



THIRD QUARTERLY ACCOUNTS (un-audited)  
for the nine months period ended September 30, 2018

# CONTENTS

Company Information	2
Directors' Report	3
Directors' Report (Urdu)	5
Unconsolidated condensed interim financial information	7-22
Consolidated condensed interim financial information	23-42

# COMPANY INFORMATION

## Board of Directors

Mr. Hussain Dawood - Chairman  
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. Imran Sayeed - Director  
Mr. Inam ur Rahman - Chief Executive Officer

## Board Audit Committee

Mr. Shabbir Hussain Hashmi - Chairman  
Mr. Muneer Kamal - Member  
Mr. Hassan Raza-ur-Rahim - Member

## Human Resource & Remuneration Committee

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

## Board Investment Committee

Mr. Shahzada Dawood - Chairman  
Mr. Hassan Raza-ur-Rahim - Member  
Mr. Imran Sayeed - Member

## Company Secretary

Mr. Shafiq Ahmed

## Chief Financial Officer

Mr. Mohammad Shamoon Chaudry

## Registered Office

Dawood Centre, M.T. Khan Road  
Karachi-75530  
Tel: +92 (21) 35686001  
Fax: +92 (21) 35644147  
Email: [shareholders@dawoodhercules.com](mailto:shareholders@dawoodhercules.com)  
Website: [www.dawoodhercules.com](http://www.dawoodhercules.com)

## Auditors

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

## Shares Registrar

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

## Tax Consultants

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

## Legal Advisors

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

## Bankers

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

## **DIRECTORS REVIEW**

The Directors are pleased to present their report together with the unaudited unconsolidated condensed interim financial statements of the Company and the unaudited consolidated condensed interim financial statements of the Group for the third quarter and nine months period ended September 30, 2018.

### **ECONOMIC REVIEW**

The new government after taking over is facing serious financial and economic crises. Depleting FOREX reserves and devaluation of currency are amongst the few indicators which has resulted in an increasingly unstable situation alongwith assiduous economic imbalances. The trade deficit further widened over the same month last year. At its first meeting, the newly formed Economic Advisory Council discussed measures such as ban on import of certain goods to control the current account deficit, which ballooned in FY 2018 due to robust imports stemming from higher oil prices and projects linked to the China-Pakistan Economic Corridor. Foreign exchange reserves have been falling as a result there has been speculation about the ability of the state to pay markup on the existing loans from IMF and World Bank.

Pakistani rupee has been devaluing since December 2017 and has lost almost 22% as of 10 October, 2018. In the intermarket US Dollar is selling at PKR 137 as against PKR 105 in December 2017. This was a great shock to the macroeconomic situation as it gave rise to many more problems our economy is currently facing.

### **BUSINESS REVIEW**

#### **Edotco Pakistan (Private) Limited (edotco)**

On September 17, 2018 the Company notified Pakistan Stock Exchange (PSX) that it is no longer pursuing its investment plan for making investment in edotco Pakistan (Private) Limited of upto PKR 17,453 million. This termination was based on the fact that in accordance with the Shareholder's Agreement entered with edotco International (Labuan) Limited, it was required to obtain certain permission from Regulatory Authorities. These permissions were not obtained upto the long stop date which were prerequisite for the consummation of the transaction. Accordingly, the Company exercised its right to terminate the Agreement and is now not bound by the said Agreement.

#### **Subsidiary performance**

Our subsidiary, Engro Corporation Limited (ECL) posted a consolidated revenue of PKR 114,644 million in the nine months of 2018 as against 86,431 million for the similar period last year registering an increase of 33%. This increase was mainly due to the improved fertilizer and petrochemicals performance.

The profit-after-tax (PAT) from continuing operations of the subsidiary increased PKR 17,853 million – up by 53%.

Thar Project progress remained ahead of plan with approx. 100 M BCM of overburden having been removed as of September 30, 2018. During June, coal from the first seam of the open-pit mine was extracted from a

depth of 140 meters below the surface. Since the beginning of full-scale dewatering operations during April 2017, approx. 39 million cubic meters of water has been discharged till end of last quarter.

#### **Credit Rating**

During the period, Pakistan Credit Rating Agency Limited (PACRA) has upgraded the long term rating of the Company from AA- to AA and maintained the short term rating at A1+, which is a testament of Company strong risk profile as an InvestCo.

#### **FINANCIAL PERFORMANCE**

The Group earned a gross profit of PKR 35,460 million for the nine months as compared to a profit of PKR 23,948 million for the similar period last year, the increase is attributed to robust performance by the underlying companies especially in fertilizer and petrochemicals sector. After accounting for share of loss from associate and joint ventures of PKR 196 million, gain on disposal of HUBCO of PKR 11,100 million, the profit before tax stood at PKR 37,315 million as against PKR 20,344 million for 2017. Consolidated earnings per share was PKR 29.11 (2017: PKR 4.86 per share).

On standalone basis, the Company earned a dividend of PKR 2,988 million for the nine months ended 30 September 2018 as against PKR 3,723 million for the same period last year. The decline is due to lower dividends from ECL and disposal of Hubco investment. After accounting for all expenses, income from disposal of HUBCO shares of PKR 3,978 million, the profit after tax was PKR 5,469 million as against profit of PKR 2,310 million for 2017.

Earnings per share of the Company was PKR 11.36 (2017: PKR 4.80).

#### **FUTURE OUTLOOK**

In order to stabilize the economic situation through stabilization of US\$ parity to PKR, maintaining desired foreign exchange reserves etc., the present government at last formally requested International Monetary Fund (IMF) for financial assistance. This may provide some relief to the sharply dwindling economic situation being faced by the new government but will have the potential of attracting strict conditions such as devaluation of currency, increase in interest rate, privatization of state owned enterprises and slowing down the CPEC project.

The Company is in the process of exploring other projects to make investment to increase shareholders' value and allow continuous cash flows for the business and investors and shareholders. The Company will also through its continued support to its subsidiary and associated companies will explore further investment avenues to increase revenue and profitability of the group.

**Shabbir Hussain Hashmi**  
**Director**

**Inam ur Rahman**  
**Chief Executive**

October 30, 2018

## ڈائریکٹرز کی جائزہ رپورٹ

کمپنی کے ڈائریکٹرز نہایت مسرت کے ساتھ ۳۰ ستمبر، ۲۰۱۸ء کو ختم ہونے والی تیسری سہ ماہی اور نو ماہ کے عرصہ کے لیے کمپنی کے غیر پڑتال شدہ انضمام شدہ مختصر مالی گوشواروں، مع گروپ کے غیر پڑتال شدہ لیکن انضمام شدہ مختصر مالی گوشواروں کے ہمراہ اپنی رپورٹ پیش کر رہے ہیں۔

### اقتصادی جائزہ

نئی حکومت کو زرمبادلہ کے ذخائر میں تیزی سے ہوتی ہوئی کمی اور روپے کی قدر میں تنزلی سمیت سنگین مالی اور اقتصادی بحران کا سامنا ہے جس کے باعث صورت حال کے عدم استحکام میں اضافہ ہو رہا ہے۔ مالی خسارے میں بھی مزید اضافہ ہوا ہے اور نئی اقتصادی مشاورتی کونسل (Economic Advisory Council) نے، تیل کی قیمتوں میں اضافہ اور چین۔ پاک اقتصادی راہداری (CPEC) سے منسلک پروجیکٹس کی وجہ سے جاری اکاؤنٹ کے خسارے (current account deficit) پر قابو پانے کی غرض سے بعض اشیاء کی درآمد پر پابندی جیسے اقدامات تجویز کیے ہیں۔ غیر ملکی زرمبادلہ کے ذخائر میں مسلسل کمی واقع ہو رہی ہے اور قرضوں کے لیے انٹرنیشنل مانیٹری فنڈ (IMF) اور عالمی بینک (WB) کی شرائط پورا کرنے کے حوالے سے ریاستی اہلیت کے بارے میں بھی قیاس آرائیاں گردش کر رہی ہیں۔

پاکستانی روپیہ دسمبر ۲۰۱۷ء سے مسلسل زوال کا شکار ہے اور اس سال اس کی قدر میں، اب تک، تقریباً ۲۲ فیصد کمی ہو چکی ہے۔ اس وقت، امریکی ڈالر ۱۳۷ پاکستانی روپے میں فروخت ہو رہا ہے جبکہ دسمبر، ۲۰۱۷ء میں اس کی قیمت ۱۰۵ پاکستانی روپے تھی۔ لہذا افراط زر کے اثرات ظاہر ہیں۔

### کاروباری جائزہ

#### ای ڈاٹ کو پاکستان (پرائیویٹ) لمیٹڈ (edotco)

مؤرخہ ۱۷ ستمبر ۲۰۱۷ء کو کمپنی نے پاکستان اسٹاک ایکسچینج (PSX) کو مطلع کیا کہ اس نے ای ڈاٹ کو پاکستان (پرائیویٹ) لمیٹڈ میں ۷۵.۳ ملین روپے کی سرمایہ کاری کا منصوبہ ترک کر دیا ہے۔ منصوبہ کے خاتمہ کی بنیادی وجہ شیئر ہولڈرز ایگریمنٹ کے تحت ای ڈاٹ کو انٹرنیشنل (لبوان) لمیٹڈ (EIL) کو انضباطی حکام (regulatory authorities) سے ضروری منظوری حاصل کرنا تھا تاہم، اس ٹرانزیکشن کی تکمیل کے لیے، حتمی تاریخ تک منظوری حاصل نہ کی جاسکی۔ نتیجہ یہ کہ کمپنی نے اپنا حق استعمال کرتے ہوئے اس معاہدے کو ختم کر دیا ہے اور اب وہ اس کی پابند نہیں ہے۔

#### ذیلی ادارے کی کارکردگی

ہمارے ذیلی ادارے، اینگرو کارپوریشن لمیٹڈ (ECL) نے سنہ ۲۰۱۸ء کے دوران، اس نو ماہ کے عرصہ کے لیے ۶۴۴،۱۱۴ ملین روپے کے انضمام شدہ محاصل ظاہر کیے ہیں جب کہ گزشتہ برس، اسی عرصہ کے لیے یہ محاصل ۸۶،۴۳۱ ملین روپے تھے۔ اس طرح، اس سال ہونے والے محاصل گزشتہ برس

کے مقابلہ میں ۳۳ فیصد زیادہ ہیں۔ محاصل میں اضافہ کی بنیادی وجہ فریٹلائزر اور پیٹرکیمکلو کے شعبہ میں بہتر کارکردگی ہے۔

ذیلی ادارے کے مسلسل آپریشنز کے باعث ۸۵۳،۷۱ ملین روپے کا بعد از ٹیکس منافع (PAT) حاصل ہوا ہے جو ۵۳ فیصد بنتا ہے۔

تھرکول پروجیکٹ اپنے مقررہ وقت سے آگے رہا اور ۳۰ ستمبر، ۲۰۱۸ء تک تقریباً ۱۰۰ M بینک کیوبک میٹر (BCM) ملبہ ہٹایا جا چکا تھا۔ جون کے مہینے میں، سطح سے کان کی ۱۴۰ میٹر گہری کھائی سے پہلی مرتبہ کونکھ بھی نکالا جا چکا تھا۔ پانی خشک کرنے کی غرض سے اپریل، ۲۰۱۷ء میں شروع کیے گئے بھرپور آپریشن سے اس سہ ماہی کے آخر تک تقریباً ۳۹ ملین کیوبک میٹر پانی خارج کیا جا چکا تھا۔

