bank Limited) and the Project Companies (SECMC and EPTL respectively). Equity SBLCs expire on earlier of (i) four years after the issuance of SBLCs i.e. March 21, 2020 and (ii) fulfillment of sponsor obligations under Sponsor Support Agreements.



# Notes to the Consolidated Condensed Interim Financial Information (Unaudited)

For the three months ended March 31, 2016

(Amounts in thousand)

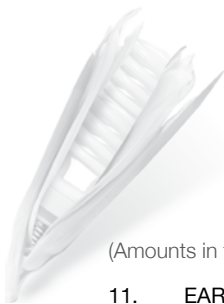
- 9.1.3** ECL has pledged shares of Engro Fertilizers Limited and Engro Foods Limited against a Standby Letter of Credit (Put Option SBLC) provided by Engro Powergen Limited, the subsidiary company through Allied Bank of Pakistan amounting to USD 21,070 in favour of the Put Option Fronting Bank (Habib Bank Limited). The Put Option SBLC has been furnished to meet sponsor obligations under Sponsor Support Agreement (Put Option SSA) and expires on earlier of (i) June 30, 2017 and (ii) fulfillment of sponsor obligations pursuant to Put Option SSA.
- 9.1.4** ECL as Sponsor Support, has permitted United Bank Limited to mark a lien on its treasury bills against the Letter of Guarantee provided by Engro Elengy Terminal (Private) Limited, the subsidiary company through the bank amounting to USD 1,000 in favour of Port Qasim Authority (PQA) to guarantee the performance of the obligations of the subsidiary company under the Implementation Agreement. During the period, the letter of Guarantee has expired.
- 9.2** Engro Powergen Limited, a subsidiary company, has provided sponsor support contractual commitment in favor of Senior Lenders amounting to USD 41,600 as cost overrun support pursuant to the Sponsor Support Agreements (SSA) dated February 22, 2016 and February 1, 2016, respectively (and the Amendment and Restatement Agreement dated February 12, 2016 relating to the SSA in case of Engro Powergen Thar (Private) Limited).
- 9.3** Faysal Bank Limited (FBL) has issued a performance guarantee of USD 16,517 on behalf of Engro Powergen Thar (Pvt.) Limited (EPTL) in favour of National Transmission and Despatch Company (NTDC) to secure company's performance obligations under the Power Purchase Agreement. The performance guarantee expires on July 25, 2019 and is secured by way of performance bonds issued under the Supply and Services Agreement and ranking charge over fixed assets of EPTL.

## **10. TAXATION**

### **10.1 Engro Polymer & Chemicals Limited (EPTL)**

During the period, the Deputy Commissioner Inland Revenue (DCIR) through his order dated January 8, 2016, raised a sales tax demand of Rs. 524,589 against Engro Polymer & Chemicals Limited (EPCL) on account of alleged short payment of sales tax due on the finished products that would have been produced and sold from the excess wastage of raw material.

EPCL filed an appeal against the order before Commissioner Inland Revenue Appeals [CIR(A)] on the grounds that the order passed against it was absolutely baseless as the DCIR had used inappropriate theoretical assumptions for calculating the sales tax liability. The CIR(A) through his order dated March 10, 2016, has decided the matter in favor of EPCL.



# Notes to the Consolidated Condensed Interim Financial Information (Unaudited)

For the three months ended March 31, 2016

(Amounts in thousand)

## 11. EARNINGS PER SHARE - BASIC AND DILUTED

	Three months ended	
	March 31, 2016	March 31, 2015 (Restated)
	------(Rupees)-----	
The basic and dilutive earnings per share is based on:		
Profit for the period (attributable to the owners of the Holding Company)	1,441,385	1,045,532
The information necessary to calculate basic and diluted earnings per share is as follows:		
Profit for the period	1,441,385	1,045,532
Add: Interest on IFC loan - net of tax	255	587
- Loss on revaluation of conversion options on IFC loan - net of tax	(14,409)	1,428
	<u>1,427,231</u>	<u>1,047,547</u>
	---Number in thousands---	
	<u>481,287</u>	481,287
Weighted average number of ordinary shares	<u>481,287</u>	<u>481,287</u>

## 12. CASH GENERATED FROM OPERATIONS

	Three months ended	
	March 31, 2016	March 31, 2015 (Restated)
	------(Rupees)-----	
Profit before taxation	6,114,974	6,128,143
Adjustment for non-cash charges and other items:		
Depreciation & amortization	2,365,981	2,392,466
Provision for retirement and other service benefits	31,818	16,803
Income on deposits / other financial assets	(116,709)	(903,349)
Share of income from joint venture companies	(308,420)	(219,949)
(Gain) / loss arising from changes in fair value less estimated point of sale costs of biological assets	(21,731)	(61,494)
Gain on disposal of fixed assets	(10,656)	(14,184)
Financial charges	1,488,766	2,530,813
Foreign currency translation	(9,647)	883
Gain on deemed disposal of associated company	(34,520)	-
Share of Profit from Associate	(427,375)	(453,910)
Working capital changes (note 12.1)	(12,698,710)	(17,202,332)
	<u>(3,626,229)</u>	<u>(7,786,110)</u>



