



Dawood Hercules

# MAKING FOOD & ENERGY

AVAILABLE, AFFORDABLE, SUSTAINABLE



HALF YEARLY ACCOUNTS (un-audited)  
for the six months period ended June 30, 2017

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## Company Information

### Board of Directors

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

### Board Audit Committee

Mr. M. Abdul Aleem - Chairman  
Mr. Shabbir Hussain Hashmi - Director  
Mr. Hasan Reza Ur Rahim - Member

### Board Compensation Committee

Mr. Samad 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  
Website: 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 REVIEW

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 and half year ended 30 June 2017.

### ECONOMIC REVIEW

As per the economic report of the State Bank of Pakistan, country's economy grew by 5.3 percent in FY17, up from 4.5 percent growth recorded in FY16. The industrial sector posted a growth of 5.0 percent during FY17, compared with 5.8 percent last year. This moderation came mainly from decline in growth rates of mining and quarrying and electricity and gas sub-sectors. Against this, the large-scale manufacturing sector (LSM), a key contributor to industry, grew by 4.9 percent during FY17, compared to 2.9 percent last year.

The gradual uptick in inflation along with external imbalances had a bearing on the monetary policy decisions during Jul-Mar FY17. Keeping in view the delicate balance between macroeconomic risks and ongoing growth momentum, the policy rate was kept unchanged at 5.75 percent throughout the year FY17.

### BUSINESS REVIEW

During the period, the Board of Directors of the Company decided to dispose of its entire investment held in The Hub Power Company Limited (HUBCO) and of this purpose constituted a Special Transaction Committee (STC) of the Board comprising of independent and non-executive directors to review and recommend to the Board the best possible option for its approval. The STC is in the process of finalizing the options and for this purpose Financial Advisor and Legal Consultant have been appointed.

Our subsidiary, Engro Corporation Limited (ECL) posted a consolidated revenue of PKR 52,241 million in first half of 2017, a 22% decrease from similar period last year. This decrease was mainly due to the partial divestment of Engro Foods at the end of 2016, however, this decrease was offset by strong performance by the fertilizers and petrochemicals businesses due improvement in market fundamentals. Further continued stable performance by power and terminal services have filled the gap of overall profitability.

The profit-after-tax (PAT) from continuing operations of the subsidiary increased from PKR 4,950 million to PKR 6,717 million – up by 36% based on the reasons stated above.

### FINANCIAL PERFORMANCE

The Group earned a gross profit of PKR 14,675 million for the half year as compared to a profit of PKR 17,459 million for the similar period last year, the decline is attributed to the disposal of Engro Foods. After accounting for share of profit from associate and joint ventures of PKR 1,451 million, the profit before tax stood at PKR 12,810 million as against PKR 10,408 million for 2016. Consolidated earnings per share was PKR 2.47 per share (2016: PKR 3.80 per share)



On standalone basis, the Company earned a dividend of PKR 2,359 million for the half year ended 30 June 2017 as against PKR 3,720 million for the same period last year, the decline is due to the lower dividend from HUBCO. After accounting for all expenses, the profit after tax was PKR 1,384 million as against profit of PKR 2,625 million for 2016.

Earnings per share of the Company was PKR 2.88 (2016:5.45).

#### **FUTURE OUTLOOK**

The Company through its continued support to its subsidiary and associated companies will explore further investment avenues in all sectors of the economy to increase shareholder's value by increasing and diversifying revenue and profitability.

23 August, 2017

Inam ur Rahman  
Chief Executive

ذیلی کمپنی کے جاری کاروبار سے بعد از ٹیکس منافع (PAT) مندرجہ بالا وجوہات کی بنا پر 36 فیصد تک اضافے کے ساتھ 4,950 ملین روپے سے بڑھ کر 6,717 ملین روپے ہو گیا۔

#### **مالیاتی کارکردگی**

زیر جائزہ نصف سال میں گروپ کا مجموعی منافع 14,675 ملین روپے رہا جبکہ گزشتہ سال کی اسی مدت میں 17,459 ملین روپے تھا، اس کمی کی وجہ اینگرو فوڈز کی فروخت تھی۔ شریک کار اور جوائنٹ وینچر کمپنیوں نے حاصل ہونے والے 1,451 ملین روپے منافع کے شمار کے بعد قبل از ٹیکس منافع 12,810 ملین روپے رہا جو کہ سال 2016 کے دوران 10,408 ملین روپے ریکارڈ کیا گیا تھا۔ انضمامی فی حصص آمدنی 2.47 روپے فی حصص رہی۔ 2016:3.80 روپے فی حصص)۔

انفرادی حیثیت میں کمپنی نے 30 جون 2017 کو ختم ہونے والے نصف سال میں گزشتہ سال کی اسی مدت کے 3,720 ملین روپے کے مقابلے میں 2,359 ملین روپے کا ڈیویڈنڈ حاصل کیا۔ ڈیویڈنڈ میں ہونے والی اس کمی کی بنیادی وجہ جبکو کی جانب سے کم ڈیویڈنڈ کا حصول رہی۔ تمام اخراجات کے شمار کے بعد ٹیکس کے بعد منافع 1,384 ملین رہا جبکہ 2016 میں 2,625 ملین روپے کا بعد از ٹیکس منافع ظاہر کیا گیا تھا۔

کمپنی کی فی حصص آمدنی 2.88 روپے تھی۔ 2016:5.45 روپے)

#### **مستقبل کے آثار**

کمپنی اپنی ذیلی اور شریک کار کمپنیوں کی مسلسل معاونت کے ذریعے معیشت کے تمام شعبوں میں سرمایہ کاری کے نئے امکانات کو تلاش کرنے کے لئے کوشاں ہے تاکہ آمدنی اور منافع میں اضافہ اور تنوع کے ذریعے حصص یافتگان کے لئے قدر و قیمت میں اضافہ کیا جاسکے۔

انعام الرحمن  
چیف ایگزیکٹو

23 اگست 2017

## ڈائریکٹرز کی جائزہ رپورٹ

### ڈائریکٹرز کا تجزیہ

ڈائریکٹرز نہایت مسرت کے ساتھ 30 جون 2017 کو ختم ہونے والی سہ ماہی اور نصف سال کے لئے اپنی رپورٹ مع کمپنی کے غیر جانچ شدہ غیر انضمامی مختصر عبوری مالیاتی حسابات اور گروپ کے غیر جانچ شدہ انضمامی مختصر عبوری مالیاتی حسابات پیش کرتے ہیں۔

### معیشت کا جائزہ

اسٹیٹ بینک آف پاکستان کی معاشی رپورٹ کے مطابق ملکی معیشت میں مالی سال 2017 کے دوران 5.3 فیصد ترقی ہوئی جو کہ مالی سال 2016 سے زیادہ ہے جو کہ 4.5 فیصد تھی۔ مالی سال 2017 کے دوران صنعتی شعبہ کی ترقی گزشتہ سال کے 5.8 فیصد کے مقابلے میں 5.0 فیصد ریکارڈ کی گئی۔ اس کی بنیادی وجہ کان کنی و کھدائی اور بجلی و گیس کے ذیلی شعبوں کی ترقی کی شرح میں کمی تھی۔ اس کے برعکس بڑے پیمانے کی پیداوار کے شعبہ (LSM) میں، جو صنعتی شعبہ کا اہم معاون ہے، اضافہ کی شرح مالی سال 2017 کے دوران گزشتہ سال کے 2.9 فیصد کے مقابلے میں 4.9 فیصد رہی۔

افراط زر میں بتدریج اضافے کے ساتھ بیرونی عدم توازن نے جولائی - مارچ مالی سال 2017 کے دوران مالیاتی پالیسی کے فیصلوں پر اثرات مرتب کئے۔ میکرو اکنامک خطرات اور جاری ترقی کی رفتار کے توازن کو مد نظر رکھتے ہوئے مالی سال 2017 کے پورے سال کے لئے پالیسی شرح کو غیر تبدیل شدہ سطح پر برقرار رکھنے کا فیصلہ کیا گیا۔

### کاروبار کا جائزہ

زیر جائزہ مدت کے دوران کمپنی کے بورڈ آف ڈائریکٹرز نے حب پاور کمپنی لمیٹڈ (HUBCO) میں موجود اپنی تمام سرمایہ کاریوں کی فروخت کا فیصلہ کیا اور اس مقصد کے لئے بورڈ کے آزاد اور نان - ایگزیکٹو ڈائریکٹرز پر مشتمل ایک خصوصی ٹرانزیکشن کمیٹی (STC) تشکیل دی گئی جو مختلف آپشن کا جائزہ لے کر اسے بورڈ کو منظوری کے لئے پیش کر سکے۔ خصوصی ٹرانزیکشن کمیٹی آپشن کی حتمی ترتیب کے مرحلے میں داخل ہو چکی ہے اور اس مقصد کے لئے مالی مشیر اور قانونی مشیر کا تقرر بھی کیا جا چکا ہے۔

ہماری ذیلی کمپنی، اینگرو کارپوریشن لمیٹڈ (ECL) نے سال 2017 کے پہلے نصف سال میں 52,241 ملین روپے کی انضمامی آمدنی حاصل کی جو کہ گزشتہ سال کی اسی مدت سے 22 فیصد کم ہے۔ اس کی بنیادی وجہ سال 2016 کے اختتام پر اینگرو فوڈز کی جزوی فروخت تھی۔ تاہم اس نقصان کا ازالہ فریبلانرز اور پیٹر و کیمیکل کے کاروبار کی مستحکم کارکردگی سے ہوا۔ پاور اور ٹریڈ سروسز کی متواتر مستحکم کارکردگی سے بھی مجموعی منافع کی کمی پوری ہوئی۔



A. F. FERGUSON & CO.

## Auditors' report to the members on review of unconsolidated condensed interim financial information

### Introduction

We have reviewed the accompanying unconsolidated condensed interim balance sheet of Dawood Hercules Corporation Limited (the Company) as at June 30, 2017 and the related unconsolidated condensed interim profit and loss account, unconsolidated condensed interim statement of comprehensive income, unconsolidated condensed interim statement of changes in equity, unconsolidated condensed interim cash flow statement together with the notes forming part thereof for the six months period then ended (here-in-after referred to as the 'unconsolidated condensed interim financial information'). Management is responsible for the preparation and presentation of this unconsolidated condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on unconsolidated condensed interim financial information based on our review.