### کریڈٹ ریٹنگ

زیر جائزہ عرصہ کے دوران پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) نے کمپنی کی طویل المیعاد ریٹنگ کو اپ گریڈ کر کے AA- سے AA کردی ہے جب کہ قلیل المیعاد ریٹنگ کو A1+ پر ہی برقرار رکھا ہے۔ یہ ایک مضبوط رسک پروفائل والی سرمایہ کار کمپنی (InvestCo) کے طور پر توثیق ہے۔

### مالی کارکردگی

گروپ نے گزشتہ نو ماہ کے دوران ۳۵،۴۶۰ ملین پاکستانی روپے مجموعی منافع حاصل کیا جب کہ گزشتہ برس یہ منافع ۲۳،۹۴۸ ملین روپے تھا۔ اس اضافہ کی وجہ ذیلی کمپنیوں کی، اور بالخصوص فریٹلائزر اور پیٹرکیمکلو کے شعبہ میں، عمدہ کارکردگی تھی۔ ملحقہ کمپنی سے ہونے والے نقصان اور ۱۹۶ ملین پاکستانی روپے کے جوائنٹ ونچر کے بعد ۱۱،۱۰۰ ملین پاکستانی روپے کے عوض جبکو (HUBCO) کی فروخت سے منافع حاصل ہوا اور اس طرح قبل از ٹیکس منافع ۳۱۵،۷۳ ملین پاکستانی روپے رہا جو سنہ ۲۰۱۷ء کے دوران ۲۰،۳۴۴ ملین پاکستانی روپے تھا۔ فی حصص مجموعی آمدنی ۲۹،۱۱۱ پاکستانی روپے رہے جبکہ سنہ ۲۰۱۷ء میں فی حصص آمدنی ۲۷،۸۶۱ روپے تھی۔

بذات خود، کمپنی نے ۳۰ ستمبر، ۲۰۱۸ء کو ختم ہونے والے ۹ ماہ کے عرصہ کے دوران ۲،۹۸۸ ملین پاکستانی روپے منافع منقسمہ حاصل کیا جو گزشتہ برس، اسی عرصہ کے دوران ۳،۷۲۳ ملین پاکستانی روپے تھا۔ منافع منقسمہ میں اس کمی کی وجہ اینگرو کارپوریشن لمیٹڈ سے حاصل ہونے والے منافع منقسمہ میں کمی اور جبکو (HUBCO) میں سرمایہ کاری کا خاتمہ تھا۔ تمام اخراجات منہا کرنے کے بعد جبکو کے حصص کی فروخت سے حاصل ہونے والی آمدنی ۳،۹۷۸ ملین پاکستانی روپے رہی جبکہ بعد از ٹیکس منافع ۵،۴۶۹ ملین روپے رہا جبکہ سنہ ۲۰۱۷ء کے دوران یہی منافع ۲،۳۱۰ ملین پاکستانی روپے تھا۔

کمپنی کی فی حصص آمدنی ۳۶،۱۱۷ روپے تھی (۲۰۱۷ء میں ۲۷،۸۰۰ روپے فی حصص)

### مستقبل کے امکانات

حکومت کو مملکت سعودی عربیہ سے کچھ امداد حاصل ہوئی ہے جس کے باعث ہم مجموعی اقتصادی صورت حال میں استحکام کی توقع کر سکتے ہیں۔ اس امداد کے

نتیجہ میں انٹرنیشنل مانیٹری فنڈ (IMF) کی جانب سے، مالی اعانت کے لیے، عائد کی گئی بعض سخت شرائط سے چھٹکارا مل سکتا ہے کیوں کہ اب ان سے حاصل ہونے والے قرض کی اہمیت کم ہو جائے گی۔ سود کی شرحوں میں اضافہ اور قرضوں کے حوالے سے ذمہ داریاں سی پیک (CPEC) پروجیکٹس کی رفتار کو متاثر کریں گی جس کی وجہ سے نقصان میں چلنے والے اداروں سرکاری اداروں کی نجکاری دیکھنے میں آئے گی۔

کمپنی، حصص یافتگان کی قدر میں اضافہ کی غرض سے، سرمایہ کاری کے علاوہ کاروبار، سرمایہ کاروں اور حصص یافتگان کے لیے نقدی کے مسلسل بہاؤ (continued cash flow) کے لیے سرمایہ کاری کے دیگر پروجیکٹس کا جائزہ لے رہی ہے۔ اپنے ذیلی اداروں اور ملحقہ کمپنیوں کی مسلسل اعانت سے کمپنی سرمایہ کاری کے مزید شعبے تلاش کر رہی ہے تاکہ گروپ کو مزید منافع بخش بنایا جاسکے۔

شبیر حسین ہاشمی  
ڈائریکٹر

انعام الرحمن  
چیف ایگزیکٹو  
۳۰ اکتوبر، ۲۰۱۸ء

**DAWOOD HERCULES CORPORATION LIMITED**

**Unconsolidated Condensed Interim Financial  
Statements**

**FOR THE NINE MONTHS PERIOD ENDED  
SEPTEMBER 30, 2018**

**DAWOOD HERCULES CORPORATION LIMITED**  
**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF**  
**FINANCIAL POSITION (UNAUDITED - NOTE 2)**  
**AS AT SEPTEMBER 30, 2018**

	Note	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
------(Rupees in '000)-----			
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	6	134,084	156,898
Long term investments	7	23,308,927	23,308,927
Advance against investment	1.4	-	1,653,750
		23,443,011	25,119,575
<b>CURRENT ASSETS</b>			
Advances, deposits and prepayments		39,137	44,453
Dividend receivable		1,364,808	-
Other receivables	8	1,752,655	23,696
Short term investments	9	22,635,956	15,000
Cash and bank balances		47,559	229,064
		25,840,115	312,213
Investment - Held for sale	1.3	-	14,169,098
<b>TOTAL ASSETS</b>		<u>49,283,126</u>	<u>39,600,886</u>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised share capital		<u>10,000,000</u>	<u>10,000,000</u>
Issued, subscribed and paid up share capital		4,812,871	4,812,871
Revenue reserves		30,997,151	27,953,301
		35,810,022	32,766,172
<b>NON CURRENT LIABILITIES</b>			
Long term financing	10	11,178,110	5,139,511
Defined benefit liability		599	3,567
		11,178,709	5,143,078
<b>CURRENT LIABILITIES</b>			
Short term running finance		-	1,241,776
Trade and other payables	11	60,391	49,429
Dividend payable		1,443,861	
Unclaimed dividend		93,117	89,294
Accrued mark-up		101,288	91,550
Taxation - net		595,738	219,587
		2,294,395	1,691,636
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>49,283,126</u>	<u>39,600,886</u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	12		

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

Inam ur Rahman

M. Shamoon Chaudry

Shabbir Hussain Hashmi

**DAWOOD HERCULES CORPORATION LIMITED**  
**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF**  
**PROFIT OR LOSS (UNAUDITED - NOTE 2)**  
**FOR THE QUARTER AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2018**

	Note	Quarter ended		Nine months period ended	
		September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
------(Rupees in '000)-----					
Dividend income	13	1,364,808	1,364,808	2,988,489	3,723,598
Administrative expenses		(189,192)	(104,952)	(547,707)	(363,299)
Gross profit		1,175,616	1,259,856	2,440,782	3,360,299
Other income - net	14	514,693	279	4,493,648	831
Operating profit		1,690,309	1,260,135	6,934,430	3,361,130
Finance cost		(297,778)	(129,209)	(684,605)	(358,070)
Profit before taxation		1,392,531	1,130,926	6,249,825	3,003,060
Taxation		(204,721)	(204,721)	(799,540)	(692,500)
Profit after taxation		<u>1,187,810</u>	<u>926,205</u>	<u>5,450,285</u>	<u>2,310,560</u>
Earnings per share (Rupees)					
- basic and diluted	15	<u>2.47</u>	<u>1.92</u>	<u>11.32</u>	<u>4.80</u>

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

Inam ur Rahman

M. Shamoony Chaudry

Shabbir Hussain Hashmi

**DAWOOD HERCULES CORPORATION LIMITED**  
**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF**  
**TOTAL COMPREHENSIVE INCOME (UNAUDITED - NOTE 2)**  
**FOR THE QUARTER AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2018**

	Quarter ended September 30, 2018	September 30, 2017	Nine months period ended September 30, 2018	September 30, 2017
	------(Rupees in '000)-----			
Profit after taxation	1,187,810	926,205	5,450,285	2,310,560
<b>Other comprehensive income for the period</b>				
<i>Items that will not be reclassified to profit or loss</i>				
Remeasurements of staff retirement benefits	-	1,844	-	1,844
Total comprehensive income for the period	<u>1,187,810</u>	<u>928,049</u>	<u>5,450,285</u>	<u>2,312,404</u>

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

Inam ur Rahman

M. Shamooun Chaudry

Shabbir Hussain Hashmi

**DAWOOD HERCULES CORPORATION LIMITED**  
**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED - NOTE 2)**  
**FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2018**

	Issued, subscribed and paid up share capital	General reserve	Revenue reserves Un- appropriated profit	Sub-total	Total
	(Rupees in '000)				
<b>Balance as at January 1, 2017</b>	4,812,871	700,000	25,325,985	26,025,985	30,838,855
<b>Total comprehensive Income</b>					
Profit for the period	-	-	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
<b>Transaction with owners</b>					
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 ended December 31, 2017: 20% (Rs 2 per ordinary share)	-	-	(962,574)	(962,574)	(962,574)
<b>Balance as at September 30, 2017</b>	<u>4,812,871</u>	<u>700,000</u>	<u>25,713,241</u>	<u>26,413,241</u>	<u>31,226,112</u>
<b>Balance as at January 1, 2018</b>	4,812,871	700,000	27,253,301	27,953,301	32,766,172
<b>Total comprehensive Income</b>					
Profit for the period	-	-	5,450,285	5,450,285	5,450,285
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	5,450,285	5,450,285	5,450,285
<b>Transaction with owners</b>					
Final cash dividend for the year ended December 31, 2017: 20% (Rs 2 per ordinary share)	-	-	(962,574)	(962,574)	(962,574)
Interim cash dividend for the year ending December 31, 2018: 30% (Rs 3 per ordinary share)	-	-	(1,443,861)	(1,443,861)	(1,443,861)
<b>Balance as at September 30, 2018</b>	<u>4,812,871</u>	<u>700,000</u>	<u>30,297,151</u>	<u>30,997,151</u>	<u>35,810,022</u>

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

**Inam ur Rahman**

**M. Shamoony Chaudry**

**Shabbir Hussain Hashmi**

**DAWOOD HERCULES CORPORATION LIMITED**  
**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF**  
**CASH FLOWS (UNAUDITED - NOTE 2)**  
**FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2018**

