



Dawood Hercules

MAKING FOOD & ENERGY

AVAILABLE, AFFORDABLE, SUSTAINABLE



QUARTERLY ACCOUNTS (un-audited)
for the quarter and nine months ended September 30, 2017

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. Muneer Kamal - Director
Mr. Hasan Reza Ur Rahim - Director
Mr. Inam ur Rahman - Chief Executive Officer

Board Audit Committee

Mr. M. Abdul Aleem - Chairman
Mr. Shabbir Hussain Hashmi - Member
Mr. Parvez Ghias - 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
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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
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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 nine months ended 30 September 2017.

ECONOMIC REVIEW

The economic report of the SBP states that, Pakistan's economy grew by 5.3 percent in third quarter FY17, up from 4.5 percent growth recorded in FY16. Strong performance was observed in agriculture and services sectors, which grew by 3.5 percent and 6.0 percent respectively in FY17, compared with 0.3 percent and 5.5 percent last year.

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. Whilst the growth is showing signs of recovery, constant pressure on the exchange rate and a weak balance of payment environment is keeping long term optimism in check.

BUSINESS REVIEW

As informed in the last review report, the management based on the approval of the Board of Directors of the Company, is in the process of completing the formalities of the sale of its entire investment held in The Hub Power Company Limited (HUBCO). The Special Transaction Committee and the Board of Directors of the Company has approved the signing of Share Purchase Agreement (SPA) with Kot Addu Power Company Limited (KAPCO) and the said SPA was signed on October 27, 2017. The sale will be made after completion of necessary regulatory and shareholders approvals.

During the period, the Company has signed Sale Purchase Agreement (SPA) and Share Subscription Agreement (SSA) for an investment of PKR 17,430 million as 45% equity investment in edotco Pakistan (Private) Limited (EPPL) together with edotco Group SdnBhd ("edotco") who will be the 55% equity partner in EPPL. EPPL is in the business of integrated telecommunication infrastructure services, providing end to end solutions in the tower service sector from tower leasing, co-location, built to suit, energy, transmission and operation and maintenance. edotco in partnership with the Company has announced the acquisition of approximately 13,000 telecommunication towers ("telcos towers") from Pakistan Mobile Communications Limited ("Jazz") through EPPL. The total transaction consideration for the proposed acquisition is US\$940 million, which will be funded through a combination of debt and equity.

During the period, the Company has entered into an arrangement with JS Bank Limited (JS) for the arrangement and issuance of Islamic Sukuks of PKR 6 billion (inclusive of Green Shoe Option of PKR1 billion). The process of issuance is expected to be finalized by 30 November, 2017.

Our subsidiary Engro Corporation Limited (ECL) on a consolidated basis posted a net revenue of PKR 34,189 million for the third quarter of 2017 as against PKR 41,065 million for the similar period last year, registering a 16% decrease mainly due to the divestment of Engro Foods in December 2016. On an overall basis, the consolidated Revenue for the nine months stood at PKR 86,431 million as against 107,834 million for the similar period last year (Excluding Engro Foods turnover of the previous period, revenue grew by 18%). The improved market fundamentals throughout the period resulted in improved profitability in the fertilizer and petrochemicals businesses. Profitability was also augmented by the steady performances of terminal services and power.

The profit-after-tax (PAT) from continuing operations (excluding foods profit) for the quarter was PKR 4,928 million as against PKR 3,777 million for the similar quarter last year registering an increase of 36%.

FINANCIAL PERFORMANCE

The Group earned a gross profit of PKR 23,948 million for the nine months as compared to a profit of PKR 26,332 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 2,353 million, the profit before tax stood at PKR 20,344 million as against PKR 15,747 million for 2016. Consolidated earnings per share attributable to the owners of the Holding Company was PKR 4.86 per share (2016: PKR 3.51 per share)

On standalone basis, the Company earned a dividend of PKR 3,723 million for the nine months ended 30 September 2017 as against PKR 5,085 million for the same period last year, the decline is due to the lower dividend from the investee companies. After accounting for all expenses, the profit after tax was PKR 2,310 million as against profit of PKR 3,600 million for 2016.

Earnings per share of the Company was PKR 4.80 (2016:7.48).

FUTURE OUTLOOK

The Company with its vision to increase its shareholders value is continually exploring exceptional business and investment opportunities. We firmly believe that our investments should be made in areas that positively impact a large number of people and solve significant problems. The successful sale of our Hubco investment gives us the opportunity to realign our portfolio towards businesses of the future. We also continue to support our subsidiary ECL to achieve its targets within the parameters set by its Board of Directors.

27 October, 2017

Inam ur Rahman
Chief Executive



ہمارے ذیلی ادارے اینگرو کارپوریشن لمیٹڈ (ECL) نے 2017 کی تیسری سہ ماہی کے لیے 34,189 ملین پاکستانی روپے کی انضمام شدہ آمدنی ظاہر کی ہے جب کہ گزشتہ سال اسی عرصہ کے لیے یہ آمدنی 41,065 ملین پاکستانی روپے تھی۔ اس 16 فیصد کمی کی بنیادی وجہ دسمبر 2016 میں اینگرو فوڈز میں سے سرمایہ کا نکالنا تھا۔ مجموعی طور پر، نو ماہ کے لیے انضمام شدہ آمدنی 86,431 ملین پاکستانی روپے رہی جبکہ گزشتہ سال اسی عرصہ میں یہ آمدنی 107,834 ملین پاکستانی روپے تھی (اس میں گزشتہ عرصہ کے لیے اینگرو فوڈز کی آمدنی شامل نہیں تھی جس کی وجہ سے آمدنی میں 18 فیصد اضافہ ہو گیا تھا)۔ تمام عرصہ کے دوران مارکیٹ کے بنیادی شعبوں میں بہتری کے باعث کھاد اور پٹرولیم کیل کے کاروبار کے منافع میں بھی بہتری آئی۔ منافع میں اس بہتری کو توانائی اور ٹریٹل کی کارکردگی میں بہتری سے بھی فائدہ پہنچا۔

فوڈز کے منافع سے قطع نظر، اس سہ ماہی کے لیے بعد از ٹیکس منافع (PAT) 4,928 ملین پاکستانی روپے رہا جو گزشتہ سال اسی سہ ماہی کے لیے 3,777 ملین پاکستانی روپے تھا۔ اس طرح اس میں 36 فیصد اضافہ دیکھا گیا۔

مالی کارکردگی

گروپ نے نو ماہ کے عرصہ میں 23,948 ملین پاکستانی روپے کا منافع حاصل کیا جو گزشتہ سال اسی عرصہ کے لیے 26,332 ملین پاکستانی روپے تھا۔ اس تنزلی کی بنیادی وجہ اینگرو فوڈز کی فروخت تھی۔ ایسوی ایٹ اور جوائنٹ وینچر کمپنیوں سے حاصل ہونے والے 2,535 ملین پاکستانی روپے کے فی حصص منافع کی حساب داری کے بعد قتل از ٹیکس منافع 20,344 ملین پاکستانی روپے رہا جو 2016 کے لیے 15,747 ملین پاکستانی روپے تھا۔ ہولڈنگ کمپنی کے مالکان کی باعث فی حصص کی انضمام شدہ آمدنی 4.86 پاکستانی روپے فی حصص رہی (2016 میں یہ 3.51 پاکستانی روپے فی حصص تھی)۔

کمپنی نے 30 ستمبر، 2017 کو ختم ہونے والے نو ماہ کے عرصہ کے لیے 3,723 ملین پاکستانی روپے کا منافع منقسمہ حاصل کیا جو گزشتہ سال اسی عرصہ کے لیے 5,085 ملین پاکستانی روپے تھا۔ منافع منقسمہ میں اس کمی کی وجہ جن کمپنیوں میں سرمایہ کاری کی گئی تھی (investee companies) کی جانب سے کم منافع منقسمہ کی وصولی تھی۔ تمام اخراجات کی حساب داری کے بعد بعد از ٹیکس منافع 2,310 ملین پاکستانی روپے رہا جو 2016 میں 3,600 ملین پاکستانی روپے تھا۔