The figures included in the unconsolidated condensed interim profit and loss account and unconsolidated condensed interim statement of comprehensive income for the quarters ended June 30, 2017 and 2016 and the notes forming part thereof have not been reviewed as we are required to review only the cumulative figures for the six months period ended June 30, 2017.

### Scope of Review

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

### Conclusion

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

Chartered Accountants

Karachi: August 23, 2017

Audit Engagement Partner: Salman Hussain

## Unconsolidated Condensed Interim Balance Sheet (Unaudited - note 2)

As at June 30, 2017

	Note	June 30, 2017 (Unaudited) ------(Rupees in '000)-----	December 31, 2016 (Audited)
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	6	165,032	125,761
Long term investments	1.3 & 7	23,308,927	37,478,025
		23,473,959	37,603,786
<b>CURRENT ASSETS</b>			
Advance, deposits and prepayments		49,906	44,604
Other receivables		10,811	15,735
Cash and bank balances		6,333	286,288
		67,050	346,627
Investment held for sale	8	14,169,098	-
<b>TOTAL ASSETS</b>		<b>37,710,107</b>	<b>37,950,413</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised capital		10,000,000	10,000,000
Issued, subscribed and paid up share capital		4,812,871	4,812,871
Revenue reserves		25,487,036	26,025,985
		30,299,907	30,838,856
<b>NON CURRENT LIABILITIES</b>			
Long term financing	9	2,500,000	3,125,000
Defined benefit liability	10	1,281	2,049
		2,501,281	3,127,049
<b>CURRENT LIABILITIES</b>			
Current maturity of long term financing	9	1,336,964	764,143
Short term running finance	11	2,440,997	2,868,932
Trade and other payables	12	733,116	150,086
Unclaimed dividend		86,530	95,902
Accrued mark-up		84,665	99,640
Taxation - net		226,647	5,805
		4,908,919	3,984,508
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>37,710,107</b>	<b>37,950,413</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	13		

The annexed notes 1 to 21 form an integral part of these unconsolidated condensed interim financial statements.

Inam ur Rahman  
Chief Executive Officer

Shafiq Ahmed  
Chief Financial Officer

M. Abdul Aleem  
Director

## Unconsolidated Condensed Interim Profit and Loss Account (Unaudited - Note 2)

For the Quarter and Six Months ended June 30, 2017

	Note	Quarter ended June 30, 2017		Six months period ended June 30, 2017	
		June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
		------(Rupees in '000)-----			
Dividend income	14	1,578,900	2,943,708	2,358,790	3,720,327
Administrative expenses		(145,623)	(222,232)	(258,347)	(409,602)
Gross profit		1,433,277	2,721,476	2,100,443	3,310,725
Other operating expenses		-	(434)	-	(660)
Other income		225	6,259	552	8,705
Operating profit		1,433,502	2,727,301	2,100,995	3,318,770
Finance costs		(104,496)	(85,837)	(228,861)	(169,600)
Profit before taxation		1,329,006	2,641,464	1,872,134	3,149,170
Taxation		(390,222)	(465,654)	(487,779)	(524,410)
Profit after taxation		938,784	2,175,810	1,384,355	2,624,760
Earnings per share (Rupees)					
- basic and diluted	15	1.95	4.52	2.88	5.45

The annexed notes 1 to 21 form an integral part of these unconsolidated condensed interim financial statements.

Inam ur Rahman  
Chief Executive Officer

Shafiq Ahmed  
Chief Financial Officer

M. Abdul Aleem  
Director

## Unconsolidated Condensed Interim Statement of Total Comprehensive Income-(Unaudited - Note 2)

For the Quarter and Six Months ended June 30, 2017

	Quarter ended		Six months period ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
	------(Rupees in '000)-----			
Profit after taxation	938,784	2,175,810	1,384,355	2,624,760
Other comprehensive income / (loss) for the period				
<i>Items that will not be reclassified to profit &amp; loss</i>				
Remeasurements of staff- retirement benefits	1,844	(4,116)	1,844	(4,116)
<b>Total comprehensive income for the period</b>	<b>940,628</b>	<b>2,171,694</b>	<b>1,386,199</b>	<b>2,620,644</b>

The annexed notes 1 to 21 form an integral part of these unconsolidated condensed interim financial statements.

Inam ur Rahman  
Chief Executive Officer

Shafiq Ahmed  
Chief Financial Officer

M. Abdul Aleem  
Director

## Unconsolidated Condensed Interim Statement of Changes In Equity - (Unaudited - Note 2)

For the Six Months period ended June 30, 2017

	Revenue reserves				
	Issued, subscribed and paid up share capital	General reserve	Un- appropriated profit	Sub-total	Total
	------(Rupees in '000)-----				
<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 for the period	-	-	2,624,760	2,624,760	2,624,760
Other comprehensive loss	-	-	(4,116)	(4,116)	(4,116)
Total comprehensive income for the period	-	-	2,620,644	2,620,644	2,620,644
Transaction with owners					
Final cash dividend for the year ended December 31, 2015 : 40% (Rs 4/- per ordinary share)	-	-	(1,925,148)	(1,925,148)	(1,925,148)
Interim cash dividend for the year ended December 31, 2016 : 25% (Rs 2.5/- per ordinary share)	-	-	(1,203,218)	(1,203,218)	(1,203,218)
<b>Balance as at June 30, 2016</b>	<b>4,812,871</b>	<b>700,000</b>	<b>27,774,662</b>	<b>28,474,662</b>	<b>33,287,533</b>
<b>Balance as at January 1, 2017</b>	4,812,871	700,000	25,325,985	26,025,985	30,838,856
<b>Total comprehensive income</b>					
Profit for the period	-	-	1,384,355	1,384,355	1,384,355
Other comprehensive income	-	-	1,844	1,844	1,844
Total comprehensive income for the period	-	-	1,386,199	1,386,199	1,386,199
Transaction with owners					
Final cash dividend for the year ended December 31, 2016 : 20% (Rs 2/- per ordinary share)	-	-	(962,574)	(962,574)	(962,574)
Interim cash dividend for the year ending December 31, 2017 : 20% (Rs 2/- per ordinary share)	-	-	(962,574)	(962,574)	(962,574)
<b>Balance as at June 30, 2017</b>	<b>4,812,871</b>	<b>700,000</b>	<b>24,787,036</b>	<b>25,487,036</b>	<b>30,299,907</b>

The annexed notes 1 to 21 form an integral part of these unconsolidated condensed interim financial statements.

Inam ur Rahman  
Chief Executive Officer

Shafiq Ahmed  
Chief Financial Officer

M. Abdul Aleem  
Director



## Unconsolidated Condensed Interim Cash Flow Statement - (Unaudited - Note 2)

For the Six Months period ended June 30, 2017

		Six months period ended	
	Note	June 30, 2017	June 30, 2016
----- (Rupees in '000) -----			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (utilized) in / generated from operations	16	(336,731)	305,902
Finance cost paid		(243,836)	(221,303)
Taxes paid		(266,937)	(398,148)
Staff retirement and other service benefits paid		(1,887)	(521)
Net cash utilized in operating activities		(849,391)	(314,070)

### CASH FLOWS FROM INVESTING ACTIVITIES

Additions to property, plant and equipment	(53,832)	(20,104)
Profit received from bank deposits	176	7,472
Proceeds from disposal of property, plant and equipment	333	976
Dividends received	2,358,790	3,720,327
Net cash generated from investing activities	2,305,467	3,708,671

### CASH FLOWS FROM FINANCING ACTIVITIES

Long term financing repaid	(52,179)	(51,263)	
Dividends paid	(1,255,917)	(3,120,382)	
Net cash utilized in financing activities	(1,308,096)	(3,171,645)	
Net increase in cash and cash equivalents	147,980	222,956	
Cash and cash equivalents at the beginning of the period	(2,582,644)	576,251	
Cash and cash equivalents at the end of the period	17	(2,434,664)	799,207

The annexed notes 1 to 21 form an integral part of these unconsolidated condensed interim financial statements.

Inam ur Rahman  
Chief Executive Officer

Shafiq Ahmed  
Chief Financial Officer

M. Abdul Aleem  
Director

## Notes to and forming part of the unconsolidated condensed interim financial statements-(Unaudited - Note 2)

For the Six Months period ended June 30, 2017

### 1. GENERAL INFORMATION

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 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, however, 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.

1.3 On June 29, 2017, the Board of Directors in their meeting approved the formation of a Special Transaction Committee (STC) to assist the board on potential sale of its entire investment in the shares of The HUB Power Company Limited. The proposed divestment will be finalised after appropriate evaluation based on applicable financial, tax and legal advice, and its approval by the Board of Directors and shareholders.

### 2. BASIS OF PREPARATION AND PRESENTATION

2.1 These unconsolidated condensed interim financial statements of the Company for the six months period ended June 30, 2017 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 Companies Ordinance, 1984 (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, 2016, which have been prepared in accordance with International Financial Reporting Standards (IFRSs).

2.2 The Ordinance has been repealed after the enactment of the Companies Act, 2017. However, as allowed by the SECP vide its press release dated July 20, 2017, these condensed interim financial statements have been prepared in accordance with the provisions of the repealed Ordinance.

2.3 These unconsolidated condensed interim financial statements comprise of the balance sheet as at June 30, 2017 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 six months period then ended which have been subjected to a



## Notes to and forming part of the unconsolidated condensed interim financial statements-(Unaudited - Note 2)

For the Six Months period ended June 30, 2017

review in accordance with Listing Regulations These unconsolidated condensed interim financial statements also include the condensed interim profit and loss account for the quarter ended June 30, 2017 which was not subjected to review.

- 2.4 The comparative balance sheet presented in these unconsolidated condensed interim financial statements as at December 31, 2016 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 six months period ended June 30, 2016 have been extracted from the unconsolidated condensed interim financial statements of the Company for the six months period then ended. The comparative condensed interim profit and loss account for the quarter ended June 30, 2016 is also included in these unconsolidated condensed interim financial statements.

### 3. ACCOUNTING POLICIES

- 3.1 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, 2016.
- 3.2 New standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2017 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, 2016.