	Note	Nine months period ended	
		September 30, 2018	September 30, 2017
		------(Rupees in '000)-----	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash utilised in operations	16	(2,569,071)	(2,107,608)
Finance cost paid		(572,609)	(291,003)
Taxes paid		(423,394)	(267,752)
Staff retirement and other service benefits paid		(3,543)	(2,916)
Net cash utilised in operating activities		(3,568,617)	(2,669,279)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment		(13,187)	(61,158)
Profit received from savings accounts, TDRs and T-Bills		516,121	248
Proceeds from disposal of property, plant and equipment		4,629	336
Proceeds from disposal of investment - held for sale	1.3	18,141,820	-
Decrease in advance against investment	1.4	1,653,750	-
Investment made in Term Deposit Receipt		(3,000)	-
Dividends received		1,623,681	2,358,790
Net cash generated from investing activities		21,923,814	2,298,216
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Long term financing repaid		-	(139,143)
Long term financing obtained - net of transaction costs		5,936,341	-
Dividends paid		(958,752)	(1,922,744)
Net cash generated from / (utilised) in financing activities		4,977,589	(2,061,887)
Net increase / (decrease) in cash and cash equivalents during the period		23,332,786	(2,432,950)
Cash and cash equivalents at the beginning of the period		(1,012,712)	(2,582,644)
Cash and cash equivalents at the end of the period	17	22,320,074	(5,015,594)

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

**Inam ur Rahman**

**M. Shamooun Chaudry**

**Shabbir Hussain Hashmi**

**DAWOOD HERCULES CORPORATION LIMITED**

**NOTES TO AND FORMING PART OF THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL  
STATEMENTS (UNAUDITED - NOTE 2)  
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2018**

**1. GENERAL INFORMATION**

- 1.1** Dawood Hercules Corporation Limited (the Company) was incorporated in Pakistan on April 17, 1968 as a public limited company under the Companies Act, 1913 (now Companies Act, 2017) (the Act) and its shares are quoted on Pakistan Stock Exchange Limited (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 the Securities and Exchange Commission of Pakistan (SECP). Based on its reassessment, it was concluded that although the Company has less than 50% voting rights in ECL, yet, based on the absolute size of the Company's shareholdings, the relative size of other shareholdings and the number of representation on ECL's Board, the Company has the ability to exercise control over ECL as per the requirements specified in IFRS 10. Accordingly, the Company was deemed to be the Holding Company of ECL.
- 1.3** During the nine months period, the Board in its meeting held on February 1, 2018, accepted an offer from Mega Conglomerate (Private) Limited (MCPL) for the purchase of the Company's entire shareholding in HUBCO at Rs 106.50 per share. This was duly notified to the PSX on February 1, 2018. The price was later reduced by Rs 1.38 per share, after taking into account the necessary tax impacts, due to dividend declared by HUBCO subsequent to the offer date. The dividend was received by the Company as disclosed in note 13. The required shareholders' approval in respect of the disposal of the shareholding was obtained in the EoGM held on March 6, 2018. The shares were transferred on March 16, 2018 after the completion of all regulatory requirements.
- 1.4** Based on the approval of the Board of Directors (the Board), on August 29, 2017, the Company has signed Shareholders Agreement (SHA) and Share Subscription Agreement (SSA) with edotco Investments (Labuan) Limited Malaysia (Edotco) for an investment of approximately Rs 17,430 million in edotco Pakistan (Private) Limited (EPPL). On January 19, 2018, the Company notified PSX regarding plans for injecting a cumulative amount of Rs 17,430 million in EPPL in the form of equity and / or a short term loan, out of which the amount of loan shall not exceed Rs 10,130 million subject to obtaining of the necessary regulatory and shareholders' approval. The shareholders at their Extraordinary General Meeting (EoGM) held on March 6, 2018, approved the proposed investment plan.

On September 17, 2018, the Company notified Pakistan Stock Exchange (PSX) that it is no longer perusing the transaction to invest upto PKR 17,453 million in edotco Pakistan (Private) Limited (EPPL). This termination notice was based on the fact that the Shareholders' Agreement entered into between edotco Investment (Labuan) Limited (edotco) and EPPL prescribed various conditions that needed to be satisfied before consummating the transaction. Out of the said conditions, certain material conditions have not been satisfied prior to the long stop date. Accordingly, the Company exercised its right to terminate the Agreement in accordance with the terms of Agreement and notified edotco and EPPL.

**2. BASIS OF PREPARATION AND PRESENTATION**

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

- 2.2** These unconsolidated condensed interim financial statements comprise of the statement of financial position as at September 30, 2018 and the unconsolidated condensed interim statement of profit or loss, the unconsolidated condensed interim statement of total comprehensive income, the unconsolidated condensed interim statement of changes in equity, the unconsolidated condensed interim statement of cash flows and notes thereto for the nine months period then ended. These unconsolidated condensed interim financial statements also include the unconsolidated condensed interim statement of profit or loss for the quarter ended September 30, 2018.
- 2.3** The comparative statement of financial position presented in these unconsolidated condensed interim financial statements as at December 31, 2017 has been extracted from the audited financial statements of the Company for the year then ended. The comparative unconsolidated condensed interim statement of profit or loss, unconsolidated condensed interim statement of total comprehensive income, unconsolidated condensed interim statement of changes in equity and unconsolidated condensed interim statement of cash flows for the nine months period ended September 30, 2017 have been extracted from the unconsolidated condensed interim financial statements of the Company for the nine months period then ended. The comparative condensed interim statement of profit or loss for the quarter ended September 30, 2017 is also included in these unconsolidated condensed interim financial statements.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

- 3.1** The accounting policies and the methods of computation adopted in the preparation of these unconsolidated condensed interim financial statements are the same as those applied in the preparation of the financial statements for the year ended December 31, 2017.

- 3.2** Initial application of new standards, amendments to approved accounting standards and interpretations

There were certain amendments to the approved accounting standards which became effective during the nine months period ended September 30, 2018 but are considered not to be relevant or have any significant effect on the Company's financial reporting and are, therefore, not disclosed in these unconsolidated condensed interim financial statements except for the following:

The Companies Act, 2017 (the Act) has brought certain changes with regard to the preparation and presentation of annual and interim financial statements of the Company. These primarily relate to changes in the nomenclature of the primary statements comprising the financial statements.

The presentation of these unconsolidated condensed interim financial statements has been realigned with the provisions contained in the Act. The application of the Act, however, does not have any impact on the recognition and measurement of the amounts included in these unconsolidated condensed interim financial statements of the Company.

- 3.3** Standards, amendments to published approved accounting standards and interpretations that are not yet effective

There are certain new standards, amendments to the approved accounting standards and interpretations that will be mandatory for the Company's annual accounting periods beginning on or after July 1, 2018. However, these amendments and interpretations will not have any significant impact on the financial reporting of the Company and, therefore, have not been disclosed in these unconsolidated condensed interim financial statements. During the current period, the Securities and Exchange Commission of Pakistan (SECP) has adopted IFRS 9 'Financial Instruments', IFRS 15 'Revenue from Customers', and IFRS 16 'Leases' the application of which will not have any significant impact on the financial reporting of the Company.

#### 4. ACCOUNTING ESTIMATES AND ASSUMPTIONS

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 estimation uncertainty were the same as those that were applied to the financial statements for the year ended December 31, 2017.

#### 5. SEASONALITY OF OPERATIONS

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

	Note	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
		------(Rupees in '000)-----	
<b>6. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets	6.1	131,655	156,898
Capital work in progress		2,429	-
		<b>134,084</b>	<b>156,898</b>
<b>6.1 Net book value at the beginning of the period / year</b>		<b>156,898</b>	96,461
Add: Additions during the period / year	6.1.1	10,858	92,776
		<b>167,756</b>	189,237
Less:			
- Disposals during the period / year- net book value	6.1.2	5,707	284
- Depreciation charged during the period / year		30,394	32,055
		<b>36,101</b>	32,339
Net book value at the end of the period / year		<b>131,655</b>	<b>156,898</b>
<b>6.1.1 Additions during the period / year</b>			
Leasehold improvements		-	172
Furniture, fittings and equipment		747	267
Vehicles		6,125	64,640
Data processing equipment		3,986	27,697
		<b>10,858</b>	<b>92,776</b>
<b>6.1.2 Disposals during the period / year - net book value</b>			
Vehicles		5,497	48
Data processing equipment		210	236
		<b>5,707</b>	<b>284</b>

## 7. LONG TERM INVESTMENTS

### 7.1 Investment in subsidiary

Engro Corporation Limited (ECL) - quoted

194,972,555 (December 31, 2017: 194,972,555)

ordinary shares of Rs 10 each

7.1.1

**23,308,927**

**23,308,927**

Percentage of holding 37.22% (December 31, 2017: 37.22%)

**7.1.1** The market value of investment in ECL as at September 30, 2018 was Rs 60,759 million (December 31, 2017: Rs 53,569 million).

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

Bank	As at September 30, 2018			As at December 31, 2017		
	Number of shares pledged	Face value of pledged shares	Market value of pledged shares	Number of shares pledged	Face value of pledged shares	Market value of pledged shares
	(in '000)	----- (Rupees in '000) -----		(in '000)	----- (Rupees in '000) -----	
<b>Pledged in favour of Fatima Fertilizer Company Limited against potential liabilities of ex-subsidiary (DHFL)</b>						
Meezan Bank Limited - as agent (note 12.1.1)	10,492	104,920	3,269,622	15,131	151,308	4,157,187
<b>Pledged in favour of JS Bank Limited against issuance of Sukuks</b>						
JS Bank Limited (note 10.1 & 10.2)	81,376	813,760	25,359,203	38,519	385,185	10,582,963
				<b>September 30, 2018</b>	<b>December 31, 2017</b>	
				<b>(Unaudited)</b>	<b>(Audited)</b>	
				----- (Rupees in '000) -----		

### 7.2 Available for sale investment

e2e Business Enterprises (Private) Limited (e2eBE)

- unquoted

Cost (11,664,633 ordinary shares of Rs 10 each)

Less: Accumulated impairment

116,646

116,646

(116,646)

(116,646)

-

-

Percentage of holding 19.14% (December 31, 2017: 19.14%)

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

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

## 8. OTHER RECEIVABLES

This includes Rs. 1,742.81 million inclusive of profit of Rs. 89.05 million receivable from Habib Bank Limited (Escrow Agent) paid in Escrow Account maintained with Escrow Agent under the Shareholders Agreement and Share Subscription Agreement with edotco for purchase of towers from Pakistan Mobile Communication Limited, as more fully explained in note 1.4 to these financial statements. The agreement is terminated and is of no effect.

	Note	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
		------(Rupees in '000)-----	

## 9. SHORT TERM INVESTMENTS

At fair value through profit or loss

- Market Treasury bills (T-Bills)

22,617,956 -

Held to maturity

- Term Deposit Receipts (TDRs)

9.1 18,000 15,000

22,635,956 15,000

9.1 These carry profit at rates ranging from 5% to 7.25% per annum (2017:5% per annum).

	Note	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
		------(Rupees in '000)-----	

## 10. LONG TERM FINANCING

Sukuk certificates - I

10.1 5,198,708 5,139,511

Sukuk certificates - II

10.2 5,979,402 -

11,178,110 5,139,511

10.1 This represents the amortised cost of the Rated, Over the Counter Listed and Secured Islamic Certificates (Sukuks - I), amounting to Rs 5,200 million (December 31, 2017: Rs 5,200 million), issued by the Company on November 16, 2017, to Qualified Institutional Buyers (QIBs) through private placement by JS Bank Limited as an agent and advisor. The Sukuks - I are secured against ECL shares with 50% margin as disclosed in note 7.1.2 and charge over all the assets of the Company with a 25% margin. The Sukuks - I carry mark-up at the rate of three months KIBOR plus 100 basis points per annum. The Sukuks - I are for a period of 5 years and are payable semiannually with the first principal repayment to be made after the expiry of 18 months commencing from May 2019.

