



CORPORATION

HALF YEARLY ACCOUNTS
(UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2021

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COMPANY INFORMATION

Board of Directors

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

Board Audit Committee

Mr. Shabbir Hussain Hashmi - Chairman
Mr. Kamran Nishat - Member
Mr. Hasan Reza Ur Rahim - Member

Human Resource & Remuneration Committee

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

Board Investment Committee

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

Chief Financial Officer

Mr. Mohammad Shamoon Chaudry

Company Secretary

Mr. Asim H. Akhund

Registered Office

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Legal Advisors

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(Barristers at law)
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Bankers

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

DIRECTORS REVIEW

The Directors are pleased to present their report along with the unaudited unconsolidated condensed interim financial statements of Dawood Hercules Corporation Limited (DH Corp) and the unaudited consolidated condensed interim financial statements of the Group for the six months ended 30 June 2021.

DH Corp's foray into the technology sector through its wholly owned subsidiary, Empiricai (Private) Limited (EMPK), is gaining momentum through international contracts and generating export revenues. EMPK specializes in providing tech enabled professional services in data analytics primarily to industrial clients. To further increase its footprint in technology sector, DH Corp has identified Cybersecurity, Software-as-a-Service, Cloud Computing and Data Analytics as the 4 key focus areas.

During the period, DH Corp's investment in equity market portfolio remained flat. The portfolio earned significant dividends worth c.PKR 165mn and capital gains worth c.PKR 49mn (c.4.8% of the portfolio at cost). The portfolio remained at par with KSE 100 index returns; down by mere 1% during 1H2021.

With low interest rates, the balance funds after full purchase of Sukuk, were placed in both long and short-term instruments in money markets. This allowed us to efficiently manage our treasury portfolio in-line with our liquidity requirements.

The Company's consolidated revenue grew by 30%, from PKR 107,172 million during H1 2020 to PKR 139,421 million. The consolidated Profit-After-Tax (PAT) for the half year was PKR 28,480 million – up by 105%, while PAT attributable to the shareholders increased to PKR 5,716 million from profit of PKR 1,797 million in the comparative period, resulting in an Earnings per Share (EPS) of PKR 11.88 compared to PKR 3.73. This increase is primarily attributable to higher reported profitability by the Fertilizers and Petrochemicals businesses.

On a standalone basis, the profit after tax was PKR 2,469 million against loss of PKR 43 million for the same period last year. Earning per share for the period was PKR 5.13 per share.

Half yearly Urea sales stood at 1,155 KT vs. 847 KT and phosphates sales stood at 105 KT vs. 119 KT during the same period last year. Gross Profit for Engro Fertilizers was recorded at PKR 21,408 million for 1H 2021 as compared to PKR 14,025 million in the same period last year, an increase of 1.5x mainly on the back of higher offtakes.

Mining operations continued smoothly, and the mine supplied one million tons of coal to Engro Powergen Thar during initial half of the year. Thar power plant achieved 81% availability with a load factor of 78%, dispatching 2,052 GwH to the national grid during the period. During the period, the Qadirpur Power Plant dispatched a Net Electrical Output of 394 GwH to the national grid with a load factor of 43% compared to 28.4% last year due to higher offtake from the Power Purchaser.

Engro Polymer announced commercial operations of the new PVC plant on 1st March 2021, increasing the capacity to 295,000 MT per annum and commercial operations of 50 KT new VCM DBN capacity on 25th June 2021 increasing capacity to 245,000 MT per annum. During 1H 2021, Engro Polymer recorded a revenue of PKR 29,731 million as compared to PKR 12,422 million in the same period last year.

Profitability of both the LNG and chemicals terminal remained healthy for the first half of the year. The LNG terminal handled 35 cargoes, delivering 106 bcf re-gasified LNG in to the SSGC network. Telecom infrastructure business continued to expand its footprint further and achieved a milestone of delivering a total of 1,817 tower sites by the end of 1H with a tenancy ratio of 1.08x, catering to all Mobile Network Operators (MNOs) in Pakistan. This portfolio expansion has led to a significant increase in the market share from 41% in 2020 to 46% during the period.

FUTURE OUTLOOK

We believe that the key measures taken by the Govt. of Pakistan through fiscal and monetary policies will continue to support economic growth in FY22. SBP has already revised its GDP growth target to 4-5%. Though current account balance is expected to be higher, the external funding needs will be largely covered during the year. SBP also expects country's FX reserves would remain at comfortable level post IMF new global SDR allocation, growth in RDA & other measures. We do highlight that economic impact of 4th wave of COVID remains uncertain and may hamper growth in the short term.

The government's recent emphasis on science & technology, education and future technologies, has given Pakistan's IT sector a boost. Introduction of ease of doing business policies being implemented by SECP, relaxation on foreign exchange regulations by SBP and creation of Special Technology Zones (STZ) have given investors a positive outlook on the sector. Recent investments by foreign corporations, venture capital and private equity funds are a testament to budding growth in the technology sector in Pakistan with the potential to become one of the largest contributors to Pakistan's economy.

Currently, the Information Communication Technology sector (ICT) is one of the fastest growing sectors in Pakistan, contributing 1% of total GDP amounting to USD 2 bn. Sector exports have increased 70% during the last 3 years with software consultancy services have growing at a CAGR of 13%. Currently, Computer software services contribute the largest share in the ICT export mix.

DH Corp will continue to consolidate its position in the IT services business and aggressively grow both organically and inorganically internationally.

The equities portfolio will be managed actively and prudently with harvesting those investment ideas that have played out, while seeking new value themes as the economy recovers. The balance of the funds will be managed through government securities and bank placements.

The portfolio of Engro Corporation is resilient and will prevail well through challenging times. The philosophy of operating in sectors that help solve pressing issues of Pakistan implies that most of Engro's businesses are of critical nature and will continue to operate in times of any possible lockdown.

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

Shabbir Hussain Hashmi
Director

Inam ur Rahman
Chief Executive

Dated: August 25, 2021

ڈائریکٹرز کی جائزہ رپورٹ

کمپنی کے ڈائریکٹرز نہایت مسرت کے ساتھ 30 جون 2021 کو ختم ہونے والی ششماہی کیلئے اپنی رپورٹ کے ہمراہ کمپنی کے عبوری، غیر آڈٹ شدہ، غیر اشتهال شدہ مختصر گوشوارے اور گروپ کے عبوری، غیر آڈٹ شدہ، اشتهال شدہ مختصر گوشوارے پیش کر رہے ہیں۔

کمپنی کے مکمل ملکیتی ماتحت ادارے ایمپیرک اے آئی (پرائیوٹ) لمیٹڈ (EMPCK) کے ذریعے ٹیکنالوجی سیکٹر میں ڈی ایچ کارپوریشن لمیٹڈ کی یورش اب بین الاقوامی معاہدوں کے ذریعے رفتار پکڑ رہی ہے اور اب برآمدی آمدنی حاصل ہو رہی ہے۔ EMPCK بنیادی طور پر صنعتی گاہکوں کو ڈیٹا اینالٹیکس میں ٹیکنالوجی سے لیس پیشہ ورانہ خدمات کی فراہمی میں خصوصی مہارت رکھتی ہے۔ ٹیکنالوجی سیکٹر میں اپنی چھاپ مزید گہری کرنے کی غرض سے ڈی ایچ کارپوریشن نے سائبر سیکیورٹی، سافٹ ویئر بطور خدمت، کلاؤڈ کمپیوٹنگ اور ڈیٹا اینالٹیکس کے چار علاقے منتخب کئے ہیں جن پر خصوصی توجہ دی جا رہی ہے۔

زیر جائزہ مدت کے دوران ایکویٹی مارکیٹ کے پورٹ فولیو میں ڈی ایچ کارپوریشن لمیٹڈ کی سرمایہ کاری ہموار رہی۔ اس پورٹ فولیو نے 165 ملین روپے مالیت کا منافع منقسمہ کمایا اور 49 ملین روپے مالیت کے سرمایہ جاتی فوائد (پورٹ فولیو کی لاگت کا 4.8 فیصد) بھی حاصل کئے۔ یہ پورٹ فولیو KSE 100 index سے ہونے والی آمدنی کے مساوی رہا؛ البتہ اس میں 2021 کے پہلے نصف حصے کے دوران محض 01 فیصد کمی آئی۔

کم شرح سود پر سکوک کی مکمل خریداری کے بعد باقی بچ جانے والے فنڈز بازار میں طویل مدتی اور قلیل مدتی انسٹرومنٹس میں لگا دیئے گئے ہیں۔ اس اقدام کی بدولت ہم اپنی نقدی کی ضروریات کی مناسبت سے اپنے ٹریژری پورٹ فولیو کا بہتر انتظام کرنے کے قابل ہوئے ہیں۔