### 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.

## Notes to and forming part of the unconsolidated condensed interim financial statements-(Unaudited - Note 2)

For the Six Months period ended June 30, 2017

Note	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
----- (Rupees in '000) -----		
<b>6. PROPERTY, PLANT AND EQUIPMENT</b>		
Operating fixed assets	6.1 <b>140,638</b>	96,461
Capital work in progress - advance to supplier	<b>24,394</b>	29,300
	<b>165,032</b>	<b>125,761</b>
6.1 Net book value at the beginning of the period / year	<b>96,461</b>	117,733
Add: Additions during the period / year	6.1.1 <b>58,738</b>	5,466
	<b>155,199</b>	<b>123,199</b>
Less: Disposals during the period / year		
- net book value	6.1.2 <b>174</b>	2,797
Depreciation charged during the period / year	<b>14,387</b>	23,941
	<b>14,561</b>	<b>26,738</b>
Net book value at the end of the period / year	<b>140,638</b>	<b>96,461</b>
6.1.1 Additions (including transfers from CWIP) during the period / year		
Leasehold improvements	-	274
Furniture, fittings and equipment	<b>439</b>	2,142
Motor vehicles	<b>57,507</b>	-
Data processing equipment	<b>792</b>	3,050
	<b>58,738</b>	<b>5,466</b>
6.1.2 Disposals during the period / year - net book value		
Motor vehicles	<b>3</b>	2,234
Data processing equipment	<b>171</b>	563
	<b>174</b>	<b>2,797</b>
<b>7. LONG TERM INVESTMENTS</b>		
Investment in subsidiary company	7.1 <b>23,308,927</b>	23,308,927
Investment in associates - quoted	1.3 & 8 -	14,169,098
Other at cost - e2e Business Enterprises (Private) Limited - unquoted	7.2 -	-
	<b>23,308,927</b>	<b>37,478,025</b>

## Notes to and forming part of the unconsolidated condensed interim financial statements-(Unaudited - Note 2)

For the Six Months period ended June 30, 2017

Note	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
	----- (Rupees in '000) -----	
7.1	Investment in subsidiary company	
	Engro Corporation Limited (ECL) - quoted	
	194,972,555 (December 31, 2016: 194,972,555)	
	ordinary shares of Rs 10 each	
	<u>23,308,927</u>	<u>23,308,927</u>
	<u>23,308,927</u>	<u>23,308,927</u>

Percentage of holding 37.22% (December 31, 2016: 37.22%)

7.1.1 The market value of investment in ECL as at June 30, 2017 was Rs 63,544 million (December 31, 2016: Rs 61,629 million).

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

	As at June 30, 2017			As at December 31, 2016		
	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) ----	
Bank						
Pledged in favor of Fatima Fertilizer Company Limited against potential liabilities of ex subsidiary DHFL (Now Fatima fert)						
Meezan Bank Limited - as agent (note 11.1)"	15,131	151,308	4,931,279	15,131	151,308	4,782,695

Note	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
	----- (Rupees in '000) -----	
7.2	Other investment	
	e2e Business Enterprises (Private) Limited (e2eBE) - unquoted	
	11,664,633 (December 31, 2016: 11,664,633)	
	ordinary shares of Rs 10 each	
	7.2.1	
	<u>95,713</u>	<u>95,713</u>
	<u>(95,713)</u>	<u>(95,713)</u>
	<u>-</u>	<u>-</u>

Percentage of holding 19.14% (December 31, 2016: 19.14%)

## Notes to and forming part of the unconsolidated condensed interim financial statements-(Unaudited - Note 2)

For the Six Months period ended June 30, 2017

7.2.1 During the year ended December 31, 2016, the Company reassessed its investment in e2eBE and due to the fact that e2eBE had not been able to commence its commercial operations and also been unable to pay its debts timely, has recognized impairment in the value of investment. Full provision was made against the investment in e2eBE amounting to Rs. 95.713 million (December 31, 2016: Rs. 95.713 million).

### 8. INVESTMENT HELD FOR SALE

8.1 On June 30, 2017, the Company notified the PSX regarding the intention to sell its entire 14.91% shareholding in The Hub Power Company Limited (HUBCO) amounting to Rs. 14,169.098 million. Pursuant to the aforementioned notification a special transaction committee has been constituted for the purpose of evaluating the proposed divestment as more fully explained in note 1.3 above.

Note	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
	----- (Rupees in '000) -----	
8.2	Investment in associate	
	The Hub Power Company Limited (HUBCO)	
	- quoted 172,582,000 (December 31, 2016: 172,582,000)	
	ordinary shares of Rs 10 each	
	1.3	
	<u>14,169,098</u>	<u>-</u>
	<u>14,169,098</u>	<u>-</u>
	Percentage of holding 14.91% (December 31, 2016: 14.91%)	

8.2.1 The Company has 14.91% (December 31, 2016: 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.

8.2.2 The market value of investment in HUBCO as at June 30, 2017 was Rs 20,266 million (December 31, 2016: Rs 21,310 million).

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

	As at June 30, 2017			As at December 31, 2016		
	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) ----	
<b>Pledged against financing facilities availed by the Company"</b>						
<b>Long term:</b>						
Allied Bank Limited	82,570	825,700	9,696,195	82,570	825,700	10,195,744
<b>Short term:</b>						
Bank AL Habib Limited	20,256	202,560	2,378,662	20,256	202,560	2,501,211
Habib Metropolitan Bank Limited	14,861	148,609	1,745,127	25,850	258,500	3,191,958
MCB Islamic Bank Limited	9,050	90,500	1,062,742	4,762	47,620	588,012
United Bank Limited	14,182	141,815	1,665,334	16,182	161,815	1,998,092
	<u>140,918</u>			<u>149,620</u>		

## Notes to and forming part of the unconsolidated condensed interim financial statements-(Unaudited - Note 2)

For the Six Months period ended June 30, 2017

	Note	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
		------(Rupees in '000)-----	
<b>9. LONG TERM FINANCING</b>			
Long term finance under mark-up arrangement	9.1	86,964	139,143
Syndicate term finance arrangement	9.2	3,750,000	3,750,000
		<u>3,836,964</u>	<u>3,889,143</u>
Less : Current portion of long term financing		<u>(1,336,964)</u>	<u>(764,143)</u>
		<u>2,500,000</u>	<u>3,125,000</u>

**9.1** This represents outstanding portion of long term finance facility under mark-up arrangement (conventional financing facility) from Allied Bank Limited aggregating to Rs 380 million (December 31, 2016: 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 8.2.3 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 (conventional financing facility) of Rs 3,750 million (December 31, 2016: 3,750 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 8.2.3. The facility carries mark-up at the rate of six months KIBOR plus 100 basis points per annum payable semi annually(2016: six month KIBOR plus 100 basis points). 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 (i.e May 2017).

	Note	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
		------(Rupees in '000)-----	
<b>10. DEFINED BENEFIT LIABILITY</b>			
- Funded gratuity		(763)	518
- Unfunded gratuity		2,044	1,531
		<u>1,281</u>	<u>2,049</u>

## 11. SHORT TERM RUNNING FINANCE

Running finance under mark-up arrangement	11.1	<u>2,440,997</u>	<u>2,868,932</u>
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## Notes to and forming part of the unconsolidated condensed interim financial statements-(Unaudited - Note 2)

For the Six Months period ended June 30, 2017

<b>11.1</b>	This represents utilized portion of short-term finance facilities aggregating to Rs 5,500 million (2016: Rs 5,300 million) obtained under mark-up arrangements (conventional financing facility) from various banks. The amount which remained unutilized as at June 30, 2017 was Rs 3,059 million (2016: Rs 2,431 million). The facilities are secured by way of pledge of HUBCO shares (2016: HUBCO shares) as more fully explained in note 8.2.3. The rates of mark-up applicable to the facilities range from three months KIBOR plus 25 basis points to three months KIBOR plus 75 basis points (2016: three months KIBOR plus 65 basis points to three months KIBOR plus 75 basis points) per annum and one month KIBOR plus 50 basis points (2016: one month KIBOR plus 70 basis points).	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
		------(Rupees in '000)-----	

## 12. TRADE AND OTHER PAYABLES

Creditors	545	161
Accrued expenses	53,013	149,856
Dividend payable	678,603	-
Others	955	69
	<u>733,116</u>	<u>150,086</u>

## 13. CONTINGENCIES AND COMMITMENTS

### 13.1 Contingencies

**13.1.1** The Company has pledged 15.131 million shares of ECL with Meezan Bank Limited (as Agent) in favour of Fatima Fertilizer Company Limited (Fatima) and a corporate guarantee in favour of DHFL - now Fatima Fertilizer limited (ex-subsidiary) and Fatima against potential tax liabilities of DHFL in respect of period ending on or prior to June 30, 2015. The pledged shares will be released upon completion of two years from the filing date of Income Tax Return for the year ended December 31, 2015 i.e. September 30, 2016. The corporate guarantee will remain in full force and effect for five years and will be released on the later of September 30, 2021 or the date on which subject tax liabilities are finally settled / disposed off or withdrawn.

During the period, ex subsidiary was served with an Order from Additional Commissioner of Inland Revenue – Federal Board of Revenue under Section 122(5A) of the Income Tax Ordinance, 2001 to amend Original Assessment for the tax year 2016 being prejudicial to the Revenue of the Federal Government. The issues mainly related to the levy of tax on sale of “Bubber Sher” Brand to wholly owned subsidiary Bubber Sher (Private) Limited, non-taxation of capital gain on sale of Engro Corporation Limited and The Hub Power Company Limited to the holding company, levy of super tax on the income claimed to be exempt from tax. The ex-subsidiary being aggrieved with the order filed an appeal with Commissioner Inland Revenue Appeals (CIRA) and CIRA in its order dated August 7, 2017 has decided the matter in favour of the ex-subsidiary.

## Notes to and forming part of the unconsolidated condensed interim financial statements-(Unaudited - Note 2)

For the Six Months period ended June 30, 2017

**13.1.2** During the period, the Company has received a show cause from Additional Commissioner of Inland Revenue (ACIR) – Federal Board of Revenue under Section 122(9) of the Income Tax Ordinance, 2001 in respect of tax year 2016. In the notice, the ACIR has expressed intention to reject exemption of intercorporate dividend amounting to Rs. 18,018 million, to make an addition to capital gain amounting to Rs. 615.01 million and also to impose a super tax liability amounting to Rs. 666.96 million. The Company being aggrieved, filed Constitutional Petition before the Honorable High Court of Sindh against the proposal to reject the exemption claimed on intercorporate dividend. Further separate suit has been filed with Honorable High Court of Sindh against the levy of super tax. The Honorable High Court of Sindh has issued stay orders in respect of aforementioned matters with the instruction to the Taxation Authorities to not to finalise the proceedings until the cases are disposed off. On the basis of legal advice, the management is confident that the above matters will be decided in favour of the Company.