کمپنی کی فی حصص / شیئر آمدنی 4.80 فی حصص رہی (2016 میں یہ آمدنی 7.48 روپے تھی)۔

مستقبل کے امکانات

کمپنی اپنے کاروباری تصور کے پیش نظر اپنے حصص یافتگان کی سرمایہ کاری میں اضافہ کے لیے مسلسل کوشاں ہے جس میں نئی اور جدت پسند سرمایہ کاری کے مواقع تلاش کرنا شامل ہے۔ ہمیں پختہ یقین ہے کہ ہم ایسے کاروبار میں سرمایہ کاری کریں گے جس سے عوام پر مثبت اثرات مرتب ہوں گے اور اہم مسائل حل کرنے میں مدد ملے گی۔ جبکہ کامیاب فروخت ہمیں مزید کاروباری مواقع تلاش کرنے میں مدد دے گی اور اس سلسلہ میں خصوصی ادارے اینگرو فوڈز لمیٹڈ (ECL) کی مسلسل اعانت بھی جاری ہے تاکہ بورڈ آف ڈائریکٹرز کی جانب سے طے کیے گئے معیارات (parameters) میں رہتے ہوئے اہداف حاصل کیے جاسکیں۔

انعام الرحمن

چیف ایگزیکٹو

27 اکتوبر، 2017

ڈائریکٹرز کی جائزہ رپورٹ

کمپنی کے ڈائریکٹرز نہایت مسرت کے ساتھ 30 ستمبر 2017 کو ختم ہونے والی سہ ماہی اور نو ماہ کے عرصہ کے لئے کمپنی کے غیر پڑتال شدہ، غیر انضمام شدہ، مختصر مالی گوشوارے مع گروپ کے غیر پڑتال شدہ، انضمام شدہ، عبوری مالی/مالیاتی گوشوارے پیش کر رہے ہیں۔

معیشت کا جائزہ

اسٹیٹ بینک آف پاکستان کی رپورٹ کے مطابق مالی سال 2017 کی تیسری سہ ماہی کے دوران پاکستان کی معیشت میں 5.3 فیصد کا اضافہ ہوا ہے جبکہ مالی سال 2016 میں یہ اضافہ 4.5 فیصد تھا۔ زراعت اور خدمات کے شعبوں میں عمدہ کارکردگی دیکھی گئی جن میں مالی سال 2017 کے دوران بالترتیب 3.5 فیصد اور 6.0 اضافہ ہوا جبکہ مالی سال 2016 کے دوران ان ہی شعبوں میں اضافہ کی شرح بالترتیب 0.3 فیصد اور 5.5 فیصد تھی۔

مالی سال 2017 کے دوران، صنعتی شعبہ میں ترقی کی شرح 5.0 فیصد رہی جو گزشتہ برس 5.8 فیصد تھی۔ اس کی بنیادی وجہ کان کنی، کھدائی، بجلی اور گیس کے صنعتی شعبوں میں ترقی کی شرح میں کمی تھی۔ اس کے برخلاف بڑے پیمانے کے پیداواری سکٹر (LSM) میں، جو صنعت کا اہم حصہ ہے، مالی سال 2017 کے دوران 4.9 فیصد کا اضافہ ہوا جبکہ گزشتہ سال اسی شعبہ میں ترقی کی شرح 2.9 فیصد تھی۔ اگرچہ معیشت نے عمومی علامات ظاہر کی ہیں لیکن شرح مبادلہ پر مسلسل دباؤ اور کمزور توازن ادائیگی کے ماحول نے طویل المیعاد امیدوں کو بڑھانے سے روک رکھا۔

کاروبار کا جائزہ

جیسا کہ گزشتہ جائزہ رپورٹ میں بتایا گیا تھا، کمپنی کے بورڈ آف ڈائریکٹرز کی منظوری کے بعد کمپنی نے حب پاور کمپنی لمیٹڈ (HUBCO) میں کی گئی تمام سرمایہ کاری کی فروخت کے لیے ضابطہ کارروائی مکمل کرنے کے مرحلہ میں ہے۔ دوسری جانب کمپنی کے بورڈ آف ڈائریکٹرز کی قائم کردہ انجینئرنگ ٹرانزیکشن کمیٹی نے کوٹ ادو پاور کمپنی لمیٹڈ (KAPCO) کے ساتھ شیئر پرچیز ایگریمنٹ (SPA) پر دستخط کرنے کی منظوری دی جس کے نتیجے میں شیئر پرچیز ایگریمنٹ پر 27 اکتوبر 2017 کو دستخط کیے گئے۔ فروخت کا مکمل ریگولیٹری اور حصص یافتگان سے منظوری کے بعد مکمل کیا جائے گا۔

کمپنی نے ای ڈاٹ کو پاکستان پرائیویٹ لمیٹڈ (edotco Pakistan Private Limited; EPPL) میں 45 فیصد ایکیویٹی انویسٹمنٹ کے طور پر 17,430 ملین کی سرمایہ کاری کے لیے سیل پرچیز ایگریمنٹ (SPA) اور شیئر سبسکرپشن ایگریمنٹ (SSA) پر ای ڈاٹ کو گروپ (edotco Group Sdn Bhd) کے ساتھ دستخط کیے۔ ای ڈاٹ کو اس میں 55 فیصد ایکیویٹی کے شراکت دار ہوں گے۔ ای ڈاٹ کو پاکستان پرائیویٹ لمیٹڈ (EPPL) انٹیگریٹڈ ٹیلی کمیونیکیشن انفراسٹرکچر سروسز (Integrated telecommunication infrastructure services) کا کاروبار کرتی ہے اور ٹاورسوں سکٹر میں ٹاور لیزنگ، کو-لوکیشن، بلٹ ٹو سوٹ (built to suit)، توانائی، ترسیل اور آر بی سی اور مینیجمنٹ کے اینڈ-ٹو-اینڈ سولوشنز فراہم کرتی ہے۔ ای ڈاٹ کو نے EPPL کے ذریعے کمپنی کی شراکت میں پاکستان موبائل کمیونیکیشنز لمیٹڈ ("جاز") سے تقریباً 13,000 ٹیلی کمیونیکیشن ٹاورز ("telco towers") خریدنے کا اعلان کیا ہے۔ مجوزہ حصول کی کل مالیت 940 ملین امریکی ڈالرز ہوگی جس کے رقم قرض اور ایکیویٹی کے combination کے ذریعے مشترکہ طور پر فراہم کی جائے گی۔

کمپنی نے جے ایس بینک لمیٹڈ (JS) کے ساتھ بھی ایک معاہدہ کیا جس کے تحت 6 ارب پاکستانی روپے کے اسلامی شکوک جاری اور ان کے انتظام کیے جائیں گے۔ اس میں ایک ارب پاکستانی روپے کا گرین شو آپشن (green shoe option) بھی شامل ہوگا۔ توقع ہے کہ اجراء کا مکمل 30 نومبر 2017 تک مکمل ہو جائے گا۔



Unconsolidated Condensed Interim Balance Sheet

As at September 30, 2017

	Note	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
----- (Rupees in '000) -----			
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	6	164,282	125,761
Long term investment	1.3 & 7	23,308,927	37,478,025
		23,473,209	37,603,786
CURRENT ASSETS			
Advance, deposits and prepayment	8	1,706,587	44,604
Dividend receivable		1,364,808	-
Other receivables		6,768	15,735
Cash and bank balances		5,121	286,288
		3,083,284	346,627
Investment held for sale	9	14,169,098	-
TOTAL ASSETS		40,725,591	37,950,413
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital		10,000,000	10,000,000
Issued, subscribed and paid up share capital		4,812,871	4,812,871
Revenue reserves		26,413,246	26,025,985
		31,226,117	30,838,856
NON CURRENT LIABILITIES			
Long term financing	10	2,500,000	3,125,000
Defined benefit liability	11	1,538	2,049
		2,501,538	3,127,049
CURRENT LIABILITIES			
Current maturity of long term finance		1,250,000	764,143
Short term finance	12	5,020,715	2,868,932
Trade and other payables	13	31,655	150,086
Unclaimed dividend		98,306	95,902
Accrued mark-up		166,707	99,640
Taxation - net		430,553	5,805
		6,997,936	3,984,508
TOTAL EQUITY AND LIABILITIES		40,725,591	37,950,413
CONTINGENCIES AND COMMITMENTS			
	14		

The annexed notes 1 to 22 form an integral part of these 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