کمپنی کی مجموعی آمدنی میں 30% اضافہ ہوا جو 2020 کے پہلے نصف حصے میں 107,172 ملین روپے سے بڑھ کر زیر جائزہ مدت کے دوران 139,421 ملین روپے تک پہنچ گئی۔ زیر جائزہ نصف سال کے دوران بعد از ٹیکس مجموعی منافع (PAT) 105% بڑھ کر 28,480 ملین روپے ہو گیا جب کہ شیئر ہولڈرز سے قابل نسبت بعد از ٹیکس منافع قابل موازنہ مدت میں 1,797 ملین روپے کے منافع سے بڑھ کر 5,716 ملین روپے تک پہنچ گیا جس کے نتیجے میں 11.88 روپے کی فی شیئر کمائی (EPS) ہوئی جبکہ گزشتہ برس اسی مدت کے دوران فی شیئر کمائی صرف 3.73 روپے رہی تھی۔ یہ اضافہ بنیادی طور سے فریڈلائزرز اور پیٹروکیمیکل کے کاروباروں میں زیادہ منافع ہونے کا نتیجہ ہے۔

انفرادی حیثیت کی بنیاد پر بعد از ٹیکس منافع 2,469 ملین روپے حاصل ہوا جب کہ گزشتہ برس اسی مدت کے دوران کمپنی کو 43 ملین روپے کا نقصان جھیلنا پڑا تھا۔ زیر جائزہ مدت کے دوران فی شیئر کمائی 5.13 روپے رہی۔

گزشتہ برس اسی مدت کے دوران کی 847 کلوٹن کے مقابلے میں زیر جائزہ نصف برس کی مدت کے دوران یوریا کی فروخت 1,155 کلوٹن، جب کہ فاسفیٹ کی فروخت گزشتہ برس کی اسی مدت کی 119 کلوٹن کے مقابلے میں اس برس کے نصف حصے کے اختتام پر یہ فروخت 105 کلوٹن رہی۔ سال 2021 کے پہلے نصف حصے کے دوران اینگرو فریٹلائزرز کا خام منافع 21,408 ملین روپے ریکارڈ کیا گیا جو گزشتہ برس کی اسی مدت کے دوران 14,025 ملین روپے رہا تھا۔ اس 1.5 گنا اضافے کی بڑی وجہ زیادہ فروخت تھی۔

کان کنی کا عمل تسلی بخش طریقے سے جاری رہا اور سال کے ابتدائی نصف حصے کے دوران Engro Powergen Thar کو ایک ملین ٹن کوئلہ سپلائی کیا گیا۔ تھر پاور پلانٹ نے لوڈ فیکٹر 78% کے ساتھ 81% کی دستیابی حاصل کی اور اس مدت کے دوران قومی گرڈ کو 2,052 GWh بجلی فراہم کی۔ اسی مدت کے دوران قادر پور پاور پلانٹ نے قومی گرڈ کو 394 GWh بجلی فراہم کی جس کا لوڈ فیکٹر گزشتہ برس کی اسی مدت کے دوران کے 28.4% کی بہ نسبت 43% رہا۔ بڑھوتی کی بڑی وجہ خیریداروں کی جانب سے بجلی کی طلب میں اضافہ ہو جانا تھا۔

اینگرو پوولی مرنے یکم مارچ 2021 کو اپنے نئے پی وی سی پلانٹ کا تجارتی بنیادوں پر افتتاح کیا جس سے پیداواری صلاحیت بڑھ کر 295,000 میٹرک ٹن سالانہ ہو گئی ہے۔ اس کے ساتھ ساتھ 25 جون 2021 کو 50 کلوٹن والے نئے VCM DBN نے پیداوار شروع کی جس سے اس کی پیداواری صلاحیت 245,000 میٹرک ٹن سالانہ ہو گئی ہے۔ 2021 کی پہلی ششماہی میں اینگرو پوولی مرنے 29,731 ملین روپے کی آمدنی حاصل کی جو گزشتہ برس اسی مدت کے دوران 12,422 ملین روپے رہی تھی۔

سال کے پہلے نصف حصے میں LNG اور کیمیکلز کے ٹرمینلز کا منافع اچھا خاصا رہا ہے۔ LNG ٹرمینل نے 35 کارگو سنبھالے، 106 bcf ری گیسیفائیڈ LNG، SSGC کے نیٹ ورک تک پہنچائی۔ ٹیلی کام انفراسٹرکچر کا کاروبار اپنے نقوش جمانے میں بدستور مصروف رہا اور جاری سال کی پہلی ششماہی میں پاکستان میں مصروف کار تمام موبائل نیٹ ورک آپریٹرز کو 1.08 سے زائد کرایہ داری شرح کے ساتھ مجموعی طور پر 1,817 ٹاور سائٹوں کی فراہمی کا سنگ میل عبور کیا۔ پورٹ فولیو میں یہ توسیع مارکیٹ شیئر میں اضافے کا سبب بنی ہے جو 2020 میں 41% سے بڑھ کر زیر جائزہ مدت کے دوران 46% ہو گیا ہے۔

مستقبل کا جائزہ

ہمیں یقین ہے کہ حکومت پاکستان کی جانب سے مالی اور زرعی پالیسیوں کے ذریعے اٹھائے گئے اہم اقدامات مالی سال 2022 میں بھی معاشی بڑھوتی میں مدد کرتے رہیں گے۔ اسٹیٹ بینک آف پاکستان نے خام قومی پیداوار (GDP) میں اضافے کا ٹارگٹ نظر ثانی کر کے 4 تا 5 فیصد مقرر کیا ہے۔ اگرچہ توقع ہے کہ جاری کھاتوں کے حجم میں اضافہ ہوگا، بیرونی مالیات کی ضروریات زیادہ تر پوری ہو جائیں گی۔ SBP کو یہ توقع بھی ہے کہ ملک کے زرمبادلہ کے ذخائر، آئی ایم ایف کی نئی عالمی SDR ایلوکیشن، RDA اور دیگر اقدامات میں بڑھوتی کے بعد اطمینان بخش سطح پر رہیں گے۔ یہاں ہم یہ بات اجاگر کرنا چاہیں گے کہ کووڈ

19 کی ملک میں چوتھی لہر کے اقتصادی اثرات تاحال غیر یقینی ہیں اور قلیل مدت کے اندر ترقی میں رکاوٹ ڈال سکتے ہیں۔

سائنس اور ٹیکنالوجی پر، تعلیم اور مستقبل کی ٹیکنالوجیوں پر حکومت کے زور دینے جانے کے باعث پاکستان کے انفارمیشن ٹیکنالوجی (IT) سیکٹر کو مہمیز ملی ہے۔ کاروبار کرنے میں آسانیوں والی پالیسیاں SECP کی جانب سے نافذ کی جا رہی ہیں، SBP غیر ملکی زرمبادلہ کے متعلق قواعد میں نرمی لا رہا ہے اور اسپیشل ٹیکنالوجی زونز کے قیام نے سرمایہ کاروں کو اس سیکٹر کا مثبت چہرہ دکھایا ہے۔ غیر ملکی کارپوریشنوں کی جانب سے حال ہی میں سرمایہ کاری، ڈیجیٹل اور ایکویٹی فنڈز پاکستان میں ٹیکنالوجی سیکٹر کی ترقی کی واضح نشانیاں ہیں۔ اس سیکٹر میں پاکستانی معیشت میں بڑا اور اہم کردار ادا کرنے کی بھرپور صلاحیت ہے۔

حالیہ طور سے انفارمیشن کمیونیکیشن ٹیکنالوجی (ICT) کا سیکٹر پاکستان میں سب سے زیادہ تیزی سے پھلنے پھولنے والا سیکٹر ہے جس کا 2012 ارب ڈالر کے ساتھ ملک کی مجموعی خام قومی پیداوار (GDP) میں 01% حصہ ہے۔ گزشتہ تین برسوں میں اس سیکٹر کی برآمدات میں 70% اضافہ ہوا ہے اور سافٹ ویئر کنسلٹنسی سروسز CAGR پر 13% کی رفتار سے بڑھ رہی ہیں۔ حالیہ طور سے کمپیوٹر سافٹ ویئر سروسز کا ICT کی برآمدات میں سب سے زیادہ حصہ ہے۔

ڈی ایچ کارپوریشن IT سروسز کے کاروبار میں اپنی حیثیت مستحکم کرتی رہے گی اور عالمی میدان سطح پر نامیاتی اور غیر نامیاتی طور پر جارحانہ انداز میں آگے بڑھتی رہے گی۔