10.2 This represents the amortised cost of the Rated, Over the Counter Listed and Secured Islamic Certificates (Sukuks - II), amounting to Rs 6,000 million (December 31, 2017: Nil), issued by the Company on March 1, 2018, to Qualified Institutional Buyers (QIBs) through private placement by JS Bank Limited as an agent and advisor. The Sukuks - II are secured against ECL shares with 50% margin as disclosed in note 7.1.2 and charge over all the assets of the Company with a 25% margin. The Sukuks - II carry mark-up at the rate of three months KIBOR plus 100 basis points per annum. The Sukuks - II are for a period of 5 years and are payable semiannually with the first principal repayment to be made after the expiry of 18 months commencing from September 2019.

		September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
		------(Rupees in '000)-----	
10.3	Opening balance	5,139,511	3,889,143
	Issuance of Sukuk I - net of transaction costs	-	5,137,522
	Issuance of Sukuk II - net of transaction costs	5,936,341	-
	Amortisation during the period / year	102,258	1,989
	Amount repaid	-	(3,889,143)
		11,178,110	5,139,511

	Note	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
		------(Rupees in '000)-----	
<b>11. TRADE AND OTHER PAYABLES</b>			
Creditors		3,601	4,051
Accrued expenses		51,542	45,163
Others		5,248	215
		<b>60,391</b>	<b>49,429</b>

## 12. CONTINGENCIES AND COMMITMENTS

### 12.1 Contingencies

- 12.1.1** The Company had pledged 15.131 million shares of ECL with Meezan Bank Limited (as Agent) in favour of Fatima Fertilizer Company Limited (FFCL) as disclosed in note 7.1.2 to these unconsolidated condensed interim financial statements as collateral against guarantee given in favour of Dawood Hercules Fertilizer Limited (DHFL) - ex-subsiary (now FFCL) against potential tax liabilities, WPPF liabilities and WWF liabilities in respect of periods ending on or prior to June 30, 2015. These pledged shares are to be released upon completion of two years from the filing date of Income Tax Return for the year ended December 31, 2015, i.e. September 30, 2016.

During the nine month period ended September 30, 2018, out of 15.131 million shares of ECL, 4.639 million shares were released upon expiration of the period stated in the agreement relating to the WPPF liabilities.

The Company had also issued a Corporate Guarantee which will remain in full force and effective for five years and will be released on the later of September 30, 2021 or the date on which the above tax liabilities are finally settled / disposed of or withdrawn.

- 12.1.2** During the year ended December 31, 2017, the Company's ex-subsiary was served with an order from the Additional Commissioner of Inland Revenue (ACIR) – Federal Board of Revenue under Section 122(5A) of the Income Tax Ordinance, 2001 to amend the original assessment for the Tax Year 2016 being prejudicial to the revenue of the Federal Government and raised additional demand of Rs 3,380.650 million. 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 shares of ECL and HUBCO to the Company and 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 the Commissioner Inland Revenue Appeals (CIRA) and CIRA in its order dated August 7, 2017 decided the matter in favour of the ex-subsiary. The Deputy Commissioner Inland Revenue served the ex-subsiary with an appeal effect order on January 11, 2018, under which the tax liability (primarily on account of Alternative Corporate Tax) worked out to be Rs 1,051.140 million. The Commissioner Inland Revenue filed an appeal with the Appellate Tribunal Inland Revenue (ATIR) against the order passed by CIRA, which is currently pending. The ex-subsiary, on the basis of advice of its tax consultant, filed an appeal with CIRA on February 12, 2018, considering the demand to be still prejudicial to its interests. CIRA in its order dated April 26, 2018 decided the matter against the ex-subsiary. The ex-subsiary has filed an appeal with the ATIR on May 9, 2018, against the order passed by CIRA and for grant of stay in respect thereof. The appeal against the order of CIRA is still pending. Meanwhile, the Company has also obtained stay from the Honourable Lahore High Court against the recovery of demand. The tax advisor of the ex-subsiary is of the view that the appeal effect order passed on January 11, 2018 and the subsequent order of CIRA dated April 26, 2018, are either based on a misinterpretation of the provisions of law or are in violation of the directions given by CIRA in its order dated August 7, 2017. Based on these views, the management of the Company is confident that the matter will eventually be decided in favour of the ex-subsiary. Hence, no provision has been recorded in this respect in these unconsolidated condensed interim financial statements.

- 12.1.3** During the year ended December 31, 2017, the Company received a show cause notice from the 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 expressed intention to reject exemption of intercorporate dividend amounting to Rs 18,008.795 million, to make an addition to capital gain amounting to Rs 615.101 million and also to impose a super tax liability amounting to Rs 666.963 million. The Company being aggrieved, filed a Constitutional Petition before the Honourable High Court of Sindh against the proposal to reject the exemption claimed on intercorporate dividend. Further, a separate suit was filed with the Honourable High Court of Sindh against the levy of super tax. The Honourable High Court of Sindh issued stay orders in respect of the aforementioned matters with the instruction to the Taxation Authorities to not finalise the proceedings until the cases were disposed of. The matter has still not been decided. However, on the basis of legal advice, the management is confident that the above matters will be decided in favour of the Company. Hence, no provision has been recorded in this respect in these unconsolidated condensed interim financial statements.

	Note	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
		----- (Rupees in '000) -----	
<b>12.2 Commitments</b>			
Commitments in respect of operating lease not later than one year	12.2.1	<u>9,070</u>	<u>4,222</u>
<b>12.2.1</b> The Company has entered into lease agreement for renting of premises for Lahore office in August 2015 for a period of seven years, expiring in September 2022. The agreement is revocable by either party through prior notice of at least 6 months.			
	Note	September 30, 2018 (Unaudited)	September 30, 2017 (Audited)
		----- (Rupees in '000) -----	
<b>13. DIVIDEND INCOME</b>			
Engro Corporation Limited		2,729,616	3,119,561
Hub Power Company Limited	1.3	<u>258,873</u>	<u>604,037</u>
		<u>2,988,489</u>	<u>3,723,598</u>
<b>14. OTHER INCOME</b>			
Income from financial instruments	14.1	950,644	248
Income from non-financial instruments	14.2	<u>3,543,004</u>	<u>584</u>
		<u>4,493,648</u>	<u>831</u>
<b>14.1</b> Income from financial instruments			
Profit on bank deposits		138,886	248
Profit on T-Bills		782,430	-
Interest income received from MCPL upon settlement of purchase consideration relating to sale of shareholding in HUBCO shares		<u>29,328</u>	<u>-</u>
		<u>950,644</u>	<u>248</u>
<b>14.2</b> Income from non-financial instruments			
Gain on disposal of operating fixed assets		-	144
Profit on disposal of held for sale investment - (net of transaction costs of Rs 430.250 million)	1.3	<u>3,542,472</u>	<u>-</u>
Others		<u>532</u>	<u>440</u>
		<u>3,543,004</u>	<u>584</u>

**15. EARNING PER SHARE**

	Quarter Ended		Nine Months Ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
	------(Rupees in '000)-----			
Profit after taxation	1,187,810	926,205	5,450,285	2,310,560
	------(Number of shares)-----			
Weighted average number of ordinary shares outstanding during the period	481,287	481,287	481,287	481,287
	------(Rupees)-----			
Earning per Share	2.47	1.92	11.32	4.80

	Note	Nine months period ended September 30, 2018 September 30, 2017 (Unaudited) ------(Rupees in '000)-----	
<b>16. CASH UTILISED IN OPERATIONS</b>			
Profit before taxation		6,249,825	3,003,060
Adjustments for non cash expenses and other items:			
Depreciation		30,394	22,451
Finance cost		684,605	358,070
Dividend income		(2,988,489)	(3,723,598)
Provision for staff retirement and other service benefits		3,649	4,250
Gain on disposal of investment - held for sale	1.3	(3,972,722)	-
Loss / (gain) on disposal of operating fixed assets		1,010	(144)
Profit from saving accounts, TDRs and T-Bills		(950,644)	(248)
Working capital changes	16.1	(1,626,699)	(1,771,449)
Cash utilised in operations		<u>(2,569,071)</u>	<u>(2,107,608)</u>
<b>16.1 Working capital changes</b>			
Decrease / (increase) in current assets			
Advances, deposits and prepayments		5,316	(1,661,983)
Other receivables		(1,639,904)	8,967
		<u>(1,634,588)</u>	<u>(1,653,016)</u>
Decrease in trade and other payables		7,889	(118,433)
		<u>(1,626,699)</u>	<u>(1,771,449)</u>
		September 30, 2018 (Unaudited)	September 30, 2017 (Unaudited)
		------(Rupees in '000)-----	
<b>17. CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances		47,559	5,121
Short term investments		22,272,515	-
Short term running finance		-	(5,020,715)
		<u>22,320,074</u>	<u>(5,015,594)</u>

## 18. FINANCIAL RISK MANAGEMENT AND FINANCIAL DISCLOSURES

### 18.1 Financial risk factors

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

These unconsolidated condensed interim financial statements do not include all financial risk management information and disclosures which are required in the annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2017. There have been no changes in any risk management policies since the year

### 18.2 Fair value of financial assets and liabilities

Market Treasury Bills as disclosed in note 9 are the only financial instruments that are carried at fair value. Their value is determined using observable market inputs (Level II). The fair value hierarchy used for the classification of fair value measurements is the same as that used in the financial statements for the year ended December 31, 2017. The carrying value of all other financial assets and liabilities reflected in these unconsolidated condensed interim financial statements approximate their fair values.

## 19. RELATED PARTY TRANSACTIONS

Significant transactions with related parties are as follows:

	Nine months period ended	
	September 30, 2018	September 30, 2017
	(Unaudited)	
	----- (Rupees in '000) -----	
<b>Subsidiary company</b>		
Reimbursement of expenses to the Company	6,907	504
Rendering of services	-	1,261
Sale of operating fixed assets	4,551	-
Dividend income	2,729,616	3,119,561
<b>Associated companies</b>		
Purchase of goods and services	20,519	23,305
Rendering of services	7,976	5,202
Dividend income	258,873	604,037
Reimbursement of expenses from associates	19,120	16,544
Reimbursement of expenses to associates	2,897	5,655
Advances and deposits	3,530	27,411
<b>Key management personnel</b>		
Salaries, employee benefits and directors' fee	191,695	160,188
Directors' fee	11,250	15,750
Post retirement benefit plans	5,411	8,173
Sale of operating fixed assets	-	118
<b>Other related parties</b>		
Membership fee and other subscriptions	1,081	838
Purchase of goods	6,443	-
Advances and deposits	2,829	-
Contribution to staff gratuity fund	3,133	3,479
Contribution to staff provident fund	6,250	5,254
Other payments	1,000	-

**20. GENERAL**

- 20.1** All financial information, except as otherwise stated, has been rounded to the nearest thousand of rupees.
- 20.2** These unconsolidated condensed interim financial statements were authorised for issue by the Board of Directors on October 30, 2018.

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

The Board of Directors in its meeting held on October 30, 2018 approved an interim cash dividend of Rs 3 per share amounting to Rs 1,444 million (September 30, 2017: Nil) for the nine months period ended September 30, 2018. These unconsolidated condensed interim financial statements do not recognise the proposed interim dividend from unappropriated profit as it has been declared subsequent to the statement of financial position date.