Note	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
	------(Rupees in '000)-----	

### 13.2 Commitments

Commitments in respect of operating lease  
not later than one year

13.2.1	<b>9,398</b>	10,766
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**13.2.1** The Company has signed lease agreements for premises on rent from the Dawood Foundation, a related party, for Karachi office which is due to expire in September 2017. The agreement is revocable by either party through prior notice of at least 3 months.

Note	Six months period ended June 30, 2017 (Unaudited)	June 30, 2016 (Unaudited)
	------(Rupees in '000)-----	

### 14. DIVIDEND INCOME

Subsidiary - The Engro Corporation Limited	<b>1,754,753</b>	2,339,671
Held for sale investment - The Hub Power Company Limited	<b>604,037</b>	1,380,656
	<b>2,358,790</b>	3,720,327

**14.1** The investment in shares of The Hub Power Company Limited has been classified as held for sale as disclosed in note 8.

## Notes to and forming part of the unconsolidated condensed interim financial statements-(Unaudited - Note 2)

For the Six Months period ended June 30, 2017

### 15. EARNINGS PER SHARE

	Quarter ended June 30, 2017	Quarter ended June 30, 2016	Six months period ended June 30, 2017	Six months period ended June 30, 2016
	------(Rupees in '000)-----			
Profit after taxation	<b>938,784</b>	2,175,810	<b>1,384,355</b>	2,624,760
	------(Number of shares in '000)-----			
Weighted average number of ordinary shares outstanding during the period	<b>481,287</b>	481,287	<b>481,287</b>	481,287
	------(Rupees)-----			
Earnings per Share	<b>1.95</b>	4.52	<b>2.88</b>	5.45

Note	Six months period ended June 30, 2017 (Unaudited)	June 30, 2016 (Unaudited)
	------(Rupees in '000)-----	

### 16. CASH (UTILISED) IN / GENERATED FROM OPERATIONS

Profit before taxation	<b>1,872,134</b>	3,149,170
Adjustments for non cash expenses and other items:		
Depreciation and amortization	<b>14,387</b>	12,012
Finance cost	<b>228,861</b>	169,600
Impairment charge	-	95,713
Other receivable written off	-	920
Dividend income	<b>(2,358,790)</b>	(3,720,327)
Unrealized exchange loss / (gain)	-	(14)
Provision for staff' retirement and other service benefits	<b>2,963</b>	3,261
Gain on disposal of property, plant and equipment	<b>(159)</b>	(494)
Profit on bank deposits	16.1 <b>(176)</b>	(7,472)
Working capital changes	16.2 <b>(95,951)</b>	603,533
Cash (utilised) in / generated from operations	<b>(336,731)</b>	305,902

## Notes to and forming part of the unconsolidated condensed interim financial statements-(Unaudited - Note 2)

For the Six Months period ended June 30, 2017

- 16.1 This represents profit earned on balances maintained with banks in conventional accounts.

Note	Six months period ended	
	June 30, 2017 (Unaudited)	June 30, 2016 (Unaudited)
	----- (Rupees in '000) -----	

- 16.2 Working capital changes

(Increase) / decrease in current assets

Advance, deposits and prepayments	16.2.1	(5,302)	(1,089)
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Other receivables		4,924	102,839
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		(378)	101,750
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(Decrease) / increase in trade and other payables		(95,573)	501,783
---	--	----------	---------

		(95,951)	603,533
--	--	----------	---------

- 16.2.1 The deposits, prepayments and advances provided to employees, contractors and supplies does not carry any mark up.

Note	Six months period ended	
	June 30, 2017 (Unaudited)	June 30, 2016 (Unaudited)
	----- (Rupees in '000) -----	
17. Cash and Cash equivalent		
Cash at bank	6,333	830,089
Short term running finance	(2,440,997)	(30,882)
	<u>(2,434,664)</u>	<u>799,207</u>

## 18. FINANCIAL RISK MANAGEMENT AND FINANCIAL DISCLOSURES

- 18.1 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, 2016. 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-(Unaudited - Note 2)

For the Six Months period ended June 30, 2017

- 18.2 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.

## 19. RELATED PARTY TRANSACTIONS

Significant transactions with related parties are as follows:

	Six months period ended	
	June 30, 2017 (Unaudited)	June 30, 2016 (Unaudited)
	----- (Rupees in '000) -----	
<b>Subsidiary company</b>		
Reimbursement of expenses to the Company	504	3,102
Sale of goods and services	504	-
Dividend income	1,754,753	2,339,671
<b>Associates</b>		
Purchase of goods and services	18,604	12,494
Sale of goods and services	3,117	2,910
Dividend income	604,037	1,380,656
Reimbursement of expenses from associates	11,699	3,781
Reimbursement of expenses to associates	2,395	1,547
Advances and deposits	27,411	-
<b>Key management personnel</b>		
Salaries and other short term employee benefits	117,954	159,792
Post retirement benefit plans	5,288	11,980
Sales of assets (having net book value of Rs. 96,365)	118	720
<b>Other related parties</b>		
Reimbursement of expenses to the Company	-	825
Sale of goods and services	-	2
Contribution to staff gratuity fund	3,399	3,261
Contribution to staff provident fund	1,888	5,872

## Notes to and forming part of the unconsolidated condensed interim financial statements-(Unaudited - Note 2)

For the Six Months period ended June 30, 2017

### 20. GENERAL

- 20.1 All financial information, except as otherwise stated, has been rounded to the nearest thousand of rupees.
- 20.2 Certain prior year's figures have been re-classified to reflect more appropriate presentation of events and transactions for the purpose of comparisons.
- 20.3 These unconsolidated condensed interim financial statements were authorised for issue by the Board of Directors on August 23, 2017.

### 21. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on August 23, 2017 has proposed an interim cash dividend of Rs. Nil per share amounting to Rs. Nil (2016: Rs. 9 per share) for the half year ended June 30, 2017. These unconsolidated condensed interim financial statements do not recognise the proposed dividend from unappropriated profit as it has been proposed subsequent to balance sheet.

## Consolidated condensed interim financial statements





## Consolidated Condensed Interim Balance Sheet

As at June 30, 2017

(Amounts in thousand)

		Consolidated	
	Note	Unaudited June 30 2017	Audited December 31, 2016
		-----Rupees-----	
ASSETS			
Non-current assets			
Property, plant and equipment	5	135,810,593	131,534,255
Intangible assets		4,752,599	4,722,835
Deferred taxation		299,799	577,471
Long term investments		31,781,497	40,687,857
Long term loans and advances		9,048,231	9,850,501
		181,692,719	187,372,919
Current assets			
Stores, spares and loose tools		7,463,370	7,148,040
Stock-in-trade		17,294,744	10,704,311
Trade debts		15,466,753	13,733,482
Loans, advances, deposits and prepay ments		1,658,632	1,435,101
Other receivables		10,407,049	9,584,214
Accrued Income		631,930	426,268
Short term investments		63,235,615	64,725,527
Cash and bank balances		6,527,935	6,186,667
		122,686,028	113,943,610
Investment held for sale	1.2.1 & 6	6,155,316	-
TOTAL ASSETS		310,534,063	301,316,529

## Consolidated Condensed Interim Balance Sheet

As at June 30, 2017

(Amounts in thousand)

(Amounts In thousand)	Note	Unaudited June 30 2017	Audited December 31, 2016
-----Rupees-----			
EQUITY AND LIABILITIES			
Equity			
Share capital		4,812,871	4,812,871
Revaluation reserve on business combination		14,825	16,857
Maintenance reserve		60,117	60,117
Exchange revaluation reserve		6,192	6,192
Hedging reserve		(31,483)	(32,730)
General reserve		700,000	700,000
Unappropriated profit		47,487,409	48,142,424
Share of income of associate		(1,144)	(3,435)
Remeasurement of post-employment benefits		(16,030)	(17,874)
		48,219,886	48,871,551
		53,032,757	53,684,422
Non-controlling interest	7	121,308,026	119,277,999
Total Equity		174,340,783	172,962,421
Liabilities			
Non-current liabilities			
Borrowings	8	60,630,244	63,734,743
Derivative financial instruments		-	2,107
Deferred taxation		8,553,390	8,982,706
Deferred liabilities		107,929	198,720
Staff retirement and other service benefits		1,281	-
		69,292,844	72,918,276
Current liabilities			
Trade and other payables		32,965,533	32,107,059
Accrued interest / mark-up		1,560,809	1,238,061
Current portion of :			
- borrowings		16,035,048	13,272,722
- deferred liabilities		77,879	101,790
Taxes payable		-	62,028
Short term borrowings	9	13,956,556	8,404,519
Unclaimed dividends		342,240	-
Derivative financial instruments		4,611	249,653
Provision for taxation		1,957,760	-
		66,900,436	55,435,832
		136,193,280	128,354,108
Total Liabilities		136,193,280	128,354,108
Liabilities associated with discontinued operations			
Contingencies and Commitments			
TOTAL EQUITY AND LIABILITIES	10	310,534,063	301,316,529

The annexed notes 1 to 23 form an integral part of this consolidated condensed interim financial information.

Inam ur Rahman  
Chief Executive Officer

Shafiq Ahmed  
Chief Financial Officer

M. Abdul Aleem  
Director



## Consolidated Condensed Interim Profit and Loss Account (Unaudited)

For the Quarter and Six Months ended June 30, 2017

(Amounts in thousand except for earnings per share)

	Note	Quarter ended		Six months ended	
		June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
		Rupees			
Net sales		29,741,996	32,442,052	52,241,332	66,768,491
Cost of sales		(21,778,991)	(25,436,163)	(37,566,034)	(49,309,247)
<b>Gross profit</b>		<b>7,963,005</b>	<b>7,005,889</b>	<b>14,675,298</b>	<b>17,459,244</b>
Selling and distribution expenses		(1,982,928)	(2,276,094)	(3,463,816)	(4,709,594)
Administrative expenses		(1,060,032)	(1,383,746)	(1,905,187)	(2,493,144)
		4,920,045	3,346,049	9,306,295	10,256,506
Other income	12	3,225,113	2,303,492	5,618,426	2,773,764
Other operating expenses		(467,467)	(349,987)	(756,690)	(862,771)
Finance cost		(1,368,820)	(1,738,891)	(2,808,702)	(3,227,657)
Share of income from associate & joint ventures		612,455	733,304	1,451,181	1,469,099
<b>Profit before taxation</b>		<b>6,921,326</b>	<b>4,293,967</b>	<b>12,810,510</b>	<b>10,408,941</b>
Taxation	13	(4,665,160)	(2,025,415)	(6,310,352)	(3,666,789)
<b>Profit for the period</b>		<b>2,256,166</b>	<b>2,268,552</b>	<b>6,500,158</b>	<b>6,742,152</b>
Profit attributable to:					
- continuing operations		2,256,166	1,415,279	6,500,158	4,780,822
- discontinued operations		-	853,273	-	1,961,330
		<u>2,256,166</u>	<u>2,268,552</u>	<u>6,500,158</u>	<u>6,742,152</u>
Profit attributable to:					
- Owners of the Holding Company		106,304	443,249	1,188,710	1,884,634
- Non-controlling interest		2,149,862	1,825,303	5,311,448	4,857,518
		<u>2,256,166</u>	<u>2,268,552</u>	<u>6,500,158</u>	<u>6,742,152</u>
Earnings per share	14				
- Basic		0.22	0.89	2.47	3.80
- Diluted		0.22	0.89	2.47	3.80

The annexed notes 1 to 23 form an integral part of this consolidated condensed interim financial information.