ایکویٹی کے پورٹ فولیو کا انتظام سرگرمی اور پوری چوکسی کے ساتھ کیا جاتا رہے گا اور سرمایہ کاری کے آزمودہ آئیڈیاز آزمائے جائیں گے اور معیشت میں بہتری آنے کے ساتھ قدر کی نئی جہتیں تلاش کی جائیں گی۔ باقی بچ جانے والے فنڈز سرکاری تمسکات اور بینکوں کے ذریعے کام میں لائے جائیں گے۔

اینگرو کارپوریشن کا پورٹ فولیو لچک دار ہے اور مشکل وقت حالات کو جھیل سکتا ہے۔ پاکستان کے اہم ترین ایشوز کو حل کرنے والے سیکٹروں میں کام کرنے میں یہ فلسفہ کاربند ہے کہ اینگرو کے بیشتر کاروبار اہم نوعیت کے ہیں جو ممکنہ لاک ڈاؤن کی صورت میں بھی چلائے جاتے رہیں گے۔

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

انعام الرحمن

چیف ایگزیکٹو

شبیر حسین ہاشمی

ڈائریکٹر

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Dawood Hercules Corporation Limited

Report on review of Interim Financial Statements

Introduction

We have reviewed the accompanying unconsolidated condensed interim statement of financial position of Dawood Hercules Corporation Limited as at June 30, 2021 and the related unconsolidated condensed interim statement of profit or loss, unconsolidated condensed interim statement of total comprehensive income, unconsolidated condensed interim statement of changes in equity, and unconsolidated condensed interim statement of cash flows, and notes to the financial statements for the six months period then ended (here-in-after referred to as the 'unconsolidated interim financial statements'). Management is responsible for the preparation and presentation of these unconsolidated interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these unconsolidated interim financial statements based on our review.

The figures of the unconsolidated condensed interim statement of profit or loss and unconsolidated condensed interim statement of total comprehensive income for the quarters ended June 30, 2021 and June 30, 2020 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, 2021.

Scope of Review

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

Conclusion

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

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



Chartered Accountants

Karachi

Date: August 27, 2021

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
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■ KARACHI ■ LAHORE ■ ISLAMABAD

DAWOOD HERCULES CORPORATION LIMITED

**Unconsolidated Condensed Interim Financial
Statements**

FOR THE SIX MONTHS ENDED
JUNE 30, 2021

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2021

	Note	June 30, 2021 (Un-audited)	December 31, 2020 (Audited)
----- (Rupees in '000) -----			
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	5	66,695	66,662
Right-of-use assets		14,134	28,001
Long term investments	6	23,408,927	23,408,927
		23,489,756	23,503,590
CURRENT ASSETS			
Loan, Advances, deposits and prepayments		256,409	236,053
Other receivables		187,125	181,978
Short term investments	7	8,242,639	13,851,473
Cash and bank balances		209,032	1,398,636
		8,895,205	15,668,140
TOTAL ASSETS		32,384,961	39,171,730
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital		10,000,000	10,000,000
Issued, subscribed and paid up share capital		4,812,871	4,812,871
Revenue reserves		26,492,111	26,189,540
		31,304,982	31,002,411
NON CURRENT LIABILITIES			
Lease liabilities		-	11,011
Defined benefit liabilities		5,171	3,559
Deferred tax liability		104,101	99,420
		109,272	113,990
CURRENT LIABILITIES			
Current portion of long term financings		-	7,320,000
Current portion of lease liabilities		24,564	29,762
Trade and other payables		401,230	83,523
Unclaimed dividend		279,061	275,406
Accrued mark-up		-	61,691
Taxation - net		265,852	284,947
		970,707	8,055,329
		1,079,979	8,169,319
TOTAL EQUITY AND LIABILITIES		32,384,961	39,171,730
CONTINGENCIES AND COMMITMENTS	8		

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

Inam ur Rahman
Chief Executive

Mohammad Shamooun Chaudry
Chief Financial Officer

Shabbir Hussain Hashmi
Director

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS - UNAUDITED

FOR THE QUARTER AND SIX MONTHS PERIOD ENDED JUNE 30, 2021

	Note	Quarter Ended		Six Months Period	
		June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
----- (Rupees in '000) -----					
Return on investments	9	3,215,133	2,421,358	3,542,444	1,394,176
Administrative expenses		(259,954)	(255,349)	(464,731)	(511,809)
Gross profit		2,955,179	2,166,009	3,077,713	882,367
Other (expense) / income - net		(402)	(2,121)	5,142	(2,058)
Operating profit		2,954,777	2,163,888	3,082,855	880,309
Finance costs		(1,912)	(282,420)	(91,617)	(629,632)
Profit before taxation		2,952,865	1,881,468	2,991,238	250,677
Taxation		(490,942)	(407,260)	(522,320)	(293,486)
Profit / (loss) after taxation		2,461,923	1,474,208	2,468,918	(42,809)
Earnings / (loss) per share (Rupees)					
- basic and diluted	10	5.12	3.06	5.13	(0.09)

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

Inam ur Rahman
Chief Executive

Mohammad Shamooun Chaudry
Chief Financial Officer

Shabbir Hussain Hashmi
Director

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

FOR THE QUARTER AND SIX MONTHS PERIOD ENDED JUNE 30, 2021

	Quarter Ended		Six Months Period Ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
	----- (Rupees in '000) -----			
Profit / (loss) after taxation	2,461,923	1,474,208	2,468,918	(42,809)
Other comprehensive (loss)/ income for the period				
<i>Items that will not be reclassified to profit or loss</i>				
Remeasurements of post-retirement benefits liability	(555)	4,920	(555)	4,920
Total comprehensive income / (loss) for the period	<u>2,461,368</u>	<u>1,479,128</u>	<u>2,468,363</u>	<u>(37,889)</u>

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

Inam ur Rahman
Chief Executive

Mohammad Shamooun Chaudry
Chief Financial Officer

Shabbir Hussain Hashmi
Director

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

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2021

	----- Revenue reserves -----				
	Issued, subscribed and paid up share capital	General reserve	Un-appro- priated profit	Sub-total	Total
	----- (Rupees in '000) -----				
Balance as at January 1, 2020 (Audited)	4,812,871	700,000	26,090,852	26,790,852	31,603,723
Total comprehensive loss					
Loss for the period	-	-	(42,809)	(42,809)	(42,809)
Other comprehensive income	-	-	4,920	4,920	4,920
Total comprehensive loss for the period	-	-	(37,889)	(37,889)	(37,889)
Transaction with owners					
Interim cash dividend @ 20% for the year ended December 31, 2020 (Rs 2 per ordinary share)	-	-	(962,574)	(962,574)	(962,574)
Balance as at June 30, 2020 (Un-audited)	4,812,871	700,000	25,090,389	25,790,389	30,603,260
Balance as at January 1, 2021 (Audited)	4,812,871	700,000	25,489,540	26,189,540	31,002,411
Total comprehensive Income					
Profit for the period	-	-	2,468,918	2,468,918	2,468,918
Other comprehensive loss	-	-	(555)	(555)	(555)
Total comprehensive income for the period	-	-	2,468,363	2,468,363	2,468,363
Interim cash dividend @ 45% for the year ending December 31, 2021 (Rs 4.5 per ordinary share)	-	-	(2,165,792)	(2,165,792)	(2,165,792)
Balance as at June 30, 2021 (Un-audited)	4,812,871	700,000	25,792,111	26,492,111	31,304,982

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

Inam ur Rahman
Chief Executive

Mohammad Shamoony Chaudry
Chief Financial Officer

Shabbir Hussain Hashmi
Director

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

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2021

	Note	Six Months Period Ended	
		June 30, 2021	June 30, 2020
----- (Rupees in '000) -----			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash utilised in operations	11	(142,838)	(230,952)
Finance cost paid		(151,597)	(674,983)
Taxes paid		(536,734)	(345,582)
Employees retirement and other service benefits paid		(3,961)	(8,951)
Net cash utilised in operating activities		(835,130)	(1,260,468)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(9,169)	(8,439)
Interest received on bank deposits and investments		176,775	716,987
Proceeds from disposal of property, plant and equipment		3,474	310
Long term investment made		-	(45,542)
Short term investments purchased and redeemed - net		(93,048)	2,274,613
Dividends received		3,167,551	1,557,964
Net cash generated from investing activities		3,245,583	4,495,893
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financings repaid		(7,320,000)	(1,120,000)
Lease rentals paid during the period		(17,920)	(25,227)
Dividends paid		(2,162,137)	(10,329)
Net cash utilised in financing activities		(9,500,057)	(1,155,556)
Net (decrease) / increase in cash and cash equivalents		(7,089,604)	2,079,869
Cash and cash equivalents at the beginning of the period		8,598,636	7,337,103
Cash and cash equivalents at the end of the period	12	1,509,032	9,416,972