For the Quarter and Nine Months ended September 30, 2017

	Note	Quarter ended		Nine Months ended	
		September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
		------(Rupees in '000)-----			
Dividend income	15	1,364,808	1,364,808	3,723,598	5,085,135
Administrative expenses		<u>(104,952)</u>	<u>(134,651)</u>	<u>(363,299)</u>	<u>(544,253)</u>
Gross profit		1,259,856	1,230,157	3,360,299	4,540,882
Other operating expenses		-	(612)	-	(1,272)
Other income		<u>279</u>	<u>1,334</u>	<u>831</u>	<u>10,039</u>
Operating profit		1,260,135	1,230,879	3,361,130	4,549,649
Finance cost		<u>(129,209)</u>	<u>(84,888)</u>	<u>(358,070)</u>	<u>(254,488)</u>
Profit before taxation		1,130,926	1,145,991	3,003,060	4,295,161
Taxation		<u>(204,721)</u>	<u>(170,602)</u>	<u>(692,500)</u>	<u>(695,012)</u>
Profit after taxation		<u>926,205</u>	<u>975,389</u>	<u>2,310,560</u>	<u>3,600,149</u>
Earnings per share (Rupees)					
- basic and diluted	16	<u>1.92</u>	<u>2.03</u>	<u>4.80</u>	<u>7.48</u>

The annexed notes 1 to 22 form an integral part of these condensed interim financial statements

Inam ur Rahman
Chief Executive Officer

Shafiq Ahmed
Chief Financial Officer

M. Abdul Aleem
Director

Unconsolidated Condensed Interim Statement of Comprehensive Income - Unaudited

For the Quarter and Nine Months ended September 30, 2017



	Quarter ended		Nine months ended	
	September	September	September	September
	30, 2017	30, 2016	30, 2017	30, 2016
	----- (Rupees in '000) -----			
Profit after taxation	926,205	975,389	2,310,560	3,600,149
Other comprehensive income for the period				
Items that will not be reclassified to profit & loss				
Remeasurements of post-retirement benefits	1,844	-	1,844	(4,116)
Other comprehensive income for the period	1,844	-	1,844	(4,116)
Total comprehensive income for the period	<u>928,049</u>	<u>975,389</u>	<u>2,312,404</u>	<u>3,596,033</u>

The annexed notes 1 to 22 form an integral part of these 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

For the Nine Months ended September 30, 2017

	Issued, subscribed and paid up share capital	Revenue reserves		Sub-total	Total
		General reserve	Un- appropriated profit		
	------(Rupees in '000)-----				
Balance as at January 1, 2016	4,812,871	700,000	28,282,384	28,982,384	33,795,255
Total comprehensive income					
Profit after taxation	-	-	3,600,149	3,600,149	3,600,149
Other comprehensive loss	-	-	(4,116)	(4,116)	(4,116)
Total comprehensive income for the period	-	-	3,596,033	3,596,033	3,596,033
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 : 115% (Rs 11.5 / per ordinary share)	-	-	(5,534,801)	(5,534,801)	(5,534,801)
Balance as at September 30, 2016	4,812,871	700,000	24,418,468	25,118,468	29,931,339
Balance as at January 1, 2017	4,812,871	700,000	25,325,990	26,025,990	30,838,861
Total comprehensive Income					
Profit after taxation	-	-	2,310,560	2,310,560	2,310,560
Other comprehensive income	-	-	1,844	1,844	1,844
Total comprehensive income for the period	-	-	2,312,404	2,312,404	2,312,404
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)
Balance as at September 30, 2017	4,812,871	700,000	25,713,246	26,413,246	31,226,117

The annexed notes 1 to 22 form an integral part of these 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

For the Nine Months ended September 30, 2017



		For the Period ended	
	Note	September 30, 2017	September 30, 2016
------(Rupees in '000)-----			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash utilized in operations	17	(2,107,608)	(639,897)
Finance cost paid		(291,003)	(231,357)
Taxes paid		(267,752)	(413,461)
Employees retirement and other service benefits paid		(2,916)	(2,712)
Net cash utilized in operating activities		(2,669,279)	(1,287,427)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(61,158)	(21,444)
Profit received from bank deposits		248	8,730
Proceeds from disposal of fixed assets		336	777
Dividends received		2,358,790	3,720,327
Net cash generated from investing activities		2,298,216	3,708,390
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term finance repaid		(139,143)	(103,442)
Dividends paid		(1,922,744)	(3,120,382)
Net cash utilized in financing activities		(2,061,887)	(3,223,824)
Net decrease in cash and cash equivalents		(2,432,950)	(802,861)
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	18	(5,015,594)	(226,610)

The annexed notes 1 to 22 form an integral part of these 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

For the Nine Months ended September 30, 2017

1. LEGAL STATUS AND OPERATIONS

- 1.1 Dawood Hercules Corporation Limited (the Company) was incorporated in Pakistan on April 17, 1968 as a public limited company under the Companies Act, 1913 (now Companies Act, 2017) (the 'Act') and its shares are quoted on Pakistan Stock Exchanges (PSX). The principal activity of the Company is to manage investments 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 various options which among others include the 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.
- 1.4 On August 29, 2017, the Board of Directors of the Company approved the signing of Shareholders Agreement (SHA) and Share Subscription Agreement (SSA) for an investment of Rs 17,430 million as 45% equity investment in edotco Pakistan (Private) Limited (EPPL) together with edotco Group Sdn Bhd ("edotco") who will be the 55% equity partner in EPPL. EPPL is in the business of integrated telecommunication infrastructure services, providing end to end solutions in the tower service sector from tower leasing, co location, built to suit, energy, transmission and operation and maintenance. edotco in partnership with the Company has announced the acquisition of approximately 13,000 telecommunication towers ("telcos towers") from Pakistan Mobile Communications Limited ("Jazz") through EPPL.

edotco, through Tanzanite Tower (Private) Limited, a wholly owned subsidiary of EPPL has entered into an agreement with Jazz to acquire its telcos tower subsidiary, Deodar Private Limited ("Deodar") and its portfolio of over 13,000 tower assets. The total transaction consideration for the proposed acquisition is USD 940 million, which will be funded through a combination of debt and equity.

The Company, Pakistan Mobile Communication Limited (Jazz), Tanzanite Tower (Private) Limited (Tanzanite) and Habib Bank Limited (HBL) signed an Escrow Agreement for the opening of Escrow Account with HBL for the deposit of share subscription money in the Escrow Account. The money will be paid to the Jazz upon completion of the conditions set out in the SPA and payment instructions will be signed jointly by the Jazz, Tanzanite and the Company.

Notes to and forming part of the Unconsolidated Condensed Interim Financial Statements

For the Nine Months ended September 30, 2017



2. BASIS OF PREPARATION AND PRESENTATION

- 2.1 These unconsolidated condensed interim financial statements of the Company for the nine months period ended September 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 Repealed 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 October 04, 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 statement of financial position as at September 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 nine months period then ended. These unconsolidated condensed interim financial statements also include the condensed interim profit and loss account for the quarter ended September 30, 2017.
- 2.4 The comparative statement of financial position 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 nine months ended September 30, 2016 have been extracted from the unconsolidated condensed interim financial statements of the Company for the nine months then ended. The comparative condensed interim profit and loss account for the quarter ended September 30, 2016 is also included in these unconsolidated condensed interim financial statements.

3. ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of these unconsolidated condensed interim financial statements are the same as those applied in the preparation of the financial statements for the year ended December 31, 2016.