Inam ur Rahman  
Chief Executive Officer

Shafiq Ahmed  
Chief Financial Officer

M. Abdul Aleem  
Director

## Consolidated Condensed Interim Statement of Comprehensive Income (Unaudited)

For the Quarter and Six Months ended June 30, 2017

(Amounts in thousand)

	Quarter ended		Six months ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
	Rupees			
Profit for the period	2,256,166	2,268,552	6,500,158	6,742,152
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss				
Hedging reserve - cash flow hedges				
- Losses arising during the period	(448)	(37,352)	(10,907)	(117,602)
- Reclassification adjustments for losses included in profit or loss	1,575	42,192	4,003	125,497
- Adjustments for amounts transferred to initial carrying amount of hedged items	703	-	10,886	-
	1,830	4,840	3,982	7,895
Share of other comprehensive income of associate	3,370	1,495	2,291	416
Revaluation reserve on business combination	(5,251)	(5,330)	(10,501)	(10,658)
Exchange differences on translation of foreign operations	(6,208)	(5,497)	875	(4,764)
	(11,459)	(10,827)	(9,626)	(15,422)
Income tax relating to:				
- Hedging reserve - cash flow hedges	(264)	(3,266)	(632)	(5,776)
- Revaluation reserve on business combination	1,680	1,759	3,360	3,517
	1,416	(1,507)	2,728	(2,259)
	(4,843)	(5,999)	(625)	(9,370)
Items that will not be reclassified to profit or loss				
Remeasurement of post employment benefits obligation	1,844	(4,652)	1,844	(4,652)
Deferred tax charge relating to revaluation of equity	-	-	-	-
	1,844	(4,652)	1,844	(4,652)
	(2,999)	(10,651)	1,219	(14,022)
<b>Total Comprehensive income for the period</b>	<b>2,253,167</b>	<b>2,257,901</b>	<b>6,501,377</b>	<b>6,728,130</b>
Total comprehensive income attributable to:				
- Owners of the Holding Company	108,762	437,210	1,192,060	1,877,226
- Non-controlling interest	2,144,405	1,820,691	5,309,317	4,850,904
	<u>2,253,167</u>	<u>2,257,901</u>	<u>6,501,377</u>	<u>6,728,130</u>

The annexed notes 1 to 23 form an integral part of this consolidated condensed interim financial information.

Inam ur Rahman  
Chief Executive Officer

Shafiq Ahmed  
Chief Financial Officer

M. Abdul Aleem  
Director

# Consolidated Condensed Interim Statement of Changes in Equity

## For the Six Months period ended June 30, 2017

(Amounts in thousand)

Attributable to owners of the Holding Company

	Capital reserves					Revenue reserves				Remeasurement of post employment benefits - Actuarial gain / (loss)	Non-controlling interest	Total
	Share capital	Share premium	Employee share compensation reserve	Revaluation reserve on business combination	Maintenance reserve	Exchange revaluation reserve	Hedging reserve	General reserve	Un-appropriated profit	Share of other comprehensive income of associates	Sub total	
<b>Balance as at December 31, 2016 (audited)/ January 01, 2016</b>	4,812,671	-	225,217	20,655	60,117	11,412	(34,459)	700,000	27,221,478	(3,269)	32,965,357	59,901,520
<b>Total comprehensive income / (loss) for the half year ended June 30, 2016 (unaudited)</b>	-	-	-	-	-	-	-	-	-	-	-	-
Profit for the period	-	-	-	-	-	-	-	-	1,877,226	416	1,877,226	4,857,518
Other comprehensive income	-	-	-	(2,571)	-	-	2,213	-	-	(4,315)	(4,257)	(6,765)
<b>Transaction with owners</b>	-	-	-	(2,571)	-	-	2,213	-	1,877,226	416	1,872,569	4,847,733
Employee Share Option Scheme of subsidiary company	-	-	(39,948)	-	-	-	-	-	-	-	(39,948)	(61,133)
Effect of change in shareholding of the Group	-	-	-	-	-	-	-	-	3,763,813	-	3,763,813	15,596,751
Share capital issued to Non Controlling Interest	-	-	-	-	-	-	-	-	-	-	-	9,042,687
Dividend by subsidiary company allocable to non-controlling interest	-	-	-	-	-	-	-	-	(1,925,148)	-	(1,925,148)	(2,301,825)
- First cash dividend for the year ended December 31, 2015	-	-	-	-	-	-	-	-	-	-	-	(1,644,161)
- 1st Interim cash dividend for the year ending December 31, 2016	-	-	-	-	-	-	-	-	(1,925,148)	-	(1,925,148)	-
Final cash dividend for the year ended December 31, 2015 (Rs 4/- per ordinary share)	-	-	-	-	-	-	-	-	(1,203,218)	-	(1,203,218)	-
Interim cash dividend for the year ended December 31, 2016 (Rs 2.5/- per ordinary share)	-	-	-	-	-	-	-	-	-	-	-	-
Share issue cost 1	-	-	(39,948)	-	-	-	-	-	655,443	-	615,495	19,671,451
<b>Balance as at June 30, 2016 (unaudited)</b>	4,812,671	-	185,269	18,084	60,117	11,412	(32,246)	700,000	28,754,151	2,650	35,453,825	84,453,704
<b>Balance December 31, 2016 (audited) January 01, 2017</b>	4,812,671	-	-	16,357	60,117	6,192	(32,730)	700,000	43,142,424	(3,435)	53,694,422	119,277,949

### Total Comprehensive income / (loss) for the half year ended June 30, 2017

Profit for the period	-	-	-	-	-	-	-	-	1,188,710	-	1,188,710	5,311,448
Other comprehensive income	-	-	(2,032)	-	-	-	1,247	-	-	2,291	3,350	(2,131)
<b>Transaction with owners</b>	-	-	-	(2,032)	-	-	1,247	-	1,188,710	2,291	1,192,060	5,308,317

Share issued to IFC by subsidiary company  
Shares issued during the period and shares issuance cost accounted for as a deduction from equity  
Preference shares issued  
Dividend by subsidiary allocable to Non-Controlling interest  
Final cash dividend for the year ended December 31, 2016 (Rs 2/- per ordinary share)  
Interim cash dividend for the year ending December 31, 2017 (Rs 2/- per ordinary share)  
Share issue cost

### Balance as at June 30, 2017

Profit for the period	-	-	-	-	-	-	-	-	1,188,710	-	1,188,710	5,311,448
Other comprehensive income	-	-	(2,032)	-	-	-	1,247	-	-	2,291	3,350	(2,131)
<b>Transaction with owners</b>	-	-	-	(2,032)	-	-	1,247	-	1,188,710	2,291	1,192,060	5,308,317

The annexed notes 1 to 23 form an integral part of this consolidated condensed interim financial information.

Inam ur Rahman  
Chief Executive Officer

Shafiq Ahmed  
Chief Financial Officer

M. Abdul Aleem  
Director



## Consolidated Condensed Interim Statement of Cash Flows (Unaudited)

For the Six Months period ended June 30, 2017

(Amounts in thousand)

	Note	Six months period ended June 30 2017	December 31, 2016
		-----Rupees-----	
<b>Cash flows from operating activities</b>			
Cash generated from / (utilized in) operations	15	4,458,290	(3,343,239)
Retirement and other service benefits paid		(128,349)	(88,693)
Finance cost paid		(3,096,557)	(2,996,900)
Taxes paid		(2,457,811)	(2,514,767)
Payment against provision for contractual commitments		-	(23,606)
Long term loans and advances - net		(10,425)	(8,012,051)
Discontinued operations		-	315,700
Net cash utilized in operating activities		(1,234,852)	(16,663,556)
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment (PPE) and biological assets		(7,192,138)	(16,543,820)
treasury bills		13,348,586	(256,076)
Sale proceeds on disposal of PPE and biological assets		333	29,027
Proceeds on disposal of investments		21,998	20,561,551
Income on deposits / other financial assets		176	484,531
Advance received against disposal of DH Fertilizers Limited		1,756,004	-
Proceeds from short term investments		-	242,300
Investment made during the period		(909,918)	(5,000)
Dividends received		4,204,797	1,830,656
Discontinued operations		-	(626,640)
Net cash generated from investing activities		11,229,838	5,716,529
<b>Cash flows from financing activities</b>			
Proceeds from/repayment of borrowings - net		339,453	10,439,983
Payment of finance cost		-	(7,472)
Repayment of short term borrowing - net		(1,100,000)	-
Proceeds from issuance of shares		1,067,874	9,487,602
Share issuance cost		(8,180)	(546,428)
Advance for insurance policy		-	-
Unclaimed dividend		20,490	(4,914)
Dividends paid		(5,826,774)	(8,007,907)
Discontinued operations		-	(1,384,187)
Net cash (utilised in) / generated from financing activities		(5,507,137)	9,976,677
Net increase/(decrease) in cash and cash equivalents		4,487,849	(970,350)
Cash and cash equivalents at beginning of the period		25,896,895	11,832,739
Exchange (loss) / gain on translation of foreign operation		(2,710)	-
Cash and cash equivalents at end of the period	16	30,382,034	10,862,389

The annexed notes 1 to 23 form an integral part of this consolidated condensed interim financial information.