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

Inam ur Rahman
Chief Executive

Mohammad Shamoony Chaudry
Chief Financial Officer

Shabbir Hussain Hashmi
Director

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

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2021

1. THE COMPANY AND ITS OPERATIONS

- 1.1 Dawood Hercules Corporation Limited (the Company) was incorporated in Pakistan on April 17, 1968 as a public limited company under the Companies Act, 1913 (now Companies Act, 2017) (the 'Act') and its shares are quoted on Pakistan Stock Exchanges (PSX). The principal activity of the Company is to manage investments including in its subsidiaries. The registered office of the Company is situated at Dawood Center, M.T. Khan Road, Karachi and liaison office in Islamabad.
- 1.2 Based on the concept of 'control' as stipulated in the International Financial Reporting Standard (IFRS) - 10 'Consolidated Financial Statements', the Company continues to conclude that although the Company has less than 50% voting rights in Engro Corporation Limited (ECL), yet, based on the absolute size of the Company's shareholdings, the relative size of other shareholdings and the number of representation on ECL's Board of Directors, the Company has the ability to exercise control over ECL. Accordingly, the Company is deemed to be the Holding Company of ECL.
- 1.3 These unconsolidated condensed interim financial statements are the separate financial statements of the Company in which investments in subsidiaries have been accounted for at cost less accumulated impairment losses, if any.
- 1.4 During the year ended December 31, 2020, the Board of Directors of the Company in its meeting held on December 18, 2020 approved the exercise of the call option (i.e. early purchase of Islamic Sukuk Certificates) available to the Company in the underlying sukuk issue arrangements. As a result of the exercise of the call option amounts aggregating Rs 7,320 million were repaid on 16 February, 2021 and March 1, 2021.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

- 2.1 These unconsolidated condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:
- (a) International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 (the Act); and
 - (b) Provisions of and directives issued under the Act.

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

- 2.2 These unconsolidated condensed interim financial statements should be read in conjunction with the unconsolidated audited financial statements of the Company for the year ended December 31, 2020 (December 2020 unconsolidated financial statements) as these provide an update of previously reported information.
- 2.3 These unconsolidated condensed interim financial statements include the unconsolidated condensed interim statement of financial position as at June 30, 2021 and the unconsolidated condensed interim statement of profit or loss, the unconsolidated condensed interim statement of total comprehensive income, the unconsolidated condensed interim statement of changes in equity, the unconsolidated condensed interim statement of cash flows and notes thereto for the six months period then ended which have been subjected to a review but have not been audited. These unconsolidated condensed interim financial statements also include the unconsolidated condensed interim statement of profit or loss and the unconsolidated condensed interim statement of total comprehensive income for the quarter ended June 30, 2021 which were not subjected to review.

2.4 Significant accounting policies

- 2.4.1 The accounting policies and the methods of computation adopted in the preparation of these unconsolidated condensed interim financial statements are consistent with those applied in the preparation of the December 2020 unconsolidated financial statements, except relating to the matters stated in note 2.4.2 below.

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

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2021

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

2.4.3 **Change in accounting standards, interpretations and amendments to published accounting and reporting standards:**

2.4.4 **Amendments to published accounting and reporting standards which became effective during the period:**

There were certain amendments to the published accounting and reporting standards which became mandatory for the Company during the period. However, the amendments did not have any significant impact on the financial reporting of the Company and, therefore, have not been disclosed in these unconsolidated condensed interim financial statements.

2.4.5 **Amendments to published accounting and reporting standards that are not yet effective:**

There are certain amendments to the accounting and reporting standards that will be mandatory for the Company's annual accounting periods beginning on or after January 1, 2022. However, these amendments will not have any significant impact on the financial reporting of the Company and, therefore, have not been disclosed in these unconsolidated condensed interim financial statements.

3. SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

During the preparation of these unconsolidated condensed interim financial statements, significant judgments made by management in applying the Company's accounting policies and the key sources of estimating were same as those that were applied in the December 2020 unconsolidated financial statements.

The financial risk management objectives and policies are consistent with those disclosed in the December 2020 unconsolidated financial statements.

4. SEASONALITY OF OPERATIONS

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

	Note	Unaudited June 30, 2021	Audited December 31, 2020
----- (Rupees in '000) -----			
5. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets (WDV) - opening balance		66,662	91,073
Add: Additions during the period / year	5.1	9,169	10,809
		<u>75,831</u>	<u>101,882</u>
Less: Disposals during the period / year (WDV)	5.2	63	8,235
Depreciation charged during the period / year		9,073	26,985
Operating fixed assets (WDV) - closing balance		<u>66,695</u>	<u>66,662</u>

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

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2021

	Note	Unaudited June 30, 2021	Unaudited June 30, 2020
		----- (Rupees in '000) -----	
5.1 Additions during the period			
Furniture, fittings and equipment		3,211	657
Vehicles		166	2,974
Data processing equipment		5,792	4,808
		<u>9,169</u>	<u>8,439</u>
5.2 Disposals during the period - net book value			
Furniture, fittings and equipment		5	8,041
Vehicles		39	-
Data processing equipment		19	157
		<u>63</u>	<u>8,198</u>
		Unaudited June 30, 2021	Audited December 31, 2020
		----- (Rupees in '000) -----	
6. LONG TERM INVESTMENTS			
Investment in subsidiaries - at cost	6.1	23,408,927	23,408,927
Other investment - at fair value through profit or loss	6.2	<u>-</u>	<u>-</u>
		<u>23,408,927</u>	<u>23,408,927</u>
		Unaudited June 30, 2021	Audited December 31, 2020
		----- (Rupees in '000) -----	
6.1 Investment in subsidiaries - at cost			
Engro Corporation Limited (ECL) - quoted			
214,469,810 (December 31, 2020: 214,469,810) ordinary shares of Rs 10 each. Percentage of holding 37.22% (December 31, 2020: 37.22%)	6.1.1 & 6.1.2	23,308,927	23,308,927
Empiric AI (Private) Limited (EMPAK) - unquoted			
10,000,000 (December 31, 2020: 10,000,000) Ordinary shares of Rs 10 each Percentage of holding 100% (December 31, 2020: 100%)		<u>100,000</u> <u>23,408,927</u>	<u>100,000</u> <u>23,408,927</u>

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

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2021

6.1.1 The market value of investment in ECL as at June 30, 2021 was Rs 63,185 million (December 31, 2020: Rs 65,919 million).

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

Bank	As at June 30, 2021			As at December 31, 2020		
	Number of shares pledged	Face value of pledged shares	Market value of pledged shares	Number of shares pledged	Face value of pledged shares	Market value of pledged shares
	----- (Rupees in '000) -----			----- (Rupees in '000) -----		
Pledged in favor of Fatima Fertilizer Company Limited against potential liabilities of DH Fertilizer Limited						
Meezan Bank Limited - as agent	10,491,800	104,918	3,090,989	10,491,800	104,918	3,224,760
Pledged in favor of JS Bank Limited against issuance of Sukuks						
JS Bank Limited	-	-	-	56,620,320	566,203	17,402,822

6.2 Other investment - at fair value through profit or loss

e2e Business Enterprises (Private)
Limited-unquoted
[23,770,701 (December 31, 2020: 23,770,701)
ordinary shares of Rs 10 each]

Less: Accumulated impairment

Unaudited June 30, 2021	Audited December 31, 2020
----- (Rupees in '000) -----	
237,707	237,707
(237,707)	(237,707)
-	-

Percentage of holding 39.00% (December 31, 2020 : 39.00%)

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

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2021

	Note	Unaudited June 30, 2021	Audited December 31, 2020
		----- (Rupees in '000) -----	
7. SHORT TERM INVESTMENTS			
At amortised cost			
- Term Deposit Receipts (TDRs)	7.1	1,318,000	7,218,000
At fair value through profit and loss			
- Pakistan Investment Bonds (PIBs)	7.2	1,483,484	1,506,848
- Quoted shares		5,441,155	5,126,625
		6,924,639	6,633,473
		8,242,639	13,851,473

7.1 These carry profit ranging from 7.50% to 8.55% per annum (December 31, 2020: 7.20% to 7.75% per annum).

7.2 These securities have original tenor of 3 years and are maturing on June 19, 2023. The yield on these securities is 7.62% per annum (December 31, 2020: 8.27% per annum)

8. CONTINGENCIES AND COMMITMENTS

8.1 There has been no significant change in the status of matters stated in notes 15.1 to 15.2 of the December 2020 unconsolidated financial statements, except for the year facts and the matters disclosed in the notes 8.2 and 8.3 below.