# Notes to the Consolidated Condensed Interim Financial Information (Unaudited)

For the three months ended March 31, 2016

(Amounts in thousand)

	<b>Three months ended</b>	
	<b>March 31, 2016</b>	March 31, 2015 (Restated)
	------(Rupees)-----	
<b>12.1 Working capital changes</b>		
(Increase) / decrease in current assets		
- Stores spares and loose tools	(189,782)	(135,260)
- Stock-in-trade	(5,367,204)	(1,089,977)
- Trade debts	80,794	824,492
- Loans, advances, deposits and prepayments	(199,235)	214,685
- Other receivables - net	(30,806)	(259,927)
	<b>(5,706,233)</b>	<b>(445,987)</b>
Decrease in current liabilities		
- Trade and other payables including other service benefits - net	(6,992,477)	(16,756,345)
	<b>(12,698,710)</b>	<b>(17,202,332)</b>
<b>13. CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	17,427,075	5,800,585
Short term investments	5,946,904	12,210,230
Short term borrowings	(5,684,660)	(11,047,463)
	<b>17,689,319</b>	<b>6,963,352</b>

## 14. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

### 14.1 Financial risk factors

The group activities exposes it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

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

### 14.2 Fair value estimation

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

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

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



# Notes to the Consolidated Condensed Interim Financial Information (Unaudited)

For the three months ended March 31, 2016

(Amounts in thousand)

	Level 1	Level 2	Level 3	Total
	----- Rupees -----			
<b>Assets</b>				
Financial assets at fair value through profit & loss account				
- Derivative financial instruments	-	5,763	-	5,763
- Short term investments	-	6,143,943	-	6,143,943
<b>Liabilities</b>				
Derivatives				
- Derivative financial instruments	-	61,705	-	61,705
- Conversion option on IFC loan	-	222,077	-	222,077

## 15. TRANSACTIONS WITH RELATED PARTIES

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

	Three months ended	
	March 31, 2016	March 31, 2015
	----- (Rupees) -----	
<b>Associated Companies</b>		
Purchases and services	618,578	2,153,290
Sale of goods and rendering of services	117,622	72,510
Sale of Property plant and equipment	776,619	158,828
Dividend Income	270,000	247,500
Payment of interest on TFCs and repayment	36,587	2,806
Donation	36,700	30,000
Investment in associated company	8,048,235	-
Investment in mutual funds securities	-	608,070
Redemption of mutual funds securities	-	719,701
Utilization of overdraft facility	130,000	-
Repayment of overdraft facility	130,000	-
Markup on utilization of overdraft facility	157	-
Reimbursement to associated companies	370	380
Reimbursement from associated companies	1,870	1,439
Commitment fee	1,160	-
Interest on deposit	1	-
Bank charges	1	-
Profit on Term Finance Certificates	30,333	-
Balance due from Joint Ventures	2,670	1,233
<b>Retirement funds</b>		
Contribution to retirement benefit schemes / funds	180,355	154,373
<b>Others</b>		
Remuneration of key management personnel	320,077	233,840
Directors Fees	21,053	5,200



# Notes to the Consolidated Condensed Interim Financial Information (Unaudited)

For the three months ended March 31, 2016

(Amount in thousand)

## 16. SEGMENT REPORTING

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

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

	Three months ended	
	March 31, 2016	March 31, 2015 (Restated)
	------(Rupees)-----	
<b>Revenue</b>		
Fertilizer	12,613,227	18,764,404
Polymer	5,739,351	6,701,446
Food	11,935,443	13,214,195
Power	1,516,964	2,501,203
Other operations	6,100,439	670,262
Elimination - net	(3,578,985)	(512,252)
Consolidated	<u>34,326,439</u>	<u>41,339,258</u>
<b>Profit after taxation</b>		
Fertilizer	2,121,391	3,050,838
Polymer	17,828	(107,047)
Food	981,880	620,961
Power	319,493	459,165
Other operations	4,205,838	138,884
Elimination - net	(3,172,830)	(232,504)
Consolidated	<u>4,473,600</u>	<u>3,930,297</u>
<b>Assets</b>		
Fertilizer	97,946,010	110,817,000
Polymer	24,218,885	24,211,764
Food	30,751,348	29,152,843
Power	35,823,216	23,996,126
Other operations	73,570,048	67,588,338
Elimination - net	(43,090,919)	(47,302,233)
Consolidated	<u>219,218,588</u>	<u>208,463,838</u>



# Notes to the Consolidated Condensed Interim Financial Information (Unaudited)

For the three months ended March 31, 2016

(Amounts in thousand)

## 17. NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE

- 17.1 The Board of Directors of the Holding Company in its meeting held on February 23, 2016 had proposed a final cash dividend of Rs. 4.00 per share for the year ended December 31, 2015 amounting to Rs 1,925,148 for approval of the members at the Annual General Meeting (AGM). The members have approved the dividend in the AGM held on April 23, 2016. The effect of this has not been incorporated in this condensed consolidated financial information.

## 18. CORRESPONDING FIGURES

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








## 19. DATE OF AUTHORISATION FOR ISSUE








This consolidated condensed interim financial information is authorized for issue on April 29, 2016 by the Board of Directors of the Holding Company.



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