Inam ur Rahman  
Chief Executive Officer

Shafiq Ahmed  
Chief Financial Officer

M. Abdul Aleem  
Director

## Notes to the consolidated condensed interim financial information (unaudited)

For the Six Months period ended June 30, 2017

(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 (PSX). 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	
	2017	2016
- Engro Corporation Limited (ECL)	37.22	37.22

**Associate Company:** Company in which the Holding Company owns over 20% of voting rights but less than 50% or companies on which the Holding Company has significant influence.

	%age of direct holding	
	2017	2016
- The Hub Power Company Limited (note 1.2.1)	14.91	14.91

#### 1.2.1 The Hub Power Company Limited

On June 29, 2017, the Board of Directors in their meeting approved the formation of a Special Transaction Committee (STC) to assist the board on potential sale of its entire investment in the shares of The HUB Power Company Limited. The proposed divestment will be finalised after appropriate evaluation based on applicable financial, tax and legal advice, and its approval by the Board of Directors and shareholders.

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

## Notes to the consolidated condensed interim financial information (unaudited)

For the Six Months period ended June 30, 2017

(Amounts in thousand)

%age of direct holding  
June 30, 2017      December 31, 2016

- Engro Powergen Limited	100	100
- Engro Eximp Agriproducts (Private) Limited	100	100
- Elengy Terminal Pakistan Limited	80	80
- Engro Fertilizers Limited (note 1.3.1)	56.27	56.45
- Engro Polymer and Chemicals Limited	56.19	56.19

### Joint Venture Company:

- Engro Vopak Terminal Limited	50	50
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### 1.3.1 Engro Fertilizers Limited

Engro Fertilizers Limited (EFert), a subsidiary company, had availed a loan of USD 30,000 from the International Finance Corporation (IFC), divided into (i) 30% convertible loan on its shares at Rs. 24 per ordinary share, calculated at the US Dollar to Pakistan Rupee exchange rate prevailing on the business day prior to the date of the notice issued by IFC to exercise the conversion option; and (ii) 70% non-convertible loan. Until December 31, 2016, IFC had partially exercised its option on loan amounting to USD 8,000 and 33,132,292 ordinary shares of EFert were allotted to the IFC.

On March 01, 2017, EFert received a notice from IFC for exercise of conversion option on the entire remaining loan amount of USD 1,000. Accordingly, 4,367,083 ordinary shares of EFert have been allotted to IFC on March 7, 2017. As a result, ECL as at the balance sheet date holds 56.27% of the issued share capital of EFert (December 31 2016: 56.45%).

## 2. BASIS FOR PREPARATION

2.1 This consolidated condensed interim financial information of the Group 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) as required by circular CCD/PR(11)/2017 dated July 20, 2017 issued by the Security and Exchange Commission of Pakistan (SECP) and further clarification issued through SECP's press release dated July 20, 2017 that the companies whose financial year, including quarterly and other interim period, close on or before June 30, 2017 shall prepare their financial statements in accordance with provisions of Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Ordinance have been followed. This consolidated condensed interim financial information does not include all the information required for annual financial statements and therefore should be read in conjunction with the audited annual financial statements of the Group for the year ended December 31, 2016.

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 other factors, including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

## Notes to the consolidated condensed interim financial information (unaudited)

For the Six Months period ended June 30, 2017

(Amounts in thousand)

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 annual audited financial statements of the Group for the year ended December 31, 2016.

## 3. BASIS OF CONSOLIDATION

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

3.2 Non-controlling interest has been presented as a separate item in 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, The Hub Power Company Limited (HUBCO) and Engro Foods Limited has been accounted for using the equity method.

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

## 4. ACCOUNTING POLICIES

The significant accounting policies and the methods of computation adopted in the preparation of this consolidated condensed interim financial information are the same as those applied in the preparation of the audited annual consolidated financial statements of the Group for the year ended December 31, 2016.

There are certain new International Financial Reporting Standards (standards), amendments to published standards and interpretations that are mandatory for the financial year beginning on January 1, 2017. These are considered not to be relevant or to have any significant effect on the Group's financial reporting and operations and are, therefore, not disclosed in this consolidated condensed interim financial information.

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



## Notes to the consolidated condensed interim financial information (unaudited)

For the Six Months period ended June 30, 2017

(Amounts in thousand)	Unaudited June 30, 2017	Audited December 31, 2016
	------(Rupees)-----	
<b>5. PROPERTY, PLANT AND EQUIPMENT</b>		
Operating assets, at net book value (note 5.1)	104,129,704	106,365,681
Capital work in progress - Expansion and other projects (notes 5.2)	30,377,986	23,819,084
Capital spares and standby equipments	1,302,903	1,349,490
	<u>135,810,593</u>	<u>131,534,255</u>
<b>5.1 Additions (including transfers from CWIP) during the period / year</b>		
	Unaudited June 30, 2017	Audited December 31, 2016
	------(Rupees)-----	
Land	-	142,403
Plant and machinery	987,052	4,654,344
Building and civil works including pipelines	87,728	201,297
Furniture, fixture and equipment	101,546	336,266
Catalyst	8,978	-
Vehicles	132,652	232,171
Jetty	-	5,304,592
Dredging	-	2,638,673
	<u>1,317,956</u>	<u>13,509,746</u>
<b>5.2 Capital work in progress - Expansion and other projects</b>		
	Unaudited June 30, 2017	Audited December 31, 2016
	------(Rupees)-----	
Balance at beginning of the period / year	23,819,084	3,708,782
Add:		
Additions during the period / year	7,882,642	25,764,701
Less:		
Transferred to:		
- operating assets	(1,279,198)	(4,846,721)
- intangible assets	(44,542)	(65,620)
- capital spares	-	(9,647)
Less: Discontinued operations	-	(732,411)
Balance at end of the period / year	<u>30,377,986</u>	<u>23,819,084</u>

## Notes to the consolidated condensed interim financial information (unaudited)

For the Six Months period ended June 30, 2017

(Amounts in thousand)	Unaudited June 30, 2017	Audited December 31, 2016
	------(Rupees)-----	
<b>6. INVESTMENT HELD FOR SALE</b>		
<b>6.1</b>	On June 30, 2017, the Company notified the PSX regarding the intention to sell its entire 14.91% shareholding in The Hub Power Company Limited (HUBCO) amounting to Rs. 14,169.098 million. Pursuant to the aforementioned notification a special transaction committee has been constituted for the purpose of evaluating the proposed divestment as more fully explained in note 1.2.1 above.	
<b>6.2 Details of investment in HUBCO is as follows:</b>		
At the beginning of the year	5,987,149	-
Add: Share of profit for the year	769,913	-
Add/ (Less): Share of other comprehensive income	2,291	-
Dividend received during the year	604,037	-
	<u>6,155,316</u>	<u>-</u>
<b>7. NON - CONTROLLING INTEREST</b>		
<b>PREFERENCE SHARE CAPITAL</b>		
During the period, EPTL, a subsidiary of EPL, issued 551,422,576 fully paid preference shares of Rs. 10 each to CMEC Thar Power Investment Limited, including 50,201,977 fully paid right shares of Rs. 10 each during the period. 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 Ordinance.		
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-year.		
- In addition, there would be no payment of dividend before commencement of commercial operations. As per the arrangement with preference shareholder, coupon rate will be determined after commercial operation date such that the preference shareholder gets 11% IRR in US Dollar terms over the term of investment. If no adjustment is made in preference shares coupon and 11% annual return is assumed on preference shares from the date of investment, the cumulative dividend on preference shares as on June 30, 2017 amounts to Rs. 671,033 (December 31, 2016: Rs. 392,481) which is not recognized in this condensed interim financial information.		

## Notes to the consolidated condensed interim financial information (unaudited)

For the Six Months period ended June 30, 2017

(Amounts in thousand)

### 8. BORROWINGS

#### 8.1 Engro Fertilizers Limited (EFert)

During the period EFert fully repaid its Offshore Islamic Finance USD Facility and its Local Islamic Syndicate loan.

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

##### 8.2.1 EPTL entered into following loan agreements:

- USD Facility Agreement with three commercial banks namely China Development Bank Corporation, China Construction Bank Corporation and Industrial and Commercial Bank of China Limited for an aggregate amount of USD 621,000 for a period of 14 years. The amount is repayable in 20 semi-annual installments commencing from the earlier of (i) First fixed date falling after 48 months since facility effective date and (ii) Second fixed date falling after Commercial Operations Date; where fixed dates are defined as first June or first December of any year. This loan carries mark-up at the rate of 6 month Libor plus 4.2%. As at June 30, 2017, EPTL has made draw down of USD 170,070 (December 31, 2016: USD 114,542) from this facility while the undrawn amount is equal to USD 450,930 (December 31, 2016: USD 506,458).
- Rupee Facility Agreement with an HBL-led consortium (comprising HBL, United Bank Limited, Bank Alfalah Limited, Askari Bank Limited, Soneri Bank Limited, Sindh Bank Limited, Bank of Punjab, NIB Bank Limited and Pak Brunei Investment Company Limited) for an aggregate amount of Rs.17,016,000. As at June 30, 2017, EPTL has made draw down of Rs. 3,105,226 (December 31, 2016: Rs. 2,858,617) from this facility while the undrawn amount is equal to Rs. 13,910,774 (December 31, 2016: Rs. 14,157,382).
- Bilateral Facility Agreement with National Bank of Pakistan for an aggregate amount of Rs. 3,134,000. As at June 30, 2017, EPTL has made draw down of Rs. 571,919 (December 31, 2016: Rs. 526,499) from this facility while the undrawn amount is equal to Rs. 2,562,081 (December 31, 2016: Rs. 2,607,501)
- Islamic Facility Agreements with three banks namely Meezan Bank Limited, Faysal Bank Limited and Habib Bank Limited for an aggregate amount of Rs. 4,000,000. As at June 30, 2017, EPTL has made draw down of Rs. 729,954 (December 31, 2016: Rs. 671,983) from this facility while the undrawn amount is equal to Rs. 3,270,046 (December 31, 2016: Rs. 3,328,017).

8.2.2 The above local currency loans are repayable in 20 semi-annual installments commencing from the earlier of (i) First fixed date falling after 48 months since facility effective date and (ii) Second fixed date falling after Commercial Operations Date; where fixed dates are defined as First June or First December of any year and carries profit at the rate of 3 months KIBOR plus 3.5%. The facilities are secured primarily through First ranking hypothecation charge over project assets of EPTL. Further, the shareholders of EPTL have committed to provide cost overrun support for 10% of entire debt and pledge shares in favor of the security trustee. Additionally, shareholders other than Habib Bank Limited (HBL) have also provided SBLCs as coverage for their equity commitments in the project.