---

**Inam ur Rahman**

---

**M. Shamoon Chaudry**

---

**Shabbir Hussain Hashmi**

**DAWOOD HERCULES CORPORATION LIMITED**  
**CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2018**

**DAWOOD HERCULES CORPORATION LIMITED**  
**CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION**  
**AS AT SEPTEMBER 30, 2018**

(Amounts in thousand)

		<b>Consolidated</b>	
	<b>Note</b>	<b>Unaudited September 30, 2018</b>	<b>Audited December 31, 2017</b>
		<b>-----Rupees-----</b>	
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	186,434,874	157,512,017
Intangible assets		4,766,132	4,753,253
Deferred taxation		10,260	23,765
Long term investments	6	31,889,423	32,195,681
Long term loans and advances		4,939,269	6,809,735
Advance against investment	1.3	-	1,653,750
		<b>228,039,958</b>	<b>202,948,201</b>
<b>Current assets</b>			
Stores, spares and loose tools		7,914,527	7,638,801
Stock-in-trade		25,539,116	13,065,877
Trade debts		15,086,438	13,641,538
Loans, advances, deposits and prepayments		4,101,673	2,057,035
Other receivables	7	12,463,623	10,922,891
Taxes recoverable		-	92,881
Accrued Income		452,425	528,242
Short term investments		93,395,132	69,893,637
Cash and bank balances		14,942,124	9,786,651
		<b>173,895,058</b>	<b>127,627,553</b>
Investment held for sale	1.2	-	6,611,468
<b>TOTAL ASSETS</b>		<b>401,935,016</b>	<b>337,187,222</b>

(Amounts in thousand)

	Note	Unaudited September 30, 2018	Audited December 31, 2017
		-----Rupees-----	
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		4,812,871	4,812,871
Revaluation reserve on business combination		10,211	13,059
Maintenance reserve		60,117	60,117
Exchange revaluation reserve		92,327	30,888
Hedging reserve		(10,925)	(27,341)
General reserve		700,000	700,000
Unappropriated profit		61,391,015	49,756,284
Remeasurement of post-employment benefits		(30,961)	(29,265)
		62,211,784	50,503,742
		67,024,655	55,316,613
Non-controlling interest	8	131,234,991	122,148,275
<b>Total Equity</b>		198,259,646	177,464,888
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	9	118,107,212	83,490,369
Deferred taxation		8,364,535	10,692,321
Deferred liabilities		167,085	227,830
Staff retirement and other service benefits		599	-
		126,639,431	94,410,520
<b>Current liabilities</b>			
Trade and other payables		42,247,919	39,310,803
Provision		4,222,812	
Accrued interest / mark-up		3,306,935	1,552,664
Current portion of :			
- borrowings		8,657,753	12,392,265
- deferred liabilities		104,155	103,235
Taxes payable		4,681,350	219,587
Deferred taxation		145,854	-
Short term borrowings	10	6,637,695	11,327,158
Dividend payable		6,212,524	-
Unclaimed dividends		818,942	406,102
		77,035,939	65,311,814
<b>Total Liabilities</b>		203,675,370	159,722,334
<b>Contingencies and Commitments</b>	11		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>401,935,016</b>	<b>337,187,222</b>

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

Inam ur Rahman

M. Shamoon Chaudry

Shabbir Hussain Hashmi

**DAWOOD HERCULES CORPORATION LIMITED**  
**CONSOLIDATED CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UNAUDITED)**  
**FOR THE QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2018**

(Amounts in thousand except for earnings per share)

		Quarter ended		Nine months period ended	
		September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Note		Rupees			
	Net sales	42,910,678	34,189,934	114,643,755	86,431,266
	Cost of sales	(29,274,937)	(24,916,999)	(79,183,277)	(62,483,033)
	<b>Gross profit</b>	<b>13,635,741</b>	<b>9,272,935</b>	<b>35,460,478</b>	<b>23,948,233</b>
	Selling and distribution expenses	(2,054,045)	(1,832,009)	(5,618,405)	(5,295,825)
	Administrative expenses	(1,882,984)	(1,102,838)	(4,021,570)	(3,008,025)
		9,698,712	6,338,088	25,820,503	15,644,383
	Other income	1,970,682	2,013,396	18,737,759	7,631,822
	Other operating expenses	(472,733)	(543,137)	(2,732,782)	(1,299,827)
	Finance cost	(1,501,497)	(1,176,401)	(4,332,476)	(3,985,103)
	Share of income from associates & joint ventures	305,233	902,134	(196,372)	2,353,315
	<b>Profit before taxation</b>	<b>10,000,397</b>	<b>7,534,080</b>	<b>37,296,632</b>	<b>20,344,590</b>
	Taxation	(3,379,034)	(2,622,265)	(9,155,445)	(8,932,617)
	<b>Profit for the period</b>	<b>6,621,363</b>	<b>4,911,815</b>	<b>28,141,187</b>	<b>11,411,973</b>
	Profit attributable to:				
	- Owners of the Holding Company	1,258,714	1,151,768	13,990,842	2,340,478
	- Non-controlling interest	5,362,649	3,760,047	14,150,345	9,071,495
		<u>6,621,363</u>	<u>4,911,815</u>	<u>28,141,187</u>	<u>11,411,973</u>
	Earnings per share - basic and diluted	2.62	2.39	29.07	4.86

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

**Inam ur Rahman**

**M. Shamoon Chaudry**

**Shabbir Hussain Hashmi**

**DAWOOD HERCULES CORPORATION LIMITED**  
**CONSOLIDATED CONDENSED INTERIM STATEMENT OF TOTAL**  
**COMPREHENSIVE INCOME (UNAUDITED)**  
**FOR THE QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2018**

(Amounts in thousand)

	Quarter ended		Nine months period ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
	Rupees			
<b>Profit for the period</b>	6,621,363	4,911,815	28,141,187	11,411,973
<b>Other comprehensive income</b>				
<b>Items that may be reclassified subsequently to profit or loss</b>				
<b>Hedging reserve - cash flow hedges</b>				
- Losses arising during the period	-	(713)	64,679	(11,620)
- Reclassification adjustments for losses included in profit or loss	(221)	988	(653)	4,991
- Adjustments for amounts transferred to initial carrying amount of hedged items	-	-	-	10,886
	(221)	275	64,026	4,257
<b>Share of other comprehensive income of associate</b>	-	(171)	-	2,120
<b>Revaluation reserve on business combination</b>	(5,252)	(5,252)	(15,753)	(15,753)
<b>Exchange differences on translation of foreign operations</b>	58,381	10,526	235,339	11,401
	53,129	5,274	219,586	(4,352)
<b>Income tax relating to:</b>				
- Hedging reserve - cash flow hedges	-	-	-	(632)
- Revaluation reserve on business combination	1,681	1,681	5,041	5,041
	1,681	1,681	5,041	4,409
<b>Items that will not be reclassified to profit or loss</b>				
Remeasurement of post employment benefits obligation	-	-	-	1,844
Deferred tax charge relating to revaluation of equity	-	-	(1,651)	-
	54,589	7,059	287,002	8,278
<b>Total Comprehensive income for the period</b>	<u>6,675,952</u>	<u>4,918,874</u>	<u>28,428,189</u>	<u>11,420,251</u>
<b>Total comprehensive income attributable to:</b>				
- Owners of the Holding Company	1,274,112	1,137,627	14,065,503	2,329,687
- Non-controlling interest	5,401,840	3,781,247	14,362,686	9,090,564
	<u>6,675,952</u>	<u>4,918,874</u>	<u>28,428,189</u>	<u>11,420,251</u>

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

**Inam ur Rahman**

**M. Shamoon Chaudry**

**Shabbir Hussain Hashmi**

DAWOOD HERCULES CORPORATION LIMITED  
CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

(Amounts in thousand)

	Attributable to owners of the Holding Company									Sub total	Non-controlling interest	Total
	Capital reserves				Revenue reserves			Remeasurement of post employment benefits - Actuarial gain / (loss)				
	Share capital	Revaluation reserve on business combination	Maintenance reserve	Exchange revaluation reserve	Hedging reserve	General reserve	Un-appropriated profit		Share of other comprehensive income of associates			
Rupees												
Balance as at December 31, 2016 (audited)/ January 01, 2017	4,812,871	16,857	60,117	6,192	(32,730)	700,000	48,142,424	(3,435)	(17,874)	53,684,422	119,277,999	172,962,421
Total comprehensive income / (loss) for the nine months ended September 30, 2017 (unaudited)												
Profit for the period	-	-	-	-	-	-	2,340,478	-	-	2,340,478	9,071,495	11,411,973
Other comprehensive income	-	(4,714)	-	4,243	1,349	-	-	2,120	1,844	4,842	3,436	8,278
	-	(4,714)	-	4,243	1,349	-	2,340,478	2,120	1,844	2,345,320	9,074,931	11,420,251
Transaction with owners												
Shares issued to IFC by subsidiary company	-	-	-	-	-	-	82,480	-	-	82,480	213,913	296,393
Shares issued during the period and shares issuance cost accounted for as a deduction from equity	-	-	-	-	-	-	(1,071)	-	-	(1,071)	561,241	560,170
Preference shares issued	-	-	-	-	-	-	-	-	-	-	499,510	499,510
Dividend by subsidiary company allocable to non controlling interest	-	-	-	-	-	-	-	-	-	-	(8,510,251)	(8,510,251)
Final cash dividend for the year ended December 31, 2016 (Rs 2/- per ordinary share)	-	-	-	-	-	-	(962,574)	-	-	(962,574)	-	(962,574)
First interim cash dividend for the year ended December 31, 2017 (Rs 2/- per ordinary share)	-	-	-	-	-	-	(962,574)	-	-	(962,574)	-	(962,574)
	-	-	-	-	-	-	(1,843,739)	-	-	(1,843,739)	(7,235,587)	(9,079,326)
Balance as at September 30, 2017 (unaudited)	4,812,871	12,143	60,117	10,435	(31,381)	700,000	48,639,163	(1,315)	(16,030)	54,186,003	121,117,343	175,303,346
Balance December 31, 2017 (audited) / January 01, 2018	4,812,871	13,059	60,117	30,888	(27,341)	700,000	49,756,284	-	(29,265)	55,316,613	122,148,275	177,464,888
Total Comprehensive income /(loss) for the nine months ended September 30, 2018 (unaudited)												
Profit for the period	-	-	-	-	-	-	13,990,842	-	-	13,990,842	14,150,345	28,141,187
Other comprehensive income	-	(2,848)	-	61,439	16,416	-	(346)	-	-	74,661	212,341	287,002
	-	(2,848)	-	61,439	16,416	-	13,990,496	-	-	14,065,503	14,362,686	28,428,189
Transaction with owners												
Dividend by subsidiaries allocable to Non-Controlling interest	-	-	-	-	-	-	-	-	-	-	(9,544,892)	(9,544,892)
Advance against issue of share capital	-	-	-	-	-	-	-	-	-	-	2,017,964	2,017,964
Effect of Issuance of Rights Shares of Subsidiary Company	-	-	-	-	-	-	53,061	-	-	53,061	2,278,092	2,331,153
Shares issuance cost	-	-	-	-	-	-	(4,087)	-	-	(4,087)	(27,134)	(31,221)
Reclassification of actuarial gain on withdrawal of gratuity scheme	-	-	-	-	-	-	1,696	-	(1,696)	-	-	-
Final cash dividend for the year ended December 31, 2017: 20% (Rs 2/- per ordinary share)	-	-	-	-	-	-	(962,574)	-	-	(962,574)	-	(962,574)
Interim cash dividend for the year ending December 31, 2018: 30% (Rs 3 per ordinary share)	-	-	-	-	-	-	(1,443,861)	-	-	(1,443,861)	-	(1,443,861)
	-	-	-	-	-	-	(2,355,765)	-	(1,696)	(2,357,461)	(5,275,970)	(7,633,431)
Balance as at September 30, 2018	4,812,871	10,211	60,117	92,327	(10,925)	700,000	61,391,015	-	(30,961)	67,024,655	131,234,991	198,259,646