8.2 During the period on February 26, 2021, the Company received an income tax demand amounting to Rs 168 million in relation to the tax year 2015. The demand was made to the Company as the taxation authorities disallowed certain expenses on the basis that no tax was withheld and deposited by the Company on these expenses. The authorities were also unable to verify the amount of capital gain tax paid by the Company on sale of shares during the tax year 2015. An appeal has been filed by the Company before the Commissioner Inland Revenue (Appeals) along with the evidences for payment of taxes. The Company in view of the tax consultant's advice is expecting a favorable outcome of the appeal, therefore provision of an amount of the demand is not recorded in these condensed interim financial statements.

8.3 During the period on March 31, 2021, the Company received an income tax demand amounting to Rs 159.66 million in relation to the tax year 2020. Out of such demand, an amount of Rs 15.9 million has been paid in protest to obtain the stay order till the decision of appeal by the Commissioner (Appeals). The taxation authorities are of the view that the Company's interest income does not meet the criteria of the 'income from business' and should be treated as 'income from other sources'. As a result, the common expenses incurred by the Company cannot be allocated to 'income from other sources' resulting in increased tax liability. However, the Company is of the view that the earning interest / money market income is one of the principal revenue streams of the Company and should be treated as 'income from business'. On April 21, 2021 an appeal has been filed by the Company before the Commissioner Inland Revenue (Appeals), the decision of which is pending to date. The Company in view of the tax consultant's advice is expecting a favorable outcome of the appeal. Hence, no provision has been recorded in these condensed interim financial statements.

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

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2021

	Note	Quarter Ended		Six Months Period Ended	
		June 30, 2021	June 30, 2020	June 30, 2021 (Un-audited)	June 30, 2020 (Un-audited)
----- (Rupees in '000) -----					
9. RETURN ON INVESTMENTS					
Dividend income	9.1	3,078,631	1,522,643	3,167,551	1,557,964
Interest income	9.2	56,162	336,842	176,775	805,303
Others	9.3	80,340	561,873	198,118	(969,091)
		3,215,133	2,421,358	3,542,444	1,394,176
9.1 Dividend income					
Subsidiary - Engro Corporation Limited		3,002,577	1,501,289	3,002,577	1,501,289
Other investments on quoted shares		76,054	21,354	164,974	56,675
		3,078,631	1,522,643	3,167,551	1,557,964
9.2 Interest income					
Income on T-Bills		9,155	142,415	64,630	266,676
Return on TDRs		6,548	152,340	35,796	440,148
Income on PIBs		28,651	37,184	56,832	88,316
Profit on saving accounts		7,175	4,903	11,080	10,163
Income on loan to EMPAK		4,633	-	8,437	-
		56,162	336,842	176,775	805,303
9.3 Others					
Gain on sale of quoted shares		16,893	10,873	49,482	39,950
Unrealised gain / (loss) on quoted shares		86,812	551,000	172,001	(1,009,041)
Unrealised loss on Pakistan Investment Bonds (PIBs)		(23,365)	-	(23,365)	-
		80,340	561,873	198,118	(969,091)
10. EARNINGS PER SHARE					
		Quarter Ended		Six Months Period Ended	
		June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
----- (Rupees in '000) -----					
Profit / (loss) after taxation		2,461,923	1,474,208	2,468,918	(42,809)
----- (Number of shares) -----					
Weighted average number of ordinary shares outstanding during the period		481,287,116	481,287,116	481,287,116	481,287,116
----- (Rupees) -----					
Earnings / (loss) per share		5.12	3.06	5.13	(0.09)

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

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2021

	Note	Six Months Period Ended	
		June 30, 2021 (Un-audited)	June 30, 2020 (Un-audited)
		----- (Rupees in '000) -----	
11. CASH UTILISED IN OPERATIONS			
Profit before taxation		2,991,238	250,677
Adjustments for non cash expenses and other items:			
Depreciation on property, plant and equipment		9,073	14,660
Depreciation on right-of-use assets		13,867	17,172
Finance cost		91,617	629,632
Return on investments		(3,542,444)	(1,394,176)
Provision for staff retirement and other service benefits		5,018	7,536
(Gain) / Loss on disposal of operating fixed assets		(3,411)	7,888
Reversal of loss booked on sold shares - e2eBE		-	(119,061)
Impairment charge - e2eBE		-	121,061
Working capital changes	11.1	292,204	233,659
Cash utilised in operations		(142,838)	(230,952)
11.1 Working capital changes			
(Increase) / (decrease) in current assets			
Loan, Advances, deposits and prepayments		(20,356)	37,613
Other receivables		(5,147)	184,043
		(25,503)	221,656
Increase in trade and other payables		317,707	12,003
		292,204	233,659
12. CASH AND CASH EQUIVALENTS			
Cash at bank		209,032	178,358
Short term investments		1,300,000	9,238,614
		1,509,032	9,416,972
13. RELATED PARTY TRANSACTIONS			
13.1 The related parties comprise related group companies, directors of the Company, companies in which directors are interested, staff retirement benefits and close members of the family of directors. The Company, in the normal course of business, carries out transactions with various related parties on mutually agreed terms.			
Significant transactions with related parties are as follows:			

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

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2021

	Six Months Period Ended	
	June 30, 2021 (Un-audited)	June 30, 2020 (Un-audited)
	----- (Rupees in '000) -----	
Subsidiaries		
Reimbursement of expenses made to the Company	3,254	4,135
Reimbursement of expenses made by the Company	59,387	43,916
Dividend income	3,002,577	1,501,289
Sale of goods and services	257	45
Purchase of goods and services	4,386	-
Investment in subsidiaries	-	100,000
Advances & Deposits	42,801	-
Accrued Profit on Loan / Advances / Markup on delayed payment	8,437	-
Associated companies		
Purchase of services	24,245	17,131
Sale of services	6,192	8,607
Reimbursement of expenses made to associates	5,932	10,372
Reimbursement of expenses made by associates	33,135	25,922
Donation	5,720	119,000
Accrued Profit on Loan / Markup on delayed payment	846	-
Other related parties		
Purchase of services	1,215	599
Contribution to staff gratuity fund	-	3,262
Contribution to staff provident fund	-	5,890
Reimbursement of expenses from the Company	-	204
Sale of goods and services	-	21
Key management personnel		
Salaries and other short term employee benefits	201,212	156,993
Directors' fee	11,000	11,000
Post retirement benefit plans	-	2,453

14. CORRESPONDING FIGURES

- 14.1 In order to comply with the requirements of International Accounting Standards 34 - 'Interim Financial Reporting', the unconsolidated condensed interim statement of financial position has been compared with the balances of annual financial statements preceding financial year, whereas the unconsolidated condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows have been compared with the balances of comparable period of immediately preceding financial year.

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

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2021

15. GENERAL

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

These unconsolidated condensed interim financial statements were authorised for issue by the Board of Directors of the company on _____.

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

The Board of Directors in its meeting held on _____ approved an interim cash dividend of Rs ____ per share amounting to Rs _____ for the six months period ended June 30, 2021. (Rs 5 per share amounting to Rs 2,406 million for the six months period ended June 30, 2020). These unconsolidated condensed interim financial statements do not recognise the proposed interim dividend from unappropriated profit as it has been declared subsequent to the reporting date.