## Notes to the consolidated condensed interim financial information (unaudited)

For the Six Months period ended June 30, 2017

(Amounts in thousand)

### 8.3 Engro Powergen Qadirpur Limited (EPQL)

EPQL entered into a financing agreement with a consortium comprising of international financial institutions amounting to USD 144,000. The finance carries markup at the rate of six months LIBOR plus 3% payable semi-annually over a period of twelve years. The principal is repayable in twenty semi-annual instalments commencing from December 15, 2010. As at June 30, 2017, the outstanding balance of the borrowing was USD 53,019 (December 31, 2016: USD 61,394).

### 8.4 Engro Polymers and Chemicals Limited (EPCL)

During the period EPCL has fully paid up its loan from International Finance Corporation.

### 9. SHORT TERM BORROWINGS

The short-term running finances available to the Group from various banks under mark-up arrangements amounts to Rs. 29,150,000 (2016: Rs. 30,478,048). The rates of mark-up on these finances are KIBOR based and range 6.40% to 7.64% per annum (2016: 5.2% to 8.01%). The aggregate running finances are secured by way of hypothecation of ranking floating charge over present and future loans, advances, receivables, stocks, book debts, and other current assets and pledge over shares.

### 10. CONTINGENCIES AND COMMITMENTS

#### 10.1 Contingencies

Significant changes in the status of contingencies and commitments since December 31, 2016 are mentioned below :

##### 10.1.1 During the period:

Corporate guarantees extended on behalf of EFert, a subsidiary company, to International Finance Corporation under the C Loan Agreement (Original Agreement) and the Amended Facility Agreement amounting to USD 11,000 have been released.

ECL, as Sponsor Support, has permitted a bank to create ranking charge over its receivables and pledge of shares of Engro Fertilizers Limited and Engro Foods Limited against the Stand By Letter of Credit (SBLC) facility amounting to USD 4,673 and Rs. 411,949 granted to Engro Elengy Terminal (Private) Limited, a wholly owned subsidiary company of Elengy Terminal Pakistan Limited.

- Engro Foods Limited (EFoods), an associated company received an order from Competition Commission of Pakistan, imposing a penalty of Rs. 62,293 in respect of EFoods' marketing activities relating to one of its products. EFoods has filed an appeal against the aforementioned order. Further, as per the terms of the Share Purchase Agreement with FrieslandCampina Pakistan Holding B.V. (FCP), ECL is required to reimburse 51% of the amount together with all reasonable cost and expenses to FCP in case any such penalty materializes. ECL, based on the opinion of the legal advisor, is confident of a favorable outcome of the appeal, and accordingly no provision has been recognized in this consolidated condensed interim financial information in this respect.





## Notes to the consolidated condensed interim financial information (unaudited)

For the Six Months period ended June 30, 2017

(Amounts in thousand)

10.1.2 Pursuant to the Finance Act, 2017, section 5A 'Tax on undistributed reserves' of the Income Tax Ordinance, 2001 was substituted by 'Tax on undistributed profits', whereby, for tax year 2017 and onwards, a tax has been imposed at the rate of 7.5% of profit-before-tax, on every public company, that derives profit for a tax year but does not distribute at least 40% of its after-tax-profits within six months of the end of the tax year, through cash or bonus shares.

ECL has obtained a stay on the levy of aforesaid tax from the Sindh High Court, based on the grounds that this tax is applicable on the accounting profit-before-tax, which does not represent real income which can be taxed under the law. And that the requirement to distribute profits or pay tax, amounts to an interference in corporate actions and implies amendment to the relevant company laws, which give shareholders the discretion to approve dividends and that such an amendment to company laws could not have been made through a money bill.

ECL, based on the opinion of its legal advisor is confident that it has a reasonable case in favor of the Holding Company.

The ECL, based on the opinion of its legal advisor is confident of a favourable outcome and accordingly no provision has been recognized in this consolidated condensed interim financial information in this respect.

10.1.3 During the period, the High Court of Islamabad in its order dated June 8, 2017 declared that the income derived by M/s Snamprogetti Engineering (the Contractor) from its contract with EFert, is subject to tax as per Clause 4 of Article 5 of Double Taxation Treaty between Pakistan and the Netherlands. As per the terms of the contract, EFert is liable to reimburse the contractor for any taxes applied to the income of the Contractor under the contract by the taxation authorities. In respect thereof, the Contractor is preferring an appeal in the Supreme Court of Pakistan. EFert, based on the opinion of the legal counsel, is of the view that the income of the Contractor is exempt from tax under the aforementioned clause of the Double Taxation Treaty and the matter will be decided in favour of the Contractor and, hence, no provision in respect thereof has been made in this consolidated condensed interim financial information.

10.1.4 During the period, ex subsidiary DHFL was served with an Order from Additional Commissioner of Inland Revenue – Federal Board of Revenue under Section 122(5A) of the Income Tax Ordinance, 2001 to amend Original Assessment for the tax year 2016 being prejudicial to the Revenue of the Federal Government. The issues mainly related to the levy of tax on sale of "Bubber Sher" Brand to wholly owned subsidiary Bubber Sher (Private) Limited, non-taxation of capital gain on sale of Engro Corporation Limited and The Hub Power Company Limited to the holding company, levy of super tax on the income claimed to be exempt from tax. The ex-subsiary being aggrieved with the order filed an appeal with Commissioner Inland Revenue Appeals (CIRA) and CIRA in its order dated August 7, 2017 has decided the matter in favour of the ex-subsiary.

## Notes to the consolidated condensed interim financial information (unaudited)

For the Six Months period ended June 30, 2017

(Amounts in thousand)

10.1.5 During the period, the Holding Company has received a show cause from Additional Commissioner of Inland Revenue (ACIR) – Federal Board of Revenue under Section 122(9) of the Income Tax Ordinance, 2001 in respect of tax year 2016. In the notice, the ACIR has expressed intention to reject exemption of intercorporate dividend amounting to Rs. 18,018 million, to make an addition to capital gain amounting to Rs. 615.01 million and also to impose a super tax liability amounting to Rs. 666.96 million. The Company being aggrieved, filed Constitutional Petition before the Honorable High Court of Sindh against the proposal to reject the exemption claimed on intercorporate dividend. Further separate suit has been filed with Honorable High Court of Sindh against the levy of super tax. The Honorable High Court of Sindh has issued stay orders in respect of aforementioned matters with the instruction to the Taxation Authorities to not to finalise the proceedings until the cases are disposed off. On the basis of legal advice, the management is confident that the above matters will be decided in favour of the Company.

### 10.2 Commitments

10.2.1 The Holding Company has signed lease agreements for premises on rent from the Dawood Foundation, a related party, for Karachi office which is due to expire in September 2017. The agreement is revocable by either party through prior notice of at least 3 months.

10.2.2 Commitments in respect of capital expenditure contracted but not incurred amount to Rs. 60,050,270 (2016: Rs. 54,022,835).

10.2.3 During 2016, ECL pledged shares of EFert and EFoods against the Standby Letters of Credit (Equity SBLCs) provided by EPL, a subsidiary company, through National Bank of Pakistan amounting to USD 18,900 and USD 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 (EPTPL), its subsidiary company, in favour of the Intercreditor Agent (Habib Bank Limited) and the Project Companies (i.e. SECMC and EPTPL). 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. Subsequent to equity injections / submission of equity SBLC by Huolinhe Open Pit Coal (HK) Investment Co. Limited (HOCIC), after Financial Close amounting to USD 3,499 and USD 14,481 (in PKR equivalent) in SECMC and EPTPL respectively, the amount of Equity SBLCs have been reduced to USD 15,401 and USD 36,619 for SECMC and EPTPL, respectively.

### 11. DISCONTINUED OPERATIONS

During 2016, ECL disposed off 54.1% of its investment in Engro Foods Limited (EFoods). Accordingly, the retained investment in EFoods was classified as Investment in Associates. In this respect, the Group, in accordance with IFRS 5 - 'Non-current assets held for sale and discontinued operations' has re-presented the post-tax comprehensive income and net cash flows pertaining to EFoods to discontinued operations for the prior period as follows:





## Notes to the consolidated condensed interim financial information (unaudited)

For the Six Months period ended June 30, 2017

(Amounts in thousand)

### 11.1 Financial performance of discontinued operations

	(Unaudited) Quarter ended June 30, 2016 Rupees	(Unaudited) Half year ended June 30, 2016 Rupees
Net sales	11,587,969	23,330,927
Cost of sales	(8,494,649)	(16,933,757)
Gross profit	3,093,320	6,397,170
Distribution and marketing expenses	(1,168,355)	(2,561,043)
Administrative expenses	(231,845)	(423,044)
Other operating expenses	(153,183)	(272,695)
Other income	335	56,177
Operating profit	1,540,272	3,196,565
Finance costs	(111,450)	(213,647)
Profit before taxation	1,428,822	2,982,918
Taxation	(575,549)	(1,021,588)
Profit after tax from discontinued operations	853,273	1,961,330

### 11.2 Cash flows attributable to discontinued operations

	(Unaudited) June 30, 2016 Rupees
Net cash generated from operating activities	315,700
Net cash utilized in investing activities	(626,640)
Net cash utilized in financing activities	(1,384,187)
Net decrease in cash and cash equivalents	(1,695,127)

## 12. OTHER INCOME

This includes income from sales under Government Subsidy amounting to Rs. 3,180,154 (June 30, 2016: Rs. 1,759,476).

## 13. TAXATION

Significant changes since December 31, 2016 in respect of different tax matters in which the Group companies are involved are as follows:

### 13.1 Engro Corporation Limited

13.1.1 Tax provision for the period, includes provision for 'Super Tax for rehabilitation of temporarily displaced persons' levied through Finance Act, 2017 imposing the levy retrospectively on the income for the financial year ended December 31, 2016. ECL intends to challenge the levy of this tax in the High Court of Sindh and intends to obtain a stay in this respect. ECL based on the opinion of its legal advisor, believes that there is a reasonable case in Company's favour. However, based on prudence, ECL has made provision for Super Tax in this consolidated condensed interim financial information.

## Notes to the consolidated condensed interim financial information (unaudited)

For the Six Months period ended June 30, 2017

(Amounts in thousand)

13.1.2 During the period, ECL has reversed excess provisions in respect of tax years 2011 and 2012, respectively, consequent to denovo processed after which the amended orders were passed in respect of the aforementioned tax years.