Notes to and forming part of the Unconsolidated Condensed Interim Financial Statements

For the Nine Months ended September 30, 2017

- 3.1 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

For the Nine Months ended September 30, 2017



	Note	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
		----- (Rupees in '000) -----	
6. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	6.1	139,888	96,461
Capital work in progress - advance to supplier		24,394	29,300
		<u>164,282</u>	<u>125,761</u>
6.1 Net book value at the beginning of the period / year		96,461	117,733
Add: Additions during the period / year	6.1.1	66,070	5,466
		<u>162,531</u>	<u>123,199</u>
Less: Disposals during the period / year			
- net book value	6.1.2	192	2,797
Depreciation charged during the period / year		22,451	23,941
		<u>22,643</u>	<u>26,738</u>
Net book value at the end of the period / year		<u>139,888</u>	<u>96,461</u>
6.1.1 Additions during the period / year			
Leasehold improvements		172	274
Furniture, fittings and equipment		267	2,142
Motor vehicles		64,640	-
Data processing equipment / communication devices		991	3,050
		<u>66,070</u>	<u>5,466</u>
6.1.2 Disposals during the period / year - net book value			
Motor vehicles		21	2,234
Data processing equipment / communication devices		171	563
		<u>192</u>	<u>2,797</u>
7. LONG TERM INVESTMENTS			
Investment in subsidiary company	7.1	23,308,927	23,308,927
Investment in associates - quoted	1.3 & 9	-	14,169,098
Other at cost- e2e Business Enterprise (Private) Limited-unquoted	7.2	-	-
		<u>23,308,927</u>	<u>37,478,025</u>

Notes to and forming part of the Unconsolidated Condensed Interim Financial Statements

For the Nine Months ended September 30, 2017

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

7.1 Investment in subsidiary company

Engro Corporation Limited - quoted		
194,972,555 (December 31, 2016: 194,972,555)	23,308,927	23,308,927
ordinary shares of Rs 10 each	<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 September 30, 2017 was Rs 59,094 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 September 30, 2017			As at December 31, 2016		
Bank	Number of shares pledged	Face value of pledged shares	Market value of pledged shares	Number of shares pledged	Face value of pledged shares	Market value of pledged shares
	(in '000)	----- (Rupees in '000) -----		(in '000)	----- (Rupees in '000) -----	
Pledged in favor of Fatima Fertilizer Company Limited against potential liabilities of ex subsidiary DHFL (Now Fatima fert)						
"Meezan Bank Limited - as agent"	15,131	151,308	4,585,994	15,131	151,308	4,782,695

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

7.2 Other investment

e2e Business Enterprises (Private) Limited		
11,664,633 (December 31, 2016: 11,664,633)		
ordinary shares of Rs 10 each	7.2.1	95,713
Less: impairment loss		(95,713)
		<u>-</u>

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

Notes to and forming part of the Unconsolidated Condensed Interim Financial Statements

For the Nine Months ended September 30, 2017



- 7.2.1** During the year 2016, the Company reassessed its investment in e2eBE and due to the fact that e2eBE has not been able to commence its commercial operation completely 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.

8. ADVANCE, DEPOSITS AND PREPAYMENTS

This includes Rs 1,653.75 million being the initial escrow amount paid in the Escrow Account maintained with the Habib Bank Limited (the "Escrow Agent") out of the total 45% equity investment share of Rs 17,430 million in edotco Pakistan (Private) Limited as more fully explained in note 1.4 to these condensed interim financial statements.

9. INVESTMENT HELD FOR SALE

- 9.1** 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	September 30, 2017 (Unaudited) ----- (Rupees in '000) -----	December 31, 2016 (Audited)
9.2	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>14,169,098</u>
		<u>14,169,098</u>	<u>14,169,098</u>

Percentage of holding 14.91% (December 31, 2016: 14.91%)

- 9.2.1** 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.
- 9.2.2** The market value of investment in HUBCO as at September 30, 2017 was Rs 19,296 million (December 31, 2016: Rs 21,310 million).

Notes to and forming part of the Unconsolidated Condensed Interim Financial Statements

For the Nine Months ended September 30, 2017

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

	As at September 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) -----	
Pledged against financing facilities availed by the Company"						
Long term:						
Allied Bank Limited	72,789	727,890	8,138,538	82,570	825,700	10,195,744
Short term:						
Bank AL Habib Limited	20,256	202,560	2,264,823	20,256	202,560	2,501,211
Habib Metropolitan Bank Limited	27,861	278,610	3,115,138	25,850	258,500	3,191,958
MCB Islamic Bank Limited	13,500	135,000	1,509,435	4,762	47,620	588,012
United Bank Limited	15,182	151,815	1,697,444	16,182	161,815	1,998,092
	<u>149,588</u>			<u>149,620</u>		

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

10. LONG TERM FINANCING

Balance as at January 1			
Long term finance	10.1	139,143	242,585
Syndicate term finance	10.2	3,750,000	3,750,000
		<u>3,889,143</u>	<u>3,992,585</u>
Repayments during the period / year		(139,143)	(103,442)
		<u>3,750,000</u>	<u>3,889,143</u>
Less : Current portion of long term financing		(1,250,000)	(764,143)
		<u>2,500,000</u>	<u>3,125,000</u>

10.1 This represents outstanding portion of long term finance facility under mark-up arrangement from Allied Bank Limited aggregating 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 9.2.3 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 is repaid in full on due date.

Notes to and forming part of the Unconsolidated Condensed Interim Financial Statements

For the Nine Months ended September 30, 2017



- 10.2** This represents utilized portion of syndicated term finance facility of Rs 4,000 million (December 31, 2016: 4,000 million) obtained from a syndicate of banks led by Allied Bank Limited as investment agent. The facility is secured against shares of HUBCO at a 50% margin as more fully explained in note 9.2.3. 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 commencing from May 2017.

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

11. DEFINE BENEFIT LIABILITY

- Funded gratuity
- Unfunded gratuity

(763)	518
2,301	1,531
1,538	2,049

12. SHORT TERM RUNNING FINANCE

Running finance under mark-up arrangement	12.1	<u>5,020,715</u>	<u>2,868,932</u>
---	------	-------------------------	-------------------------

- 12.1** 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 September 30, 2017 was Rs 480 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 9.2.3. The rates of mark-up applicable to the facilities range from three months KIBOR plus 10 basis points to three months KIBOR plus 65 basis points (2016: three months KIBOR plus 65 basis points to three months KIBOR plus 75 basis points).

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

13. TRADE AND OTHER PAYABLES

- Creditors
- Accrued expenses
- Others

102	161
31,465	149,856
88	69
<u>31,655</u>	<u>150,086</u>

Notes to and forming part of the Unconsolidated Condensed Interim Financial Statements

For the Nine Months ended September 30, 2017

14. CONTINGENCIES AND COMMITMENTS

14.1 Contingencies

There were no change in the status of contingencies and commitments since December 31, 2016 except for the following:

- 14.1.1** 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 was filled 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.
- 14.1.2** 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-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.

Subsequent to the period end, the Commissioner, Inland Revenue has filed an appeal with Appellate Tribunal against the Order passed by the CIRA, the management is confident that the matter will be decided in its favor.

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

14.2 Commitments

Commitments in respect of operating lease
not later than one year

<u>23,142</u>	<u>10,766</u>
---------------	---------------

- 14.2.1** 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.

For the Nine Months ended September 30, 2017 21

Notes to and forming part of the Unconsolidated Condensed Interim Financial Statements

For the Nine Months ended September 30, 2017

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

For the Period ended
September 30, September 30,
2017 2016
(Unaudited)
----- (Rupees in '000) -----

- 17.2 Working capital changes

(Increase) / decrease in current assets		
Advance, deposits and prepayment	(1,661,983)	(13,234)
Other receivables	8,967	113,940
	<u>(1,653,016)</u>	<u>100,706</u>
Decrease in trade and other payables	(118,433)	(319,072)
	<u>(1,771,449)</u>	<u>(218,366)</u>

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

- 17.2.2 These deposits and prepayments does not carry any markup.

For the Period ended
September 30, September 30,
2017 2016
(Unaudited)
----- (Rupees in '000) -----

18. Cash and Cash equivalent

Cash at bank	5,121	850,792
Short term running finance	(5,020,715)	(1,077,402)
	<u>(5,015,594)</u>	<u>(226,610)</u>

19. FINANCIAL RISK MANAGEMENT AND FINANCIAL DISCLOSURES

- 19.1 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

For the Nine Months ended September 30, 2017



19.2 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.

20. RELATED PARTY TRANSACTIONS

Significant transactions with related parties are as follows:

Note	For the Period ended	
	September 30, 2017	September 30, 2016
	(Unaudited)	
	----- (Rupees in '000) -----	
Subsidiary company		
Reimbursement of expenses by the Company	504	-
Reimbursement of expenses to the Company	-	3,130
Sale of goods and services	1,261	-
Dividend income	3,119,561	3,704,479
Associates		
Purchase of goods and services	23,305	18,455
Sale of goods and services	5,202	4,218
Dividend income	604,037	1,380,656
Reimbursement of expenses from associates	16,544	6,012
Reimbursement of expenses to associates	5,655	2,502
Advances and deposits	27,411	-
Membership fee and other subscriptions	-	-
Key management personnel		
Salaries and other short term employee benefits	175,938	217,843
Post retirement benefit plans	8,173	-
Sales of assets	118	777
Other related parties		
Reimbursement of expense to the Company	-	825
Membership fee and other subscriptions	838	4
Contribution to staff gratuity fund	3,479	5,140
Contribution to staff provident fund	5,254	9,255

Notes to and forming part of the Unconsolidated Condensed Interim Financial Statements

For the Nine Months ended September 30, 2017

21. GENERAL

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

21.2 These unconsolidated condensed interim financial statements were authorised for issue by the Board of Directors on October 27, 2017.

22. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

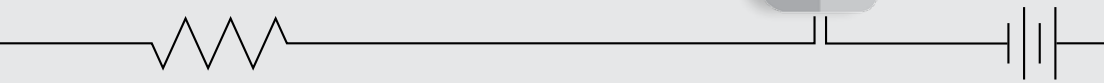
The Board of Directors in its meeting held on October 27, 2017 has approved an interim cash dividend of Rs Nil per share (2016: Rs 2 per share) for the nine months ended September 30, 2017. These financial statements do not recognise the said interim dividend from unappropriated profit as it has been declared subsequent to balance sheet.

Inam ur Rahman
Chief Executive Officer

Shafiq Ahmed
Chief Financial Officer

M. Abdul Aleem
Director

Consolidated
Condensed Interim
Financial Statements



Consolidated Condensed Interim Balance Sheet

As at September 30, 2017

(Amounts in thousand)

		Consolidated	
		Unaudited	Audited
	Note	September 30, 2017	December 31, 2016
------(Rupees)-----			
ASSETS			
Non-current assets			
Property, plant and equipment	5	142,959,705	131,534,255
Intangible assets		4,739,964	4,722,835
Deferred taxation		111,339	577,471
Long term investments	6	32,147,779	40,687,857
Long term loans and advances		8,032,458	9,850,501
		<hr/> 187,991,245	<hr/> 187,372,919
Current assets			
Stores, spares and loose tools		7,607,719	7,148,040
Stock-in-trade		13,391,879	10,704,311
Trade debts		16,181,861	13,733,482
Loans, advances, deposits and prepayments	1.2 & 7	3,204,449	1,435,101
Other receivables		11,153,926	9,584,214
Accrued Income		377,087	426,268
Short term investments		61,510,583	64,725,527
Cash and bank balances		7,858,768	6,186,667
		<hr/> 121,286,272	<hr/> 113,943,610
Investment held for sale	1.3.1 & 8	6,611,467	-
TOTAL ASSETS		<hr/> 315,888,984	<hr/> 301,316,529



Consolidated Condensed Interim Balance Sheet

As at September 30, 2017

(Amounts In thousand)

	Note	Unaudited September 30, 2017	Audited December 31, 2016
		------(Rupees)-----	
EQUITY AND LIABILITIES			
Equity			
Share capital		4,812,871	4,812,871
Revaluation reserve on business combination		12,143	16,857
Maintenance reserve		60,117	60,117
Exchange revaluation reserve		10,435	6,192
Hedging reserve		(31,381)	(32,730)
General reserve		700,000	700,000
Unappropriated profit		48,639,163	48,142,424
Share of income of associate		(1,315)	(3,435)
Remeasurement of post-employment benefits		(16,030)	(17,874)
		49,373,132	48,871,551
		54,186,003	53,684,422
Non-controlling interest	9	121,117,343	119,277,999
Total Equity		175,303,346	172,962,421
Liabilities			
Non-current liabilities			
Borrowings	10	66,785,364	63,734,743
Derivative financial instruments		-	2,107
Deferred taxation		8,547,433	8,982,706
Deferred liabilities		128,008	198,720
Staff retirement and other service benefits		1,538	-
		75,462,343	72,918,276
Current liabilities			
Trade and other payables		33,101,807	32,107,059
Accrued interest / mark-up		1,788,710	1,238,061
Current portion of :			
- borrowings		13,254,918	13,272,722
- deferred liabilities		92,072	101,790
Taxes payable		-	62,028
Short term borrowings	11	10,211,678	8,404,519
Dividend Payable		3,761,657	-
Unclaimed dividends		377,069	-
Derivative financial instruments		713	249,653
Provision for taxation		2,534,671	-
		65,123,295	55,435,832
Total Liabilities		140,585,638	128,354,108
Contingencies and Commitments	12		
TOTAL EQUITY AND LIABILITIES		315,888,984	301,316,529

The annexed notes 1 to 25 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 Nine Months ended September 30, 2017

(Amounts in thousand except for earnings per share)

		Quarter ended		Nine months ended	
		September	September	September	September
		30, 2017	30, 2016	30, 2017	30, 2016
	Note	------(Rupees)-----			
Net sales		34,189,934	41,065,515	86,431,266	107,834,006
Cost of sales		(24,916,999)	(32,192,736)	(62,483,033)	(81,501,983)
Gross profit		9,272,935	8,872,779	23,948,233	26,332,023
Selling and distribution expenses		(1,832,009)	(2,798,934)	(5,295,825)	(7,508,528)
Administrative expenses		(1,102,838)	(1,104,091)	(3,008,025)	(3,597,235)
		6,338,088	4,969,754	15,644,383	15,226,260
Other income	14	2,013,396	2,813,135	7,631,822	5,586,899
Other operating expenses		(543,137)	(410,125)	(1,299,827)	(1,272,896)
Finance cost		(1,176,401)	(1,518,868)	(3,985,103)	(4,746,525)
Share of income from associates & joint ventures		902,134	(515,363)	2,353,315	953,736
Profit before taxation		7,534,080	5,338,533	20,344,590	15,747,474
Taxation	15	(2,622,265)	(2,243,550)	(8,932,617)	(5,910,339)
Profit for the period		4,911,815	3,094,983	11,411,973	9,837,135
Profit attributable to:					
- continuing operations		4,911,815	2,461,529	11,411,973	7,242,351
- discontinued operations		-	633,454	-	2,594,784
		<u>4,911,815</u>	<u>3,094,983</u>	<u>11,411,973</u>	<u>9,837,135</u>
Profit attributable to:					
- Owners of the Holding Company		1,151,768	751,033	2,340,478	1,709,544
- Non-controlling interest		3,760,047	2,343,950	9,071,495	8,127,591
		<u>4,911,815</u>	<u>3,094,983</u>	<u>11,411,973</u>	<u>9,837,135</u>
Earnings per share	16				
- Basic		2.39	1.56	4.86	3.51
- Continuing operations		2.39	1.13	4.86	1.81
- Discontinued operations		-	0.43	-	1.75
- Diluted		2.39	1.56	4.86	3.51
- Continuing operations		2.39	1.13	4.86	1.76
- Discontinued operations		-	0.43	-	1.75

The annexed notes 1 to 25 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 Nine Months ended September 30, 2017

(Amounts in thousand)

	Quarter ended		Nine months ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
	-(Rupees)-			
Profit for the period	4,911,815	3,094,983	11,621,973	9,837,135
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss				
Hedging reserve - cash flow hedges				
- Losses arising during the period	(713)	(41,225)	(11,620)	(158,827)
- Reclassification adjustments for losses included in profit or loss	988	41,490	4,991	166,987
- Adjustments for amounts transferred to initial carrying amount of hedged items	-	-	10,886	-
	275	265	4,257	8,160
Share of other comprehensive income of associate	(171)	-	2,120	416
Revaluation reserve on business combination	(5,252)	(5,095)	(15,753)	(15,753)
Exchange differences on translation of foreign operations	-	-	-	-
	10,526	(7,500)	11,401	(12,264)
	5,274	(12,595)	(4,352)	(28,017)
Income tax relating to:				
- Hedging reserve - cash flow hedges	-	(831)	(632)	(6,607)
- Revaluation reserve on business combination	1,681	1,524	5,041	5,041
	1,681	693	4,409	(1,566)
	7,059	(11,637)	6,434	(21,007)
Items that will not be reclassified to profit or loss				
Remeasurement of post employment benefits obligation	-	52	1,844	(4,600)
Deferred tax charge relating to revaluation of equity	-	-	-	-
	-	52	1,844	(4,600)
	7,059	(11,585)	8,278	(25,607)
Total Comprehensive income for the period	4,918,874	3,083,398	11,420,251	9,811,528
Total comprehensive income attributable to:				
- Owners of the Holding Company	1,246,389	748,222	2,329,687	1,698,331
- Non-controlling interest	5,925,652	2,335,176	9,090,564	8,113,197
	7,172,041	3,083,398	11,420,251	9,811,528

The annexed notes 1 to 25 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

Attributable to owners of the Holding Company

form an integral part of this consolidated condensed interim financial information 25 to 1 The annexed notes