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

Inam ur Rahman

M. Shamoony Chaudry

Shabbir Hussain Hashmi

**DAWOOD HERCULES CORPORATION LIMITED**  
**CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018**

(Amounts in thousand)

Amounts in thousands

		Nine months period ended	
	Note	September 30, 2018	September 30, 2017
-----Rupees-----			
<b>Cash flows from operating activities</b>			
Cash generated from operations	15	22,531,748	14,965,842
Retirement and other service benefits paid		(171,319)	(149,068)
Finance cost paid		(5,467,087)	(4,394,641)
Taxes paid		(6,694,218)	(4,320,128)
Long term loans and advances - net		(69,348)	(16,517)
Net cash generated from operating activities		10,129,776	6,085,488
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment (PPE) and biological assets		(25,587,703)	(15,592,363)
Treasury bills		-	(29,054,505)
Sale proceeds on disposal of PPE and biological assets		25,370	29,236
Proceeds on disposal of investments		43,613,839	61,422,487
Income on deposits / other financial assets		4,317,683	2,878,568
Decrease in advance against investment		1,653,750	-
Investment made during the period		(183,746)	(144,838)
Dividends received		1,101,303	4,429,797
Net cash generated from investing activities		24,940,496	23,968,382
<b>Cash flows from financing activities</b>			
Proceeds from/repayment of borrowings - net		26,019,033	7,530,210
Repayments of short term borrowings - net		-	(1,100,000)
Proceeds from issuance of shares		3,816,717	1,067,874
Share issuance cost		(31,220)	(8,217)
Repayment of Engro Islamic Rupiya Certificates		-	(3,000,000)
Dividends paid		(6,404,790)	(6,625,757)
Net cash generated from / (utilised in) financing activities		23,399,740	(2,135,890)
Net increase in cash and cash equivalents		58,470,012	27,917,980
Cash and cash equivalents at beginning of the period		42,863,608	25,896,896
Cash and cash equivalents at end of the period	16	101,333,620	53,814,876

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

**Inam ur Rahman**

**M. Shamooun Chaudry**

**Shabbir Hussain Hashmi**

**DAWOOD HERCULES CORPORATION LIMITED**  
**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018**

(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.

**1.2** During the nine months period, the Board in its meeting held on February 1, 2018, accepted an offer from Mega Conglomerate (Private) Limited (MCPL) for the purchase of the Holding Company's entire shareholding in HUBCO at Rs 106.50 per share. This was duly notified to the PSX on February 1, 2018. The price was later adjusted by dividend of PKR 1.38/share (net off tax) declared by HUBCO subsequent to the offer date. The dividend was received by the Holding Company. The required shareholders' approval in respect of the disposal of the shareholding was obtained in the EoGM held on March 6, 2018. The shares were transferred on March 16, 2018 after the completion of all regulatory requirements.

**1.3** Based on the approval of the Board of Directors (the Board), on August 29, 2017, the Company had signed Shareholders Agreement (SHA) and Share Subscription Agreement (SSA) with edotco Investments (Labuan) Limited Malaysia (Edotco) for an investment of approximately Rs 17,430 million in edotco Pakistan (Private) Limited (EPPL). On January 19, 2018, the Company notified PSX regarding plans for injecting a cumulative amount of Rs 17,430 million in EPPL in the form of equity and / or a short term loan, out of which the amount of loan shall not exceed Rs 10,130 million subject to obtaining of the necessary regulatory and shareholders' approval. The shareholders at their Extraordinary General Meeting (EoGM) held on March 6, 2018, approved the proposed investment plan.

On September 17, 2018, the Company notified Pakistan Stock Exchange (PSX) that it is no longer perusing the transaction to invest upto PKR 17,453 million in edotco Pakistan (Private) Limited (EPPL). This termination notice was based on the fact that the Shareholders' Agreement entered into between edotco Investment (Labuan) Limited (edotco) and EPPL prescribed various conditions that needed to be satisfied before consummating the transaction. Out of the said conditions, certain material conditions have not been satisfied prior to the long stop date. Accordingly, the Company exercised its right to terminate the Agreement in accordance with the terms of Agreement and notified edotco and EPPL.

**1.4** The "Group" consists of:

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

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

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

	%age of direct holding	
	2018	2017
- Engro Corporation Limited (ECL)	37.22	37.22

**1.5** **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, 2018	December 31, 2017
- Engro Energy Limited (Formerly Engro Powergen Limited) (note 1.5.1)	100	100
- Engro Eximp Agriproducts (Private) Limited	100	100
- Engro Infiniti (Private) Limited (note 1.5.2)	100	100
- Elengy Terminal Pakistan Limited	80	80
- Engro Fertilizers Limited	56.27	56.27
- Engro Polymer and Chemicals Limited (note 1.5.3)	56.19	56.19

**Joint Venture Company:**

- Engro Vopak Terminal Limited	50	50
--------------------------------	----	----

**Associated Company:**

- Engro Foods Limited	39.9	39.9
-----------------------	------	------

### 1.5.1 Engro Energy Limited (EEL)

During the period:

- Engro Energy Services (Private) Limited (EESL) has been incorporated as a wholly owned subsidiary of EEL; and
- EEL entered into a Joint Venture Agreement (JVA), dated May 04, 2018 with Siddiqsons Limited (SL) and Arif Habib Equity (Private) Limited (AHEPL) for the joint development of approximately 330 MW coal-fired power generation facility in Thar Coal Block - II, District Tharparkar, Sindh through a joint venture company, i.e. Siddiqsons Energy Limited (SEL). The JVA became effective from May 26, 2018 as per the terms of which EESL, AHEPL and SL were initially required to have shareholding proportions equal to 19%, 19% and 62%, respectively, in their capacity as the subscribing members of SEL. Accordingly, EEL has advanced an amount of Rs. 262,676 against the issuance of 26,267,639 ordinary shares constituting the required 19% of the share capital of SEL to be allotted to EEL. Ordinary shares thereagainst have been issued during the period.

### 1.5.2 Engro Infiniti (Private) Limited

During the period, the ECL has made investments in Engro Infiniti (Private) Limited, a wholly owned subsidiary, through:

- subscription of 100,000 ordinary shares of Rs. 10 each at par;
- subscription of 30,000 ordinary shares of Rs. 10 each at a premium of Rs. 9,990 per share; and
- payment of advance against subscription of 23,140 ordinary shares of Rs. 10 each at a premium of Rs. 9,990 per share, the shares in respect thereof shall be issued after completion of legal formalities.

### 1.5.3 Elengy Terminal Pakistan Limited (ETPL)

During the period, ECL entered into negotiations with Vopak LNG Holding B.V. (the buyer) with respect to sale of up to 36.25% of the ECL's investment in Elengy Terminal Pakistan Limited (ETPL). A notification to the effect was also given to Pakistan Stock Exchange Limited on June 29, 2018.

On July 19, 2018, the ECL executed a Share Purchase Agreement (SPA) with the buyer in respect of the proposed sale against a consideration of US\$ 38,297, which is subject to certain adjustments. The shareholders of the ECL in its Extra Ordinary General Meeting, held on September 25, 2018, have unanimously approved the disposal of up to 36.25% of the Holding Company's shareholding in ETPL.

### 1.5.4 Engro Polymer and Chemicals Limited (EPCL)

During the period, Engro Polymer and Chemicals Limited (EPCL) offered 37% of its issued, subscribed and paid up ordinary shares as right shares at Rs. 22 per ordinary share. Last date of acceptance of rights offer by the shareholders was July 23, 2018. ECL fully subscribed to its entitled right shares aggregating to 137,923,461 ordinary shares, amounting to Rs. 3,034,316.

## 2. BASIS FOR PREPARATION

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

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

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

2.2 These consolidated condensed interim financial statements do not include all the information required for consolidated annual financial statements and therefore should be read in conjunction with the audited consolidated annual financial statements of the Group for the year ended December 31, 2017.

2.3 The preparation of these consolidated condensed interim financial statements in conformity with the accounting and reporting standards as applicable in Pakistan 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. During the preparation of these consolidated condensed interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation and uncertainty were the same as those that were applied to the consolidated financial statements of the Group for the year ended December 31, 2017, except for the matter explained in note 6.2.

### 3. BASIS OF CONSOLIDATION

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

- 4.1 The significant accounting policies adopted in the preparation of these consolidated condensed interim financial statements are the same as those applied in the preparation of audited annual consolidated financial statements of the Group for the year ended December 31, 2017.
- 4.2 There are certain new International Financial Reporting Standards (IFRS) and amendments and interpretations to published IFRS that are mandatory for the financial year beginning on January 1, 2018. 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 these consolidated condensed interim financial statements.
- 4.3 Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

### 5. PROPERTY, PLANT AND EQUIPMENT

		Unaudited September 30 2018	Audited December 31, 2017
		------(Rupees)-----	
Operating assets, at net book value		100,847,230	103,109,054
Capital work in progress - Expansion and other projects	5.3	83,919,662	52,994,469
Capital spares and standby equipments		1,667,982	1,408,494
		<u>186,434,874</u>	<u>157,512,017</u>

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

		Unaudited September 30 2018	Audited December 31, 2017
		------(Rupees)-----	
Land		26,938	6,200
Plant and machinery		3,081,977	3,328,195
Building and civil works including pipelines		63,558	216,218
Furniture, fixture and equipment		231,546	367,503
Jetty		5,400	-
Catalyst		213,900	8,978
Vehicles		141,336	242,811
		<u>3,764,655</u>	<u>4,169,905</u>

- 5.2 During the period, assets costing Rs. 79,780 (December 31, 2017: Rs.908,922), having net book value of Rs. 17,613 (December 31, 2017: Rs. 40,245) were disposed for Rs 25,307 (December 31, 2017: Rs 745,932).