Inam ur Rahman
Chief Executive

Mohammad Shamoony Chaudry
Chief Financial Officer

Shabbir Hussain Hashmi
Director

DAWOOD HERCULES CORPORATION LIMITED

**Consolidated Condensed Interim Financial
Statements**

FOR THE SIX MONTHS ENDED
JUNE 30, 2021

CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2021

	Note	Consolidated	
		Unaudited June 30, 2021	Audited December 31, 2020
		----- (Rupees in '000) -----	
ASSETS			
Non-current assets			
Property, plant and equipment	5	263,646,624	262,035,712
Right-of-use assets		8,957,998	7,019,761
Intangible assets		5,703,708	5,587,682
Deferred taxation		64,075	80,434
Long term investments		33,586,965	32,350,083
Net investment in lease		42,219,550	44,557,411
Financial asset at amortized cost		4,177,333	5,160,833
Derivative financial Instrument		103,264	-
Long term loans, advances and other receivables		2,317,064	2,109,917
		360,776,581	358,901,833
Current assets			
Stores, spares and loose tools		9,686,752	9,069,394
Stock-in-trade		28,291,433	17,938,391
Trade debts		59,452,085	50,750,960
Loans, advances, deposits and prepayments		4,323,174	3,916,882
Other receivables		22,264,276	18,574,319
Accrued Income		395,995	653,244
Contract asset		5,222,055	5,714,977
Current portion of net investment in lease		3,393,874	3,255,211
Short term investments		86,103,689	107,344,354
Cash and bank balances		30,864,671	24,838,343
		249,998,004	242,056,075
Asset classified as held for sale		67,054	67,054
TOTAL ASSETS		610,841,639	601,024,962

CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2021

	Note	Unaudited June 30, 2021	Audited December 31, 2020
----- (Rupees in '000) -----			
EQUITY AND LIABILITIES			
Equity			
Share capital		4,812,871	4,812,871
Revaluation reserve on business combination		1,430	1,665
Maintenance reserve		60,117	60,117
Exchange revaluation reserve		242,292	254,541
Hedging reserve		(11,524)	(11,428)
General reserve		700,000	700,000
Unappropriated profit		65,067,341	61,516,860
Remeasurment of investments		1,931	-
Derivative financial instrument		38,435	-
Remeasurement of post-employment benefits		(33,533)	(32,978)
		66,066,489	62,488,777
Non-controlling interest		70,879,360	67,301,648
Total Equity		176,064,210	164,359,927
		246,943,570	231,661,575
Liabilities			
Non-current liabilities			
Borrowings		128,199,763	135,230,145
Deferred taxation		14,979,194	14,667,758
Lease liabilities		49,691,908	50,635,891
Deferred liabilities		2,534,821	2,717,191
Long term provision		11,166,262	14,488,376
Staff retirement and other service benefits		5,171	-
		206,577,119	217,739,361
Current liabilities			
Trade and other payables		87,424,199	86,885,962
Accrued interest / mark-up		1,502,058	1,434,014
Current portion of :			
- borrowings		22,671,702	30,008,492
- lease liabilities		5,111,470	4,935,549
- deferred liabilities		740,342	730,648
- long tem provision		15,672,515	11,691,978
Taxes payable		10,083,834	2,780,160
Contract Liability		104,028	-
Short term borrowings		13,372,927	12,505,120
Unclaimed dividends		637,875	652,103
		157,320,950	151,624,026
Total Liabilities		363,898,069	369,363,387
Contingencies and Commitments	6		
TOTAL EQUITY AND LIABILITIES		610,841,639	601,024,962

The annexed notes 1 to 16 form an integral part of this consolidated condensed interim financial information.

Inam ur Rahman
Chief Executive

Mohammad Shamoon Chaudry
Chief Financial Officer

Shabbir Hussain Hashmi
Director

CONSOLIDATED CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UNAUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2021

(Amounts in thousand except for earnings per share)

	Note	Quarter Ended		Six Months Ended	
		June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
----- (Rupees) -----					
Net sales		68,547,286	62,194,887	139,420,835	107,172,054
Cost of sales		(45,642,371)	(43,026,198)	(91,720,763)	(74,283,553)
Gross profit		22,904,915	19,168,689	47,700,072	32,888,501
Selling and distribution expenses		(1,807,098)	(2,118,826)	(3,463,622)	(3,175,544)
Administrative expenses		(1,885,185)	(1,680,177)	(3,431,968)	(3,445,163)
Reversal of ECL on subsidy receivable from GOP		164,417	-	164,417	-
		19,377,049	15,369,686	40,968,899	26,267,794
Other income		3,465,694	4,496,339	6,233,263	6,912,232
Other operating expenses		(2,048,467)	(2,053,140)	(3,176,306)	(3,800,188)
Finance cost		(4,364,696)	(5,481,064)	(8,050,022)	(11,894,661)
Share of income from associates & joint ventures		858,632	872,780	1,877,288	1,143,096
Profit before taxation		17,288,212	13,204,601	37,853,122	18,628,273
Taxation		(3,484,760)	(3,674,613)	(9,372,331)	(4,674,462)
Profit for the period		13,803,452	9,529,988	28,480,791	13,953,811
Profit attributable to:					
- continuing operations		13,803,452	9,529,988	28,480,791	13,953,811
Loss from discontinued operations		(436)	-	(436)	-
		13,803,016	9,529,988	28,480,355	13,953,811
Profit attributable to:					
- Owners of the Holding Company		2,715,019	2,079,295	5,716,272	1,796,831
- Non-controlling interest		11,087,997	7,450,693	22,764,083	12,156,980
		13,803,016	9,529,988	28,480,355	13,953,811
Earnings per share - basic and diluted	7	5.64	4.32	11.88	3.73

The annexed notes 1 to 16 form an integral part of this consolidated condensed interim financial information.

Inam ur Rahman
Chief Executive

Mohammad Shamooun Chaudry
Chief Financial Officer

Shabbir Hussain Hashmi
Director

CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2021

	Quarter Ended		Six Months Ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
	----- (Rupees in '000) -----			
Profit for the period	13,803,016	9,529,988	28,480,355	13,953,811
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss				
- Unrealized (loss) / gain on remeasurement of investment Classified at FV through OCI	5,188		5,188	
Fair Value gain on derivative financial instrument	103,264		103,264	
Hedging reserve - cash flow hedges				
- Losses arising during the period	-	-	-	-
- Reclassification adjustments for losses included in profit or loss	(218)	316	(433)	(436)
	(218)	316	(433)	(436)
Fair value gain on remeasurement of short term investments classified as FVOCI	-	332,263	-	332,263
Share of other comprehensive income of associate	-	-	-	-
Revaluation reserve on business combination	1,345	(20,260)	(3,906)	(10,058)
Exchange differences on translation of foreign operations	-	-	-	-
	71,363	(118,910)	(32,909)	401,763
	72,708	(139,170)	(36,815)	391,705
Income tax relating to:				
- Hedging reserve - cash flow hedges	-	-	-	-
- Revaluation reserve on business combination	367	-	2,047	2,917
	367	-	2,047	2,917
Items that will not be reclassified to profit or loss				
Remeasurement of post employment benefits obligation	(555)	4,920	(555)	4,920
	180,754	198,329	72,696	731,369
	13,983,770	9,728,317	28,553,051	14,685,180
Total Comprehensive income for the period				
Total comprehensive income attributable:				
- Discontinued operations	(436)	-	(436)	-
- Continuing operations	13,984,206	9,728,317	28,553,487	14,685,180
	13,983,770	9,728,317	28,553,051	14,685,180
Total comprehensive income attributable to:				
- Owners of the Holding Company	2,782,065	2,147,863	5,743,503	2,065,653
- Non-controlling interest	11,201,705	7,580,454	22,809,548	12,619,527
	13,983,770	9,728,317	28,553,051	14,685,180

The annexed notes 1 to 16 form an integral part of this consolidated condensed interim financial information.