M. Abdul Aleem
Director

Consolidated Condensed Interim Cash Flow Statement - Unaudited

For the Nine Months ended September 30, 2017



(Amounts in thousand)

		Nine months period ended	
	Note	September 30, 2017	September 30, 2016
		------(Rupees)-----	
Cash flows from operating activities			
Cash generated from / (utilized in) operations	17	14,965,842	(280,461)
Retirement and other service benefits paid		(149,068)	(92,046)
Finance cost paid		(4,394,641)	(4,445,494)
Taxes paid		(4,320,128)	(3,324,277)
Payment against provision for contractual commitments		-	(23,604)
Long term loans and advances - net		(16,517)	(7,982,701)
Discontinued operations		-	3,448,277
Net cash generated from / (utilized in) operating activities		6,085,488	(12,700,306)
Cash flows from investing activities			
Purchase of property, plant and equipment (PPE) and biological assets		(15,592,363)	(19,652,294)
treasury bills		(29,054,505)	(13,006,209)
Sale proceeds on disposal of PPE and biological assets		29,236	33,839
Proceeds on disposal of investments		61,422,487	20,611,199
Income on deposits / other financial assets		2,878,568	806,403
Placement of term deposits		-	(4,005,000)
Proceeds from short term investments		-	242,300
Investment made during the period		(144,838)	-
Dividends received		4,429,797	2,100,656
Discontinued operations		-	(864,838)
Net cash generated from / (utilised in) investing activities		23,968,382	(13,733,944)
Cash flows from financing activities			
Proceeds from borrowings - net		7,530,210	18,333,281
Repayment of short term borrowing - net		(1,100,000)	(525,300)
Proceeds from issuance of shares		1,067,874	10,398,234
Share issuance cost		(8,217)	(560,100)
Proceeds from advance against issue of right shares to NCI		-	839,070
Repayment against Engro Islamic Rupiya Certificates		(3,000,000)	-
Unclaimed dividend		-	(16,321)
Dividends paid		(6,625,757)	(8,159,268)
Discontinued operations		-	(2,462,938)
Net cash (utilised in) / generated from financing activities		(2,135,890)	17,846,658
Net increase/(decrease) in cash and cash equivalents		27,917,980	(8,587,592)
Cash and cash equivalents at beginning of the period		25,896,896	11,832,739
Cash and cash equivalents at end of the period	18	53,814,876	3,245,147

The annexed notes 1 to 25 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 and forming part of the Consolidated Condensed Interim Financial Statements

For the Nine Months ended September 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 (the 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.

edotco Pakistan (Private) Limited

- 1.2 On August 29, 2017, the Board of Directors of the Company approved the signing of Sale Purchase Agreement (SPA) and Share Subscription Agreement (SSA) for an investment of Rs 17,430 million as 45% equity investment in edotco Pakistan (Private) Limited (EPPL) together with edotco Group Sdn Bhd ("edotco") who will be the 55% equity partner in EPPL. EPPL is in the business of integrated telecommunication infrastructure services, providing end to end solutions in the tower service sector from tower leasing, co location, built to suit, energy, transmission and operation and maintenance. edotco in partnership with the Company has announced the acquisition of approximately 13,000 telecommunication towers ("telcos towers") from Pakistan Mobile Communications Limited ("Jazz") through EPPL.

edotco, through Tanzanite Tower (Private) Limited, a wholly owned subsidiary of EPPL has entered into an agreement with Jazz to acquire its telcos tower subsidiary, Deodar Private Limited ("Deodar") and its portfolio of over 13,000 tower assets. The total transaction consideration for the proposed acquisition is USD 940 million, which will be funded through a combination of debt and equity.

The Company, Pakistan Mobile Communication Limited (Jazz), Tanzanite Tower (Private) Limited (Tanzanite) and Habib Bank Limited (HBL) signed an Escrow Agreement for the opening of Escrow Account with HBL for the deposit of share subscription money in the Escrow Account. The money will be paid to the Jazz upon completion of the conditions set out in the SPA and payment instructions will be signed jointly by the Jazz, Tanzanite and the Company.

- 1.3 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;

Notes to and forming part of the Consolidated Condensed Interim Financial Statements

For the Nine Months ended September 30, 2017



(Amounts in thousand)

	%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 1.3.1)	14.91	14.91

1.3.1 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 various options which among others include the 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.

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

	%age of direct holding	
	September 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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1.4.1 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 conversion option on loan amounting to USD 8,000 and 33,132,292 ordinary shares of EFert were allotted to the IFC.

Notes to and forming part of the Consolidated Condensed Interim Financial Statements

For the Nine Months ended September 30, 2017

(Amounts in thousand)

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 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 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. In case where requirements differ, the provision of or directives issued under the Ordinance, have been followed. The Companies Ordinance, 1984 has been repealed after the enactment of the Companies Act, 2017. However, as clarified by the Securities and Exchange Commission of Pakistan (SECP) vide its press release dated October 04, 2017, this consolidated condensed interim financial information has been prepared in accordance with the provisions of the repealed Companies Ordinance, 1984. 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 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.
- 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 consolidated 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.

Notes to and forming part of the Consolidated Condensed Interim Financial Statements

For the Nine Months ended September 30, 2017



(Amounts in thousand)

- 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.

	Unaudited September 30, 2017	Audited December 31, 2016
	------(Rupees)-----	
5. PROPERTY, PLANT AND EQUIPMENT		
Operating assets, at net book value (note 5.1)	102,795,997	106,365,681
Capital work in progress - Expansion and other projects (notes 5.2)	38,841,474	23,819,084
Capital spares and standby equipments	1,322,234	1,349,490
	<u>142,959,705</u>	<u>131,534,255</u>
5.1 Additions (including transfers from CWIP) during the period / year		
Land	-	313
Plant and machinery	1,335,654	3,400,420
Building and civil works including pipelines	80,487	304,506
Furniture, fixture and equipment	166,340	357,367
Catalyst	-	248,848
Vehicles	202,793	330,568
Dredging	-	225,476
	<u>1,785,274</u>	<u>4,867,498</u>

Notes to and forming part of the Consolidated Condensed Interim Financial Statements

For the Nine Months ended September 30, 2017

(Amounts in thousand)

	Unaudited September 30, 2017	Audited December 31, 2016
	------(Rupees)-----	
5.2 Capital work in progress - Expansion and other projects		
Balance at beginning of the period / year	23,819,084	3,708,782
Add:		
Additions during the period / year	16,770,594	25,764,701
Less:		
Transferred to:		
- operating assets	(1,703,662)	(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>38,841,474</u>	<u>23,819,084</u>

6. LONG TERM INVESTMENTS

Balance at beginning of the period / year	40,687,857	9,502,926
Add:		
- Investment in associates	145,748	31,269,531
- Share of profit for the period / year	1,127,082	3,035,112
- Gain on deemed disposal for the period / year	-	72,563
	1,272,830	34,377,206
Less:		
- Dividend received during the period / year (note 6.1)	(3,825,759)	(3,192,275)
- Transfer of HUBCO to investment held for sale (note 8.1)	(5,987,149)	-
	<u>(9,812,908)</u>	<u>(3,192,275)</u>
Balance at end of the period / year	<u>32,147,779</u>	<u>40,687,857</u>

- 6.1** During the period, ECL received dividends from Engro Foods Limited, HUBCO and Engro Vopak Terminal Limited amounting to Rs. 3,060,759 (Dec 2016: Rs. 1,035,000), Rs. Nil (Dec 2016: Rs. 2,157,275) and Rs. 765,000 (Dec 2016: Nil) respectively.

7. LOAN, ADVANCES, DEPOSITS AND PREPAYMENTS

This includes Rs 1,653.75 million being the initial escrow amount paid in the Escrow Account maintained with the Habib Bank Limited (the "Escrow Agent") out of the total 45% equity investment share of Rs 17,430 million in edotco Pakistan (Private) Limited as more fully explained in note 1.2 to these consolidated condensed interim financial statements.

Notes to and forming part of the Consolidated Condensed Interim Financial Statements

For the Nine Months ended September 30, 2017



(Amounts in thousand)

8. INVESTMENT HELD FOR SALE

8.1 On June 30, 2017, the Company notified the PSX regarding its 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 1.3.1 above.