		Unaudited September 30 2018	Audited December 31, 2017
		------(Rupees)-----	
5.3 Capital work in progress - Expansion and other projects			
Balance at beginning of the period / year		52,994,469	23,789,784
Additions during the period / year		34,822,595	33,359,378
Transferred to:			
- operating assets		(3,837,859)	(4,052,759)
- intangible assets		(59,543)	(81,616)
- capital spares		-	(20,318)
Balance at end of the period / year		<u>83,919,662</u>	<u>52,994,469</u>

	Unaudited September 30 2018	Audited December 31, 2017
	----- (Rupees) -----	
6. LONG TERM INVESTMENT		
Balance at beginning of the period / year	32,195,681	34,700,708
Add:		
- Investment in associates (note 6.1)	262,676	144,839
- Advance against issue of share capital (note 1.5.1)	450,270	154,818
- Exchange gain on revaluation of foreign investment	19,598	7,980
- Share of (loss) / profit for the period / year (note 6.2)	(196,372)	1,463,095
Less: Dividend received during the period / year (note 6.3)	(842,430)	(4,275,759)
Balance at end of the period / year	<u>31,889,423</u>	<u>32,195,681</u>

6.1 This represents investment made during the period by EEL in Sindh Engro Coal Mining Company Limited.

6.2 Cases for the tax year 2003 to tax year 2011 of Engro Vopak Terminal Limited (EVTL) to determine as to whether the income of EVTL is liable to be taxed under the Normal Tax Regime (NTR) or the Final Tax Regime (FTR) are pending in the Honorable Supreme Court (HSC) and the Sindh High Court (SHC). During the period, on the basis of prudence, the ECL has recognized its share of provision for potential additional tax liability for tax years 2003 to 2018 that EVTL might have to settle if the pending cases are decided against EVTL.

6.3 During the period, ECL received dividends from Engro Foods Limited and Engro Vopak Terminal Limited amounting to Rs. 122,430 and Rs. 720,000, respectively.

#### 7. OTHER RECEIVABLES

This includes Rs. 1,742.81 million inclusive of profit of Rs. 89.05 million receivable from Habib Bank Limited (Escrow Agent) paid in Escrow Account maintained with Escrow Agent under the Shareholders Agreement and Share Subscription Agreement with edotco for purchase of towers from Pakistan Mobile Communication Limited, as more fully explained in note 1.3 to these consolidated financial statements. The Agreement is terminated and is of no effect.

#### 8. NON - CONTROLLING INTEREST

Engro Powergen Thar (Private) Limited (EPTL), a subsidiary of EEL, has issued 99,000,000 fully paid preference shares of Rs. 10 each as fully paid right shares 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. These preference shares have been classified in equity as per the requirements of the Companies Act, 2017.

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

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

In addition, there would be no payment of dividend before the commencement of commercial operations. As per the arrangement with the preference shareholder, coupon rate will be determined after Commercial Operation Date such that the preference shareholder gets 11% IRR in US Dollar terms over the term of investment. If no adjustment is made in preference shares coupon and 11% annual return is assumed on preference shares from the date of investment, the cumulative dividend on preference shares as at September 30, 2018 amounts to Rs. 1,950,862 (December 31, 2017: Rs. 1,076,912) which has not been recognized in these consolidated condensed interim financial statements.

- During the period, EPTL received Rs. 3,096,027 from sponsors in respect of advance against issue of shares. Shares in respect of this amount will be issued after completion of requisites formalities.

#### 9. BORROWINGS

9.1 During the period, the Holding Company issued Rated, Over the Counter Listed and Secured Islamic Certificates (Sukuks), amounting to Rs 6,000 million on March 01, 2018, to Qualified Institutional Buyers (QIBs) through private placement by JS Bank Limited as an agent and advisor. The Sukuks are secured against ECL shares with 50% margin and charge over all the assets of the Company with a 25% margin. The Sukuks carry mark-up at the rate of three months KIBOR plus 100 basis points per annum. The Sukuks are for a period of 5 years and are payable semiannually with the first principal repayment to be made after the expiry of 18 months commencing from September 2019.

#### 9.2 Engro Fertilizers Limited (EFERT)

During the period, EFERT fully repaid its long term loans from various banks amounting to Rs. 6,666,667 and obtained a loan from MCB Bank Limited amounting to Rs. 3,000,000.

#### 9.3 Engro Polymer and Chemicals Limited (EPCL)

During the period, EPCL fully repaid its long term loans from Faysal Bank Limited amounting to Rs. 1,250,000.

**9.4 Engro Powergen Thar (Private) Limited (EPTL)**

9.4.1 As at September 30, 2018, under the USD Facility Agreement with foreign banks, EPTL has made draw down of USD 463,168 (December 31, 2017: USD 324,516), while the undrawn amount is USD 157,832 (December 31, 2017: USD 296,484).

9.4.2 As at September 30, 2018, EPTL has made the total draw down in respect of its local currency long term financing facilities amounts to Rs. 18,846,598 (December 31, 2017: Rs. 7,157,099) while the undrawn amounts are equal to Rs. 5,303,402 (December 31, 2017: Rs. 16,992,900).

**9.5 Elengy Terminal Pakistan Limited (ETPL)**

The principal amounts for repayment at September 30, 2018 for foreign currency denominated loans obtained by ETPL, a subsidiary company, are USD 13,250 (December 31, 2017: USD 14,600) due to International Finance Corporation and USD 19,875 (December 31, 2017: USD 21,900) due to Asian Development Bank.

**10. SHORT TERM BORROWINGS**

The short-term running finances available to the Group from various banks under mark-up arrangements amounts to Rs. 37,317,000 (December 31, 2017: Rs. 39,602,000). The rates of mark-up on these finances are KIBOR based and range from 1 to 3 months KIBOR plus 0.2% to 1.5% per annum (December 31, 2017: 0.5% to 1.5% per annum over 1-month KIBOR). 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.

**11. CONTINGENCIES AND COMMITMENTS**

**11.1 Contingencies**

Significant changes in the status of contingencies reported in the annual consolidated financial statements for the year ended December 31, 2017 are as follows :

11.1.1 Subsequent to equity injections / submission of Equity Stand by Letter of Credit (SBLCs) by sponsors the amount of Equity SBLCs, as disclosed in note 24.1.2 of the consolidated annual financial statements for the year ended December 31, 2017, have been reduced during the period to USD 12,599 (December 31, 2017: USD 14,027) and USD 26,509 (December 31, 2017: USD 36,619) (in PKR equivalent) in respect of Sindh Engro Coal Mining Company Limited and Engro Powergen Thar (Private) Limited, respectively.

11.1.2 In respect of Engro Elengy Terminal (Private) Limited, ECL had issued Corporate and Performance guarantees amounting to USD 20,700 and USD 10,000, respectively. These guarantees were secured against the shares of Engro Fertilizers Limited and Engro Foods Limited. During the period, these securities have been replaced by Treasury Bills. Further, ECL pledged Treasury Bills against SBLC of USD 5,000 during the period.

11.1.3 During the period, ECL has pledged Treasury Bills against funded and non-funded facilities of Engro Fertilizers Limited, Engro Powergen Qadirpur Limited, Engro Polymer & Chemicals Limited and Engro Vopak Terminal Limited amounting to Rs. 5,300,000, Rs. 1,500,000, Rs. 1,360,000 and Rs 150,000, respectively.

11.1.4 On February 09, 2018 Engro Energy Limited (EEL), furnished 7 bank guarantees amounting to Rs. 5,530 each, expiring on February 8, 2020, to Baluchistan Power Development Board (BPDB). These were issued to acquire LOIs / development rights for 50MW x 7 project sites located in Kuchlak, Khuzdar and Punjur areas of Baluchistan.

11.1.5 As per the terms of the Operations and Maintenance Agreement entered into between Engro Power Service Holding B.V, (EPSH), a subsidiary of EEL, and CHD Power Plant Operation Company Limited (CHD), EPSH is required to pay a pre-commercial operations date mobilisation fee amounting to USD 4,460 to CHD (December 31 2017: Nil). The project is expected to achieve Commercial Operations Date by June 3, 2019.

11.1.6 Commissioner Inland Revenue (CIR) through an 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 122 (5A) and 214C of the Income Tax Ordinance, 2001 and raised a tax demand of Rs. 268,584. EEL contested the demand and filed an appeal before the Commissioner Inland Revenue (Appeals) [CIR(A)] which is pending. In the meantime, EEL has also challenged the demand in the Honourable High Court of Sindh (SHC) which has refrained the tax authorities from taking any coercive action against EEL till the adjudication of appeal by the CIR(A). Accordingly, no provision has been made in respect of the aforementioned demand in this consolidated condensed interim financial information.

11.1.7 The Additional Commissioner Inland Revenue (ACIR), through separate show cause notices dated December 11, 2017 in respect of tax years 2015 and 2016 and notices dated December 12, 2017 in respect of tax years 2012 and 2013, rejected the inter-corporate dividend exemption claimed by the Holding Company during these tax years. The ACIR also levied super tax on dividend income for tax years 2015 and 2016. EEL challenged these notices before the Honourable Sindh High Court which has restrained the tax authorities from taking any coercive action against EEL. Based on the views of tax advisor and legal consultant of EEL, the management believes that EEL has a good case on merits and expects a favourable outcome. Accordingly, no provision has been made in this respect in this consolidated condensed interim financial information.

- 11.1.8 The Holding Company had pledged 15.131 million shares of ECL with Meezan Bank Limited (as Agent) in favour of Fatima Fertilizer Company Limited (FFCL) as collateral against guarantee given in favour of Dawood Hercules Fertilizer Limited (DHFL) - ex-subsidiary (now FFCL) against potential tax liabilities, WPPF liabilities and WWF liabilities in respect of periods ending on or prior to June 30, 2015. These pledged shares are to be released upon completion of two years from the filing date of Income Tax Return for the year ended December 31, 2015, i.e. September 30, 2016.

During the nine month period ended June 30, 2018, out of 15.131 million shares of ECL, 4.639 million shares were released upon expiration of the period stated in the agreement relating to the WPPF liabilities.

The Holding Company had also issued a Corporate Guarantee which will remain in full force and effective for five years and will be released on the later of September 30, 2021 or the date on which the above tax liabilities are finally settled / disposed of or withdrawn.

- 11.1.9 During the year ended December 31, 2017, the Holding Company's ex-subsidiary was served with an order from the Additional Commissioner of Inland Revenue (ACIR) – Federal Board of Revenue under Section 122(5A) of the Income Tax Ordinance, 2001 to amend the original assessment for the Tax Year 2016 being prejudicial to the revenue of the Federal Government and raised additional demand of Rs 3,380.650 million. 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 shares of ECL and HUBCO to the Holding Company and levy of super tax on the income claimed to be exempt from tax. The ex-subsidiary being aggrieved with the order filed an appeal with the Commissioner Inland Revenue Appeals (CIRA) and CIRA in its order dated August 7, 2017 decided the matter in favour of the ex-subsidiary. The Deputy Commissioner Inland Revenue served the ex-subsidiary with an appeal effect order on January 11, 2018, under which the tax liability (primarily on account of Alternative Corporate Tax) worked out to be Rs 1,051.140 million. The Commissioner Inland Revenue filed an appeal with the Appellate Tribunal Inland Revenue (ATIR) against the order passed by CIRA, which is currently pending. The ex-subsidiary, on the basis of advice of its tax consultant, filed an appeal with CIRA on February 12, 2018, considering the demand to be still prejudicial to its interests. CIRA in its order dated April 26, 2018 decided the matter against the ex-subsidiary. The ex-subsidiary has filed an appeal with the ATIR on May 9, 2018, against the order passed by CIRA and for grant of stay in respect thereof. The appeal against the order of CIRA is still pending. Meanwhile, the Holding Company has also obtained stay from the Honourable Lahore High Court against the recovery of demand. The tax advisor of the ex-subsidiary is of the view that the appeal effect order passed on January 11, 2018 and the subsequent order of CIRA dated April 26, 2018, are either based on a misinterpretation of the provisions of law or are in violation of the directions given by CIRA in its order dated August 7, 2017. Based on these views, the management of the Holding Company is confident that the matter will eventually be decided in favour of the ex-subsidiary. Hence, no provision has been recorded in this respect in these unconsolidated condensed interim financial statements.