Inam ur Rahman
Chief Executive

Mohammad Shamoony Chaudry
Chief Financial Officer

Shabbir Hussain Hashmi
Director

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2021

	Attributable to owners of the Holding Company													Total
	Capital reserves					Revenue reserves					Sub total	Non-Controlling Interest		
	Share capital	Revaluation reserve on business combination	Maintenance reserve	Exchange revaluation reserve	Hedging reserve	General reserve	Unappropriated Profit	Remeasurement of investments	Derivative Financial Instrument	Remeasurement of post employment benefits - Actuarial gain / (loss)				
(Rupees in '000)														
Balance December 31, 2019 (audited) / January 01, 2020	4,812,871	5,463	60,117	226,682	(10,980)	700,000	58,265,869	-	-	(39,077)	64,020,945	144,023,629	208,044,574	
Total comprehensive income / (loss) for the six months ended June 30, 2020 (unaudited)														
Profit for the period	-	-	-	-	-	-	1,796,831	-	-	-	1,796,831	12,156,980	13,953,811	
Other comprehensive income	-	(1,899)	-	149,536	(112)	-	-	116,377	-	4,920	268,822	462,547	731,369	
	-	(1,899)	-	149,536	(112)	-	1,796,831	116,377	-	4,920	2,065,653	12,619,527	14,685,180	
Transaction with owners														
Dividend by subsidiaries allocable to Non-Controlling interest	-	-	-	-	-	-	-	-	-	-	-	(5,077,184)	(5,077,184)	
Interim cash dividend @ 20% for the year ending December 31, 2020 (Rs 2 per ordinary share)	-	-	-	-	-	-	(962,574)	-	-	-	(962,574)	-	(962,574)	
	-	-	-	-	-	-	(962,574)	-	-	-	(962,574)	(5,077,184)	(6,039,758)	
Balance as at June 30, 2020 (unaudited)	4,812,871	3,564	60,117	376,218	(11,092)	700,000	59,100,126	116,377	-	(34,157)	65,124,024	151,565,972	222,729,754	
Balance December 31, 2020 (audited) / January 01, 2021	4,812,871	1,665	60,117	254,541	(11,428)	700,000	61,516,861	-	-	(32,978)	67,301,649	164,359,927	231,661,576	
Total Comprehensive income /(loss) for the six months ended June 30, 2021 (unaudited)														
Profit for the period	-	-	-	-	-	-	5,716,272	-	-	-	5,716,272	22,764,083	28,480,355	
Other comprehensive income	-	(235)	-	(12,249)	(96)	-	-	1,931	38,435	(555)	27,231	45,465	72,696	
	-	(235)	-	(12,249)	(96)	-	5,716,272	1,931	38,435	(555)	5,743,503	22,809,548	28,553,051	
Transaction with owners														
Dividend by subsidiaries allocable to Non-Controlling interest	-	-	-	-	-	-	-	-	-	-	-	(11,105,265)	(11,105,265)	
Interim cash dividend @ 45% for the year ending December 31, 2020 (Rs 4.5 per ordinary share)	-	-	-	-	-	-	(2,165,792)	-	-	-	(2,165,792)	-	(2,165,792)	
	-	-	-	-	-	-	(2,165,792)	-	-	-	(2,165,792)	(11,105,265)	(13,271,057)	
Balance as at June 30, 2021	4,812,871	1,430	60,117	242,292	(11,524)	700,000	65,067,341	1,931	38,435	(33,533)	70,879,360	176,064,210	246,943,570	

The annexed notes 1 to 16 form an integral part of this consolidated condensed interim financial information

Inam ur Rahman
Chief Executive

Mohammad Shamooun Chaudry
Chief Financial Officer

Shabbir Hussain Hashmi
Director

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2021

	Note	Six Months Ended	
		June 30, 2021	June 30, 2020
----- (Rupees in '000) -----			
Cash flows from operating activities			
Cash generated from operations	8	24,592,594	28,386,136
Retirement and other service benefits paid		(165,752)	(161,392)
Finance cost paid		(5,205,551)	(11,373,462)
Taxes paid		(3,462,557)	(6,443,772)
Proceeds from net investment in lease		1,446,461	1,173,385
Finance cost paid on lease liability		(1,776,650)	(1,964,954)
Finance income received on net investment in lease		2,484,394	2,718,199
Repayment of lease liability		(2,075,206)	(1,433,742)
Deferred income		16,755	(721,086)
Interest received on bank deposits		932	-
Bank Balance held as margin		60,130	353,830
Long term loans and advances - net		(82,899)	168,996
Net cash generated from operating activities		15,832,651	10,702,138
Cash flows from investing activities			
Purchase of property, plant and equipment (PPE)		(9,664,567)	(7,988,904)
Sale proceeds on disposal of PPE		42,210	22,414
Income on deposits / other financial assets		2,575,328	3,692,466
Investment in associated company		(181,771)	5,405
Short term investment purchased and redeemed - net		36,660,674	4,560,999
Dividends received		3,775,051	326,675
Net cash generated from / (utilised in) investing activities		33,206,925	619,055
Cash flows from financing activities			
Proceeds from/repayment of borrowings - net		(13,127,181)	1,286,269
Lease rentals paid during the period		(834,862)	(961,966)
Repayment of loan by joint venture		-	206,221
Unclaimed dividend paid		-	(10,329)
Dividends paid		(16,288,533)	(3,853,509)
Net cash generated from / (utilised in) financing activities		(30,250,576)	(3,333,314)
Net increase/(decrease) in cash and cash equivalents		18,789,000	7,987,879
Effect of exchange rate changes on cash and cash equivalents		(92,733)	-
Cash and cash equivalents at beginning of the period		60,110,571	34,523,200
Cash and cash equivalents at end of the period	9	78,806,838	42,511,079

The annexed notes 1 to 16 form an integral part of this consolidated condensed interim financial information

Inam ur Rahman
Chief Executive

Mohammad Shamoon Chaudry
Chief Financial Officer

Shabbir Hussain Hashmi
Director

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2021

1. LEGAL STATUS AND OPERATIONS

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

1.2 The "Group" consists of:

Ultimate Parent Company: Dawood Hercules Corporation Limited;

Holding Company: Dawood Hercules Corporation Limited;

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

	%age of direct holding	
	2021	2020
- Empiric AI (Private) Limited (EMPAK)	100	100
- Engro Corporation Limited (ECL)	37.22	37.22

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

	%age of direct holding	
	June 30, 2021	December 31, 2020
- Engro Energy Limited	100	100
- Engro Eximp Agriproducts (Private) Limited	100	100
- Engro Connect (Private) Limited	100	-
- Engro Eximp FZE	100	100
- Engro Infiniti (Private) Limited	100	100
- Engro Fertilizers Limited	56.27	56.27
- Engro Polymer and Chemicals Limited	56.19	56.19
- Elengy Terminal Pakistan Limited	56	56

Joint Venture Company:

- Engro Vopak Terminal Limited	50	50
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Associated Company:

- FrieslandCampina Engro Pakistan Limited	39.9	39.9
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2. BASIS FOR PREPARATION

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

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

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

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2021

- 2.2 The preparation of these consolidated condensed interim financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.
- 2.3 During the preparation of these consolidated condensed interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation and uncertainty were the same as those that apply to the consolidated financial statements of the Group for the year ended December 31, 2020.
- 2.4 These consolidated condensed interim financial statements do not include all the information required for consolidated annual financial statements and therefore should be read in conjunction with the audited consolidated annual financial statements of the Group for the year ended December 31, 2020.

3. BASIS OF CONSOLIDATION

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

4. ACCOUNTING POLICIES

- 4.1 The significant accounting policies adopted in the preparation of these consolidated condensed interim financial statements are the same as those applied in the preparation of audited annual consolidated financial statements of the Group for the year ended December 31, 2020, except for the following:

5. PROPERTY, PLANT AND EQUIPMENT

	Unaudited June 30, 2021	Audited December 31, 2020
	----- (Rupees in '000) -----	
Operating assets, at net book value	242,453,367	232,719,261
Capital work in progress - Expansion and other projects	18,055,824	26,568,260
Capital spares and standby equipments	3,137,433	2,748,191
	<u>263,646,624</u>	<u>262,035,712</u>

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2021

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

	Unaudited June 30, 2021	Unaudited June 30, 2020
	----- (Rupees in '000) -----	
Land	-	-
Plant and machinery	11,940,432	9,173,886
Building and civil works including pipelines	2,257,865	518,081
Furniture, fixture and equipment	2,010,876	764,412
Catalyst	-	-
Vehicles	429,302	681,672
Jetty	-	-
Dredging	-	-
	16,638,475	11,138,051

5.2 During the period, operating assets costing Rs. 319,982 (June 30, 2020: Rs. 165,088), having net book value of Rs. 139,218 (June 30, 2020: Rs. 43,155) were disposed / written-off for Rs. 21,998 (June 30, 2020: Rs.22,307).

6. CONTINGENCIES AND COMMITMENTS

6.1 Contingencies

As at June 30, 2021, there is no material change in the status of matters reported as contingencies in audited financial statements of the Group for the year ended December 31, 2020, except for the matter disclosed below:

6.1.1 During the period on February 26, 2021, the Holding Company received an income tax demand amounting to Rs 168 million in relation to the tax year 2015. The demand was made to the Holding Company as the taxation authorities disallowed certain expenses on the basis that no tax was withheld and deposited by the Company on these expenses. The authorities were also unable to verify the amount of capital gain tax paid by the Company on sale of shares during the tax year 2015. Further, the authorities have also demanded super tax @ 3% of the income for tax year 2015 amounting to PKR 38.2 million, which was previously adjusted against advance taxes paid during the tax year. An appeal has been filed by the Holding Company before the CIRA along with the evidences for payment of taxes. The Holding Company in view of the tax consultant's advice is expecting a favourable outcome of the appeal. Charge for super tax was already provided for in the books of account, no further provision is recorded in these financial statements.

6.1.2 During the period on March 31, 2021, the Holding Company received an income tax demand amounting to Rs 160 million in relation to the tax year 2020. The demand was made to the Holding Company as the taxation authorities are of the view that the Holding Company's interest income does not meet the criteria of the 'income from business' and should be treated as 'income from other sources'. As a result of which the common expenses incurred by the Holding Company cannot be allocated to 'income from other sources' resulting in increased tax liability. However, the Holding Company is of the view that the earning interest / money market income is one of the principal revenue streams of the Holding Company and should be treated as 'income from business'. An appeal will be filed by the Holding Company before the CIRA, based on the advice of its tax consultant. No provision against the amount have been recorded in these financial statements.