8.2 Details of investment in HUBCO is as follows:

	Unaudited September 30, 2017	Audited December 31, 2016
	------(Rupees)-----	
At the beginning of the year	5,987,149	-
Add:		
Share of profit for the year	1,226,234	-
Share of other comprehensive income	2,120	-
	1,228,354	-
Less: Dividend received during the year	(604,037)	-
	<u>6,611,466</u>	<u>-</u>

9. NON - CONTROLLING INTEREST

PREFERENCE SHARE CAPITAL

Engro Powergen Thar (Private) Limited (EPTL) has 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 Companies Ordinance, 1984.

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.

Notes to and forming part of the Consolidated Condensed Interim Financial Statements

For the Nine Months ended September 30, 2017

(Amounts in thousand)

- 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 September 30, 2017 amounts to Rs. 828,632 (December 31, 2016: Rs. 392,481) which is not recognized in these consolidated condensed interim financial information.

10. BORROWINGS

10.1 Engro Fertilizers Limited (EFert)

During the period, EFert fully repaid its Offshore Islamic Finance USD Facility and its Local Islamic Syndicate loan. Further, during the period, EFert has repaid outstanding balance of USD 1,000 and as more fully explained in note 1.2.1, during the period, IFC has exercised its conversion option on the remaining amount of loan amounting to USD 1,000 thereby retiring the entire amount of loan outstanding to IFC.

During the period, EFert availed a PKR 1,500,000 bilateral loan from a commercial bank to finance capital expenditure.

10.2 Engro Powergen Thar (Private) Limited (EPTL)

As at September 30, 2017, under the USD Facility Agreement with foreign banks, EPTL has made draw down of USD 222,438 (December 31, 2016: USD 114,542), while the undrawn amount is USD 398,562 (December 31, 2016: USD 506,458).

During the period, EPTL has made further draw down amounting to Rs. 1,400,000 in respect of its local currency long term financing facilities. As at September 30, 2017, the total draw down amounts to Rs. 5,457,099 (December 31, 2016: Rs. 4,057,099) while the undrawn amounts are equal to Rs. 18,692,900 (December 31, 2016: Rs. 20,092,900).

10.3 Engro Polymers and Chemicals Limited (EPCL)

During the period EPCL has fully repaid its loan obtained from International Finance Corporation.

10.4 Engro Corporation Limited

During the period, on July 10, 2017, Engro Islamic Rupiya Certificates - I amounting to Rs. 3,000,000 have been fully repaid on maturity.

Notes to and forming part of the Consolidated Condensed Interim Financial Statements

For the Nine Months ended September 30, 2017



(Amounts in thousand)

11. SHORT TERM BORROWINGS

The short-term running finances available to the Group from various banks under mark-up arrangements amounts to Rs. 32,050,000 (2016: Rs. 30,478,048). The rates of mark-up on these finances are KIBOR based and range from 6.25% to 7.65% 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.

12. CONTINGENCIES AND COMMITMENTS

12.1 Contingencies

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

12.1.1 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 12,000 have been released, consequent to exercise of conversion option as explained in note 1.4.1.
- ECL, as Sponsor Support, has permitted a bank to create ranking charge over receivables of ECL and has pledged 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 the 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. 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 and forming part of the Consolidated Condensed Interim Financial Statements

For the Nine Months ended September 30, 2017

(Amounts in thousand)

- 12.1.2** 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 High Court of Singh, based on the grounds that this tax is applicable on the accounting profit-before-tax, that 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. Furthermore, it is the contention of ECL 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 ECL.

- 12.1.3** During the period, the High Court of Islamabad through 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.

- 12.1.4** During 2016, ECL pledged shares of EFert and Engro Foods Limited (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 (Private) Limited (EPTL), its subsidiary company, in favour of the Intercreditor Agent (Habib Bank Limited) and the Project Companies (i.e. SECMC and EPTL). 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 4,538 (December 31, 2016: USD 335) and USD 5,417 (December 31, 2016: USD 9,064) (in PKR equivalent) in SECMC and EPTL respectively, the amount of Equity SBLCs have been reduced to USD 14,027 (December 31, 2016: USD 18,565) and USD 36,619 (December 31, 2016: USD 42,036) for SECMC and EPTL, respectively.

Notes to and forming part of the Consolidated Condensed Interim Financial Statements

For the Nine Months ended September 30, 2017



(Amounts in thousand)

12.1.5 On July 07, 2017 Engro Powergen Limited, (EPL), furnished a bank guarantee amounting to Rs.1,633,000 which is expiring on April 14, 2018, to Punjab Power Development Board (PPDB) for extending the validity of letter of interest (LOI) for development of 7.1 MW D.G. Khan Link – III Canal, RD. 0+000 to RD. 14+000, located in District DG Khan by three months. The previous guarantee amounting to Rs.767,000 for obtaining LOI for development of 7.1 MW D.G. Khan Link – III Canal, has been returned by PPDB.

12.1.6 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-subsidary 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-subsidary.

Subsequent to the period end, the Commissioner, Inland Revenue has filed an appeal with Appellate Tribunal against the Order passed by the CIRA, the management is confident that the matter will be decided in its favor.

12.1.7 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 filled 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.

12.2 Commitments

12.2.1 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.

12.2.2 Commitments in respect of capital expenditure contracted but not incurred amount to Rs. 57,126,008 (2016: Rs. 54,022,835).

Notes to and forming part of the Consolidated Condensed Interim Financial Statements

For the Nine Months ended September 30, 2017

(Amounts in thousand)

13. 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. Financial performance and cash flows of discontinued operations for prior period are as follows:

13.1 Financial performance of discontinued operations

	(Unaudited)	
	Quarter ended September 30, 2016	Nine months September 30, 2016
	------(Rupees)-----	
	Rupees	Rupees
Net sales	10,980,105	34,311,032
Cost of sales	(8,730,626)	(25,664,383)
Gross profit	2,249,479	8,646,649
Distribution and marketing expenses	(1,051,426)	(3,612,469)
Administrative expenses	(226,138)	(649,182)
Other operating expenses	(24,059)	(296,754)
Other income	31,036	87,213
Operating profit	978,892	4,175,457
Finance cost	(79,403)	(293,050)
	(226,138)	(649,182)
	(24,059)	(296,754)
Profit before taxation	899,489	3,882,407
Taxation	(266,035)	(1,287,623)
Profit after tax from discontinued operations	633,454	2,594,784

13.2 Cash flows attributable to discontinued operations

	(Unaudited) September 30, 2016 Rupees
Net cash generated from operating activities	3,448,277
Net cash utilized in investing activities	(864,838)
Net cash utilized in financing activities	(2,462,938)
Net increase in cash and cash equivalents	120,501

Notes to and forming part of the Consolidated Condensed Interim Financial Statements

For the Nine Months ended September 30, 2017



(Amounts in thousand)

14. OTHER INCOME

This includes income from sales under Government Subsidy amounting to Rs. 4,127,639 (September 30, 2016: Rs. 4,060,373).

15. TAXATION

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

15.1 Engro Corporation Limited

15.1.1 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 has challenged the levy of this tax in the High Court of Sindh and has been granted 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.

15.1.2 During the period, with respect to matters as disclosed in notes 37.1 of the consolidated financial statements of the Group for the year ended December 31, 2016, 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.

15.1.3 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.

15.1.4 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. ECL, being aggrieved with the order of the ACIR - Audit, filed an application for rectification pointing certain mistakes in the aforementioned order which were rectified resulting in a revised demand of Rs. 1,084,733. 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.

Notes to and forming part of the Consolidated Condensed Interim Financial Statements

For the Nine Months ended September 30, 2017

(Amounts in thousand)

15.2 Engro Powergen Limited

Commissioner Inland Revenue (CIR) through his order dated January 12, 2017 made certain additions and disallowances in respect of tax year 2014 as a result of audit of income tax affairs under section 214C of the Income Tax Ordinance, 2001 and raised tax demands of Rs. 268,583. EPL has contested the demand at Appellate Tribunal Inland Revenue (ATIR) and based on the views of its tax advisor, the management believes that the matters will ultimately be decided in favour of EPL. Accordingly, no provision has been made in this respect in this consolidated condensed interim financial information.