- 11.1.10 During the year ended December 31, 2017, the Holding Company received a show cause notice from the 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 expressed intention to reject exemption of intercorporate dividend amounting to Rs 18,008.795 million, to make an addition to capital gain amounting to Rs 615.101 million and also to impose a super tax liability amounting to Rs 666.963 million. The Holding 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, a separate suit was filed with the Honorable High Court of Sindh against the levy of super tax. The Honorable High Court of Sindh issued stay orders in respect of the aforementioned matters with the instruction to the Taxation Authorities to not finalise the proceedings until the cases were disposed of. The matter has still not been decided. However, on the basis of legal advice, the management is confident that the above matters will be decided in favour of the Holding Company.

## 11.2 Commitments

- 11.2.1 The Holding Company has entered into lease agreement for renting of premises for Lahore office on August 2015 for a period of seven years, expiring on September 2022. The agreement is revocable by either party through prior notice of at least 6 months.
- 11.2.2 Commitments in respect of capital expenditure contracted for but not incurred amounts to Rs. 26,788,955 (December 31, 2017: Rs. 45,297,632).
- 11.2.3 Other commitments in respect of subsidiary companies amounts to Rs. 2,841,865 (December 31, 2017: Rs. 2,943,637).

## 12. OTHER INCOME

- 12.1 This includes income from sales under Government subsidy amounting to Rs. 1,304,329 (September 30, 2017: Rs. 4,127,639).
- 12.2 During 2016, Supreme Court of Pakistan issued a judgement dated November 11, 2016, as a result of which changes made through the Finance Acts of 2006 and 2008 in the Workers' Welfare Ordinance, 1971 were held to be ultra-vires to the Constitution. In this respect, the Group had accrued for Workers' Welfare Fund (WWF) charge based on the amendments brought through Finance Act 2008, however, no payment was made there against. Subsequently, a civil review petition against the aforementioned judgement was filed by the taxation authorities which has been dismissed during the period.

In light of above and based on the advice of legal advisor, provision for WWF amounting to Rs. 509,766 has been reversed during the period.

- 12.3 This includes gain on disposal of investment in Hub Power Company Limited by the Holding Company of Rs 11,100,102 (net of transaction cost) as further explained in note 1.2.

**13. TAXATION**

Includes provision for 'Super Tax for rehabilitation of temporarily displaced persons', levied through Finance Act, 2018 on the income for the financial year ending December 31, 2018 and retrospectively on the income for the financial year ended December 31, 2017. The Group intends to challenge the levy of this tax in the High Court of Sindh and obtain a stay in this respect, as done in the past against similar tax levied through Finance Act, 2017. The Group, based on the opinion of its legal advisor, believes that there is a reasonable case in this respect in the Group's favour. However, based on prudence, the Group has made provision for Super Tax for tax year 2018 and 2019 in these consolidated condensed interim financial statements.

**14. EARNINGS PER SHARE - BASIC AND DILUTED**

	------(Unaudited)-----			
	Quarter ended		Nine months period ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
	-----Rupees-----			
Profit for the period (attributable to the owners of the Holding Company) from:	<u>1,258,714</u>	<u>1,151,768</u>	<u>13,990,842</u>	<u>2,340,478</u>
The information necessary to calculate				
There is no dilutive effect on the basic earnings per share of				
the Group, which is based on:				
Profit after taxation (attributable to the owners of the Holding Company)	1,258,714	1,151,768	13,990,842	2,340,478
Add:				
- Finance cost related to IFC loan and derivative - net of tax	-	-	-	326
- (Gain) / Loss on revaluation of IFC loan conversion option		-	-	(1,235)
	<u>1,258,714</u>	<u>1,151,768</u>	<u>13,990,842</u>	<u>2,339,569</u>
	-----Number in thousands-----			
Weighted average number of ordinary shares				
Add: Weighted average adjustment for	<u>481,287</u>	<u>481,287</u>	<u>481,287</u>	<u>481,287</u>

		------(Unaudited)-----	
		Nine months period ended	
		September 30, 2018	September 30, 2017
		-----Rupees-----	
<b>15. CASH GENERATED FROM OPERATIONS</b>			
Profit before taxation		37,296,632	20,344,590
Adjustment for non-cash charges and other items:			
Depreciation and amortization		5,952,412	5,545,460
Gain on disposal / write off of property, plant and equipment		(7,824)	(23,865)
Provision for retirement and other service benefits		178,619	144,437
Gain on disposal of investment		(11,530,352)	-
Income on deposits / other financial assets		(4,552,024)	(2,774,646)
Share of loss / (income) from joint venture and associated companies		196,372	(2,353,315)
Dividend income from Hubco		(258,873)	-
Finance cost		4,077,227	3,806,028
Loss on foreign currency translations		707,887	41,435
Working capital changes (note 15.1)		(9,528,328)	(9,764,282)
		<u>22,531,748</u>	<u>14,965,842</u>
<b>15.1 Working capital changes</b>			
(Increase) / decrease in current assets			
- Stores, spares and loose tools		(284,112)	(464,115)
- Stock-in-trade		(12,495,125)	(2,647,392)
- Trade debts		(1,437,773)	(2,489,270)
- Loans, advances, deposits and prepayments		(1,421,521)	(1,628,991)
- Other receivables - net		(1,417,156)	(1,988,496)
		<u>(17,055,687)</u>	<u>(9,218,264)</u>
Increase / (decrease) in current liabilities			
- Trade and other payables, including other service benefits - net		7,527,359	(546,018)
		<u>(9,528,328)</u>	<u>(9,764,282)</u>
<b>16. CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances		14,942,124	7,858,768
Short term investments		93,029,191	56,167,786
Short term borrowings		(6,637,695)	(10,211,678)
		<u>101,333,620</u>	<u>53,814,876</u>
<b>17. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS</b>			
<b>17.1 Financial risk factors</b>			
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 these consolidated condensed interim financial statements does not include all the financial risk management information and disclosures required in the annual financial statements.			
<b>17.2 Fair value estimation</b>			
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
<b>Assets</b>		<b>Rupees</b>	
Financial assets at fair value through profit and loss	-	93,395,132	-
- Short term investments			

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

Level 2 fair valued instruments comprise of fixed income placements and treasury bills which have been valued using discounted cash flow model.

#### 17.3 Fair value of financial assets and liabilities

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

#### 18. TRANSACTIONS WITH RELATED PARTIES

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

	<b>----- (Unaudited) -----</b>	
	<b>----- Nine months period ended -----</b>	
	<b>September 30, 2018</b>	<b>September 30, 2017</b>
	<b>----- Rupees -----</b>	
<b>Associated companies and joint ventures</b>		
Purchases and services	4,271,402	3,026,321
Services rendered / sale of goods	7,976	5,202
Dividends received	1,101,303	4,429,796
Dividends paid	1,138,853	477,285
Payment of interest on Term Finance Certificates and repayment of principal amount	-	20,463
Contribution for corporate social responsibility	61,000	97,100
Payment against EPC contract	16,455,196	11,342,296
Reimbursements from associates	144,444	-
Reimbursements to associates	129,197	38,644
Advances and deposits	6,359	27,411
Loan received	847,065	101,449
Loan paid	165,915	141,683
Mark-up on borrowings	-	85,057
Bank charges	-	39
interest on deposit	-	47
Finance cost paid	252,668	57,819
Share capital issued	3,884,053	1,067,873
Others	1,000	-
<b>Key Management Personnel</b>		
Remuneration paid to key management personnel / directors	993,753	880,583
Reimbursement of expenses	16,805	12,313
Directors' Fee	100,439	50,042
Directors' emoluments	310,500	-
Dividend paid	97,758	99,097
Profit on Engro Islamic Rupiya Certificates	18,118	19,602
Sales of assets	-	118
<b>Membership fee and other subscriptions</b>	1,081	838
<b>Contribution for retirement benefits</b>	478,092	388,843

## 19. SEGMENT REPORTING

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

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

19.1 Liabilities are reported segment-wise to the Board of Directors on an annual basis. Hence, segment-wise details of liabilities have not been presented in these consolidated condensed interim financial statements.

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

	(Unaudited)			
	Quarter ended		Nine months period ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
	Rupees		Rupees	
<b>Revenue</b>				
Fertilizer	28,098,690	21,162,095	69,215,104	48,473,114
Polymer	8,422,094	7,344,131	25,523,707	20,389,788
Food	755,575	442,249	2,404,594	1,289,496
Power	2,388,428	2,660,488	8,451,792	8,828,460
Other operations	7,149,725	5,113,027	16,611,009	15,864,640
Elimination - net	(3,903,834)	(2,532,056)	(7,562,451)	(8,414,232)
Consolidated	42,910,678	34,189,934	114,643,755	86,431,266
<b>Profit for the period</b>				
Fertilizer	5,099,712	2,807,545	12,249,088	6,924,017
Polymer	1,081,765	900,850	3,865,436	1,947,020
Food	24,493	(8,144)	251,384	(59,117)
Power	102,828	244,845	1,417,999	1,395,765
Other operations	5,200,555	3,958,781	13,778,365	10,424,594
Elimination / adjustment - net	(4,887,990)	(2,992,062)	(3,421,085)	(9,220,306)
Consolidated	6,621,363	4,911,815	28,141,187	11,411,973
			(Unaudited) September 30, 2018	(Audited) December 31, 2017
			Rupees	
<b>Assets</b>				
Fertilizer			117,196,011	111,816,249
Polymer			34,630,225	24,364,326
Food			30,176,295	31,112,561
Power			119,523,559	82,494,582
Other operations			157,597,328	150,653,722
Elimination - net			(57,188,402)	(63,254,218)
Consolidated			401,935,016	337,187,222

**20. SEASONALITY**

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

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

The Board of Directors of the Holding Company in its meeting held on October 30, 2018 has approved an interim cash dividend of Rs. 3 per share for the year ending December 31, 2018. This consolidated condensed interim financial information does not include the effect of the said interim dividend.

**22. CORRESPONDING FIGURES**

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

**23. DATE OF AUTHORIZATION**

These consolidated condensed interim financial statements were authorized for issue on October 30, 2018 by the Board of Directors of the Holding Company.

---

Inam ur Rahman

---

M. Shamoon Chaudry

---

Shabbir Hussain Hashmi

www.jamapunji.pk



**Be aware, Be alert,  
Be safe**

**Learn about investing at  
www.jamapunji.pk**

**Key features:**

- Licensed Entities Verification
- Scam meter\*
- Jamapunji games\*
- Tax credit calculator\*
- Company Verification
- Insurance & Investment Checklist
- FAQs Answered

- Stock trading simulator  
(based on live feed from KSE)
- Knowledge center
- Risk profiler\*
- Financial calculator
- Subscription to Alerts (event notifications, corporate and regulatory actions)
- Jamapunji application for mobile device
- Online Quizzes



Jama Punji is an Investor  
Education Initiative of  
Securities and Exchange  
Commission of Pakistan

jamapunji.pk

@jamapunji\_pk

\*Mobile apps are also available for download for android and ios devices



Dawood Hercules

**Dawood Hercules Corporation Limited**

Dawood Centre, M.T. Khan Road, Karachi - 75530  
Tel: +92-21-35686001 Fax: +92-21-35644147

[www.dawoodhercules.com](http://www.dawoodhercules.com)