6.2 Commitments

Commitments in respect of capital and revenue expenditure contracted but not incurred amount to Rs. 13,110,595 (December 31, 2020: Rs 11,939,640).

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2021

7. EARNINGS PER SHARE - BASIC AND DILUTED

	----- (Unaudited) -----	
	Quarter Ended	Six Months Ended
	June 30, 2021	June 30, 2020
	June 30, 2021	June 30, 2020
	----- (Rupees in '000) -----	

There is no dilutive effect on the basic earnings per share of the Group, which is based on:

Profit after taxation (attributable to the owners of the Holding Company)	2,715,019	2,079,295	5,716,272	1,796,831
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		----- (Number in '000) -----		
Weighted average number of ordinary shares	481,287	481,287	481,287	481,287

	----- (Unaudited) -----	
	Six Months Ended	
	June 30, 2021	June 30, 2020
	----- (Rupees in '000) -----	

8. CASH GENERATED FROM OPERATIONS

Profit before taxation	37,853,122	18,628,273
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Adjustment for non-cash charges and other items:

Depreciation and amortization	7,581,134	6,984,433
Gain on disposal / write off of property, plant and equipment	20,719	31,578
Rent concession on lease liability	(12,504)	(31,570)
Gain on termination of lease	-	(19,463)
Impairment loss	(162,985)	253,793
Provision for retirement and other service benefits	115,497	116,630
Provisions, net	(2,898,180)	1,075,832
Income on deposits / other financial assets	(4,080,579)	(5,635,707)
Share of income from joint venture and associated companies	(1,877,288)	(1,143,096)
Dividend income	(164,974)	(56,675)
Finance cost	6,297,442	10,887,448
Reversal of loss booked on sold shares - e2eBE	-	(119,061)
Finance income on net investment in lease	(2,484,394)	(2,718,199)
Finance cost on lease liability	1,776,650	1,964,954
Exchange gain on lease liability	(661,405)	4,032,558
Exchange loss on net investment in lease	681,457	(4,085,774)
(Gain) / Loss on foreign currency translations	(193,596)	1,892,907
Working capital changes (note 8.1)	(17,197,522)	(3,672,725)
	24,592,594	28,386,136

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2021

	----- (Unaudited) ----- Six Months Ended	
	June 30, 2021	June 30, 2020
	----- (Rupees in '000) -----	
8.1 Working capital changes		
(Increase) / decrease in current assets		
- Stores, spares and loose tools	(745,893)	(900,835)
- Stock-in-trade	(10,433,237)	(3,756,786)
- Trade debts	(8,259,862)	(6,749,621)
- Loans, advances, deposits and prepayments	(413,313)	7,124,145
- Other receivables - net	(3,359,031)	1,251,329
	<u>(23,211,336)</u>	<u>(3,031,768)</u>
Decrease in current liabilities		
- Trade and other payables, including other service benefits - net	6,013,814	(640,957)
	<u>(17,197,522)</u>	<u>(3,672,725)</u>
9. CASH AND CASH EQUIVALENTS		
Cash and bank balances	30,864,671	17,655,383
Short term investments	58,357,088	36,099,362
Short term borrowings	(10,414,921)	(11,243,666)
	<u>78,806,838</u>	<u>42,511,079</u>

10. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

10.1 Financial risk factors

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

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

10.2 Fair value estimation

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

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

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2021

	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
Assets				
Financial assets at fair value through profit and loss	-	19,641,397	-	19,641,397
Financial assets through other comprehensive income	145,911	31,937,744	-	32,083,655

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

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

11 TRANSACTIONS WITH RELATED PARTIES

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

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2021

----- (Unaudited) -----
Six Months Ended
June 30, June 30,
2021 2020
----- (Rupees in '000) -----

Associated companies and joint ventures

Purchases and services	23,750,193	23,693,242
Services rendered / sale of goods	6,192	8,628
Dividends received	607,500	270,000
Dividend paid	504,129	280,214
Contribution for Corporate Social Responsibility	120,197	
Payment against EPC contract	-	778,702
Interest on borrowing	1,102,896	1,282,467
Reimbursements from associates	520,703	119,271
Reimbursements to associates	106,952	75,359
Loan received	-	-
Loan paid	547,301	2,766,038
Share capital issued	-	-
Donations	5,720	205,489
Accrued Profit on Loan / Markup on delayed payment	846	

Key Management Personnel

Remuneration paid to key management personnel / directors	900,874	520,800
Reimbursements to key management personnel	1,226	2,019
Dividend paid	441,978	83,981
Profit on Engro Rupiya Certificates	-	-
Directors' fees	55,465	77,954

Contribution for retirement benefits	415,864	394,707
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12. 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.

12.1 Type of segments Nature of business

Fertilizer	This part of the business manufactures, purchases and markets fertilizers. The operations of this segment include a wide range of fertilizer brands, besides urea, which primarily comprises of Engro Zarkhez, Zingro, Engro DAP optimized for local cultivation needs and demand. Further, the segment is a leading importer and seller of phosphate products which are marketed extensively across Pakistan as phosphatic fertilizers.
Polymer	This part of the business manufactures, markets and sells Poly Vinyl Chloride (PVC), PVC compounds, Caustic soda and related chemicals all over Pakistan and few Central Asian countries.
Terminal	This part of the business includes operating and maintaining integrated liquid chemical terminal and storage farm, and LNG terminal for receipt, storage and regasification of LNG.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2021

Power and mining	This part of the business includes power generation, distribution, transmission and sale of electricity in Pakistan and operations and management services in Pakistan and Nigeria.
Other operations	It includes management of investments in associates and joint venture by the Holding Company. It also includes investments made in foods, telecommunications infrastructure and digital and technology services and products.

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

	----- (Unaudited) -----			
	Quarter Ended		Six Months Ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
	----- (Rupees in '000) -----			
Revenue				
Fertilizer	25,915,534	29,911,271	55,359,257	40,702,810
Polymer	14,824,639	5,816,352	30,496,098	12,874,294
Food	-	1,527,281	-	2,526,370
Terminal	3,105,473	3,225,653	6,269,360	6,910,208
Power and mining	21,584,658	21,550,746	42,907,241	43,845,865
Other operations	5,167,916	3,838,546	11,147,740	4,396,436
Elimination - net	(2,050,934)	(3,674,962)	(6,758,861)	(4,083,929)
Consolidated	<u>68,547,286</u>	<u>62,194,887</u>	<u>139,420,835</u>	<u>107,172,054</u>
Profit for the period				
Fertilizer	4,767,700	3,886,076	10,509,127	4,456,840
Polymer	3,122,374	29,782	7,265,344	222,621
Food	-	27,755	-	45,883
Terminal	124,516	489,747	1,146,261	1,572,689
Power and mining	3,676,099	4,025,661	7,694,784	7,898,082
Other operations	7,154,816	5,147,056	10,538,674	3,796,047
Elimination - net	(5,042,489)	(4,076,089)	(8,673,835)	(4,038,351)
Consolidated	<u>13,803,016</u>	<u>9,529,988</u>	<u>28,480,355</u>	<u>13,953,811</u>

	Unaudited June 30, 2021	Audited December 31, 2020
	----- (Rupees in '000) -----	
Assets		
Fertilizer	124,850,092	131,713,375
Polymer	77,124,685	69,093,661
Terminal	60,624,985	62,338,352
Power and mining	227,812,309	214,364,787
Other operations	146,280,748	171,836,844
Elimination - net	(25,851,180)	(48,322,057)
Consolidated	<u>610,841,639</u>	<u>601,024,962</u>

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2021

13. **SEASONALITY**

13.1 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.

13.2 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.

14. **NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE**

14.1 The Board of Directors of the Holding Company in its meeting held on August 25, 2021 has approved an interim cash dividend of Rs. _____ per share for the year ending December 31, 2021 (2020: Rs. 2 per share). This consolidated condensed interim financial information does not include the effect of the said interim dividend.

15. **CORRESPONDING FIGURES**

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

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

16. **DATE OF AUTHORIZATION**

This consolidated condensed interim financial information is authorized for issue on August 25, 2021 by the Board of Directors of the Holding Company.

Inam ur Rahman
Chief Executive

Mohammad Shamoony Chaudry
Chief Financial Officer

Shabbir Hussain Hashmi
Director



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