16. EARNINGS PER SHARE - BASIC AND DILUTED

------(Unaudited)-----				
Quarter ended		Nine months ended		
September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016	
-----Rupees-----				
Profit for the period (attributable to the owners of the Holding Company) from:				
- continuing operations	1,151,768	545,770	2,340,478	868,737
- discontinued operations	-	205,263	-	840,807
	<u>1,151,768</u>	<u>751,033</u>	<u>2,340,478</u>	<u>1,709,544</u>
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:				
	1,151,768	545,770	2,340,478	868,737
Add:				
- Finance cost related to IFC loan and derivative - net of tax	-	139	326	578
- (Gain) / Loss on revaluation of IFC loan conversion option	-	(1,385)	(1,235)	(21,897)
	<u>1,151,768</u>	<u>544,524</u>	<u>2,339,569</u>	<u>847,418</u>
-----Number in thousands-----				
Weighted average number of ordinary shares for basic and diluted EPS				
	<u>481,287</u>	<u>481,287</u>	<u>481,287</u>	<u>481,287</u>

Notes to and forming part of the Consolidated Condensed Interim Financial Statements

For the Nine Months ended September 30, 2017



(Amounts in thousand)

		----- (Unaudited) -----	
		Nine months ended	
		September 30, 2017	September 30, 2016
		----- (Rupees) -----	
17. CASH GENERATED FROM / (UTILIZED IN) OPERATIONS			
Profit before taxation	20,344,590	15,747,474	
Less: Profit before taxation attributable to discontinued operations	-	(3,882,407)	
Profit before taxation from continuing operations	<u>20,344,590</u>	<u>11,865,067</u>	
Adjustment for non-cash charges and other items:			
Depreciation and amortization	5,545,460	5,727,257	
Gain on disposal of:	-	-	
- property, plant and equipment and biological assets	(23,865)	(6,968)	
- investments - net	-	(72,314)	
Impairment charge	-	95,713	
Other receivable -written off	-	920	
Unrealised exchange gain	-	(14)	
Provision for retirement and other service benefits	144,437	119,376	
Income on deposits / other financial assets	(2,774,646)	(960,206)	
Share of income from joint venture companies	(2,353,315)	(953,736)	
Finance cost	3,806,028	4,453,475	
Loss / (Gain) on foreign currency translations	41,435	(23,296)	
Working capital changes (note 17.1)	<u>(9,764,282)</u>	<u>(20,525,735)</u>	
	<u>14,965,842</u>	<u>(280,461)</u>	
17.1 Working capital changes			
Increase in current assets			
- Stores, spares and loose tools	(464,115)	(719,148)	
- Stock-in-trade	(2,647,392)	(9,300,365)	
- Trade debts	(2,489,270)	(5,289,286)	
- Loans, advances, deposits and prepayments	(1,628,991)	(236,788)	
- Other receivables - net	<u>(1,988,496)</u>	<u>(3,983,688)</u>	
	<u>(9,218,264)</u>	<u>(19,529,275)</u>	
Decrease in current liabilities			
- Trade and other payables, including other service benefits - net	(546,018)	(996,460)	
	<u>(9,764,282)</u>	<u>(20,525,735)</u>	

Notes to and forming part of the Consolidated Condensed Interim Financial Statements

For the Nine Months ended September 30, 2017

(Amounts in thousand)

----- (Unaudited) -----
 Nine months ended
September 30, 2017 September 30, 2016
 -----(Rupees)-----

18. CASH AND CASH EQUIVALENTS

Cash and bank balances	7,858,768	9,276,675
Short term investments	56,167,786	6,028,741
Short term borrowings	(10,211,678)	(12,060,269)
	<u>53,814,876</u>	<u>3,245,147</u>

19. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

19.1 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 consolidated financial statements.

19.2 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		
Assets			
Financial assets at fair value through profit and loss			
- Short term investments	-	60,810,661	-
Held to maturity			
- Short term investments	-	699,922	
Liabilities			
Derivatives			
- Derivative financial instruments	-	713	-

Notes to and forming part of the Consolidated Condensed Interim Financial Statements

For the Nine Months ended September 30, 2017

(Amounts in thousand)



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

19.4 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.

19.5 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.

20. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of parent company, 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:

	Nine months ended	
	September 30, 2017	September 30, 2016
	------(Rupees)-----	
Associated companies and joint ventures		
Purchases and services	3,026,321	3,212,340
Services rendered / sale of goods	5,202	159,751
Dividends received	4,429,796	2,100,656
Dividends paid	477,285	1,201,341
Payment of interest on Term Finance Certificates and repayment of principal amount	20,463	57,577
Profit on Term Finance Certificates	-	23,092
Investment from Associated Companies	-	9,984,463
Contribution for corporate social responsibility	97,100	73,767
Payment against EPC contract	11,342,396	-
Payment against Non EPC contract	-	12,938,979
Reimbursements from associates	38,644	35,062
Reimbursements to associates	18,196	74,279
Advances and deposits	27,411	-
Utilization of overdraft facility	-	130,000
Repayment of overdraft facility	-	130,000

Notes to and forming part of the Consolidated Condensed Interim Financial Statements

For the Nine Months ended September 30, 2017

(Amounts in thousand)

Nine months ended
September 30, September 30,
2017 2016
------(Rupees)-----

Loan received	101,449	293,993
Loan paid	141,683	78,317
Mark-up on utilization of overdraft facility	85,057	45,066
Commitment fee	-	9,325
Interest on deposit	47	433
Bank charges	39	1
Finance cost paid	57,819	-
Share capital issued	1,067,873	-

Key Management Personnel

Remuneration paid to key management personnel / directors	880,583	1,062,858
Reimbursement of expenses	12,313	8,600
Directors Fees	50,042	-
Dividend paid	99,097	-
Profit on Term Finance Certificates	19,602	-
Sales of assets	118	-
Balances due from Joint Ventures	3,339	1,922
Membership fee and other subscriptions	838	-
Contribution for retirement benefits	388,843	633,917

21. 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 and forming part of the Consolidated Condensed Interim Financial Statements

For the Nine Months ended September 30, 2017

(Amounts in thousand)



21.1 Liabilities are segment-wise reported to the Board of Directors on an annual basis. Hence, these liabilities are not presented in this consolidated condensed interim financial information.

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

	----- (Unaudited) -----			
	Quarter ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
	----- (Rupees) -----			
Revenue				
Fertilizer	21,162,095	18,633,189	48,473,114	40,910,757
Polymer	7,344,131	5,448,348	20,389,788	16,609,561
Food	442,249	11,238,489	1,289,496	34,978,418
Power	2,660,488	3,399,304	8,828,460	8,129,363
Other operations	5,113,027	4,372,422	15,864,640	13,118,428
Elimination - net	(2,532,056)	(2,026,237)	(8,414,232)	(5,912,521)
Consolidated	<u>34,189,934</u>	<u>41,065,515</u>	<u>86,431,266</u>	<u>107,834,006</u>

Profit / (loss) for the period

Fertilizer	2,807,545	2,927,878	6,924,017	5,745,131
Polymer	900,850	(8,144)	1,947,020	31,848
Food	(8,144)	514,743	(59,117)	2,238,346
Power	244,845	278,921	1,395,765	1,316,134
Other operations	3,958,781	898,381	10,424,594	21,151,724
Elimination - net	(2,992,062)	(1,516,796)	(9,220,306)	(20,646,048)
Consolidated	<u>4,911,815</u>	<u>3,094,983</u>	<u>11,411,973</u>	<u>9,837,135</u>

	(Unaudited) September 30, 2017	(Audited) December 31, 2016
	----- (Rupees) -----	

Assets

Fertilizer	108,484,028	102,803,512
Polymer	23,462,297	24,420,761
Food	2,102,080	33,066,321
Power	66,559,051	54,780,474
Other operations	149,168,774	118,020,030
Elimination - net	(33,887,246)	(31,774,569)
Consolidated	<u>315,888,984</u>	<u>301,316,529</u>

Notes to and forming part of the Consolidated Condensed Interim Financial Statements

For the Nine Months ended September 30, 2017

(Amounts in thousand)

22. SEASONALITY

- 22.1 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.
- 22.2 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.

23. NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE

- 23.1 The Board of Directors of the Holding Company in its meeting held on October 27, 2017 has approved an interim cash dividend of Rs. Nil per share (2016: Rs. 2/- per share) for the year ending December 31, 2017. This consolidated condensed interim financial information does not include the effect of the said interim dividend.

24. CORRESPONDING FIGURES

- 24.1 Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison, the effects of which are not material.
- 24.2 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.

25. DATE OF AUTHORIZATION

This consolidated condensed interim financial information is authorized for issue on October 27, 2017 by the Board of Directors of the Holding Company.

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