13.1.3 In 2016, an amendment was introduced in the Income Tax Ordinance 2001 (the Ordinance) via the Finance Act 2016 which imposed tax on inter-corporate dividends, previously exempt to companies designated as a Group under section 59B of the Ordinance. The Group has challenged the application of the aforementioned amendment in the High Court of Sindh and has been granted a stay in this respect.

13.1.4 During the period, the income tax department, in respect of the tax year 2016, determined additional income tax liability of Rs. 1,419,337 raising a demand of Rs. 1,573,877, whereby, the Additional Commissioner Inland Revenue (ACIR) - Audit has levied super tax on exempt income, disallowed allocation of expenses against interest income and apportioned expenses against dividend income and capital gains among other matters. Subsequent to the balance sheet date, ECL has filed an appeal with the Commissioner Inland Revenue (CIR) - Appeals which is in the process of being heard. ECL based on advice of its tax consultant, is confident that these matters will be decided in favor of the Company. Accordingly, no provision has been recognized in this consolidated condensed interim financial information, in this respect.

## 14. EARNINGS PER SHARE - BASIC AND DILUTED

	----- (Unaudited) ----- Quarter ended June 30, 2017		----- (Unaudited) ----- Half year ended June 30, 2017	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
	----- Rupees -----			
Profit for the period (attributable to the owners of the Holding Company) from:				
- continuing operations	106,304	1,415,279	1,188,710	4,780,822
- discontinued operations	-	853,273	-	1,961,330
	106,304	2,268,552	1,188,710	6,742,152

The information necessary to calculate basic and diluted earnings per share is as follows:

Profit for the period from continuing operations attributable to the owners of the Holding Company:	106,304	443,249	1,188,710	1,884,634
Add:				
- Finance cost related to IFC loan and derivative - net of tax	-	495	326	1,180
- (Gain) / Loss on revaluation of IFC loan conversion option	-	(16,847)	(1,235)	(55,560)
	106,304	426,897	1,187,801	1,830,254

Weighted average number of ordinary shares for basic and diluted EPS

	----- Number in thousands -----			
	481,287	481,287	481,287	481,287

## Notes to the consolidated condensed interim financial information (unaudited)

For the Six Months period ended June 30, 2017

(Amounts in thousand)

	------(Unaudited)-----	
	Half year ended	
	June 30,	June 30,
	2017	2016
	------(Rupees)-----	
<b>15. CASH (UTILIZED IN) / GENERATED FROM OPERATIONS</b>		
Profit before taxation	12,810,510	10,408,941
Less: Profit before taxation attributable to discontinued operations	-	(2,982,918)
Profit before taxation from continuing operations	12,810,510	7,426,023
Adjustment for non-cash charges and other items:		
Depreciation and amortization	3,694,505	3,795,161
Gain on disposal of:	-	-
- property, plant and equipment and biological assets	(16,395)	(7,114)
- investments - net	-	(34,815)
Impairment charge	-	95,713
Other receivable -written off	-	920
Unrealised exchange (gain) / loss on	-	(14)
Provision for retirement and other service benefits	88,466	73,955
Income on deposits / other financial assets	(1,951,687)	(545,332)
Share of income from joint venture companies	(1,451,181)	(1,469,099)
Finance cost	2,601,272	3,014,010
(Gain) / Loss on foreign currency translations	3,838	(23,748)
Working capital changes (note 14.1)	(11,321,038)	(15,668,899)
	<u>4,458,290</u>	<u>(3,343,239)</u>
<b>15.1 Working capital changes</b>		
(Increase) / decrease in current assets		
- Stores, spares and loose tools	(290,656)	(433,906)
- Stock-in-trade	(6,585,946)	(5,558,168)
- Trade debts	(1,733,264)	(589,706)
- Loans, advances, deposits and prepayments	(160,594)	(467,971)
- Other receivables - net	(1,148,273)	(1,189,463)
	<u>(9,918,733)</u>	<u>(8,239,214)</u>
Decrease in current liabilities		
- Trade and other payables, including other service benefits - net	(1,402,305)	(7,429,685)
	<u>(11,321,038)</u>	<u>(15,668,899)</u>

## Notes to the consolidated condensed interim financial information (unaudited)

For the Six Months period ended June 30, 2017

(Amounts in thousand)

### 16. CASH AND CASH EQUIVALENTS

Cash and bank balances	6,527,935	6,267,371
Short term investments	37,963,504	23,957,884
Short term borrowings	(14,109,405)	(19,362,866)
	<u>30,382,034</u>	<u>10,862,389</u>

### 17. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

#### 17.1 Financial risk factors

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

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

#### 17.2 Fair value estimation

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

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

	Level 1	Level 2	Level 3
	-----Rupees-----		
<b>Assets</b>			
Financial assets at fair value through profit and loss			
- Short term investments	-	61,081,096	-
Held to maturity			
- Short term investments	-	2,154,519	-
<b>Liabilities</b>			
Derivatives			
- Derivative financial instruments	-	4,611	-
	-	4,611	-

## Notes to the consolidated condensed interim financial information (unaudited)

For the Six Months period ended June 30, 2017

(Amounts in thousand)

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

17.4 Valuation techniques used to derive Level 2 fair values

Level 2 fair valued instruments comprise short term investments and hedging derivatives which include forward exchange contracts. These forward foreign exchange contracts have been fair valued using forward exchange rates that are received from the contracting banks and financial institutions.

Short term investments comprise of fixed income placements and treasury bills which are valued using discounted cash flow model.

17.5 Fair value of financial assets and liabilities

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

## 18. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of 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:

	Half year ended	
	June 30, 2017	June 30, 2016
	------(Rupees)-----	

### Associated companies and joint ventures

Purchases and services	1,831,400	1,477,701
Services rendered / sale of goods	246,600	135,143
Dividends received	4,204,796	450,000
Dividends paid	267,142	355,166
Payment of interest on Term Finance Certificates and repayment of principal amount	5,966	54,847
Profit on Term Finance Certificates	-	12,073
Investment from Associated Companies	-	8,199,632
Contribution for corporate social responsibility	15,500	35,066
Payment against EPC contract	5,822,567	-
Reimbursements from associates	130,451	83,735
Reimbursements to associates	31,627	99,429

## Notes to the consolidated condensed interim financial information (unaudited)

For the Six Months period ended June 30, 2017

(Amounts in thousand)

	Half year ended	
	June 30, 2017	June 30, 2016
	------(Rupees)-----	

Payment against Non EPC contract	-	11,927,908
Advances and deposits	27,411	-
Utilization of overdraft facility	-	130,000
Repayment of overdraft facility	-	130,000
Loan received	25,362	293,993
Loan arrangement fee	-	653,630

Loan paid	141,683	141,183
Mark-up on utilization of overdraft facility	-	157
Commitment fee	-	2,291
Mark-up paid	89,726	41,849
Interest on deposit	7	2
Bank charges	17	1
Finance cost paid	57,819	31,763
Share capital issued	1,067,873	-

### Key Management Personnel

Remuneration paid to key management personnel / directors	578,471	687,521
Reimbursement of expenses	3,414	7,696
Directors Fees	29,795	21,564
Dividend paid	55,639	-
Profit on Engro Islamic Rupiya Certificates	18,970	21,451
Sales of assets	118	-
Contribution for retirement benefits	249,930	348,528

## 19. 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, Caustic Soda and related chemicals.
Food	Manufacture, process and sell dairy and other food products.
Power	Includes Independent Power Projects (IPP).
Other operations	Includes LNG and engineering business.

## Notes to the consolidated condensed interim financial information (unaudited)

For the Six Months period ended June 30, 2017

(Amounts in thousand)

	------(Unaudited)-----		------(Unaudited)-----	
	Quarter ended		Half year ended	
	June 30,	June 30,	June 30,	June 30,
	2017	2016	2017	2016
	-----Rupees-----		-----Rupees-----	
<b>Revenue</b>				
Fertilizer	17,247,288	24,590,683	27,311,019	22,277,568
Polymer	6,233,294	5,715,564	13,045,657	11,161,213
Food	550,061	12,934,645	847,247	23,739,929
Power	3,183,533	4,199,238	6,167,972	4,730,059
Other operations	2,923,965	6,556,637	10,751,613	8,746,006
Elimination - net	(396,145)	(21,554,715)	(5,882,176)	(3,886,284)
Consolidated	<u>29,741,996</u>	<u>32,442,052</u>	<u>52,241,332</u>	<u>66,768,491</u>
<b>Profit / (loss) for the period</b>				
Fertilizer	2,478,958	20,324,886	4,116,472	2,817,253
Polymer	200,284	(326,367)	1,046,170	39,992
Food	(133,499)	717,411	(50,973)	1,723,603
Power	594,885	552,006	1,150,920	1,037,213
Other operations	210,194	11,325,672	6,465,813	20,422,787
Elimination - net	(1,094,656)	(30,325,056)	(6,228,244)	(19,298,696)
Consolidated	<u>2,256,166</u>	<u>2,268,552</u>	<u>6,500,158</u>	<u>6,742,152</u>
		(Unaudited)	(Unaudited)	
		June 30,	June 30,	
		2017	2016	
		------(Rupees)-----		
<b>Assets</b>				
Fertilizer	110,723,183	102,368,045		
Polymer	23,321,966	23,150,770		
Food	2,374,783	31,376,022		
Power	59,903,407	46,822,647		
Other operations	145,504,971	70,553,880		
Elimination - net	(31,294,247)	(23,383,050)		
Consolidated	<u>310,534,063</u>	<u>250,888,314</u>		

## Notes to the consolidated condensed interim financial information (unaudited)

For the Six Months period ended June 30, 2017

(Amounts in thousand)

### 20. SEASONALITY

20.1 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.

20.2 "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.

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

The Board of Directors of Engro Vopak Terminal, a joint venture company, in its meeting on August 10, 2017 has declared an interim cash dividend of Rs. 10 per share for the year ending December 31, 2017. The consolidated interim financial information does not reflect the dividend receivable.

### 22. CORRESPONDING FIGURES

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

22.2 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.

### 23. DATE OF AUTHORIZATION

This consolidated condensed interim financial information is authorized for issue on August 23, 2017 by the Board of Directors of the Holding Company.

Inam ur Rahman  
Chief Executive Officer

Shafiq Ahmed  
Chief Financial Officer

M. Abdul Aleem  
Director

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