



THIRD QUARTERLY ACCOUNTS (un-audited)
for the nine months and quarter ended
September 30, 2019

CONTENTS

Company Information	3
Directors' Review Report	4
Directors' Review Report (Urdu)	7
Unconsolidated condensed interim financial statements	8 – 23
Consolidated condensed interim financial statements	24 – 41

COMPANY INFORMATION

Board of Directors

Mr. Hussain Dawood - Chairman
Mr. Shahzada Dawood - Vice Chairman
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. Hasan Reza Ur Rahim - Member

Human Resource & Remuneration Committee

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

Board Investment Committee

Mr. Shahzada Dawood - Chairman
Mr. Hasan Reza Ur Rahim - Member
Mr. Imran Sayeed - Member

Chief Financial Officer

Mr. Mohammad Shamoon Chaudry

Company Secretary

Mr. Asim H. Akhund

Registered Office

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

DAWOOD HERCULES CORPORATION LIMITED
DIRECTORS' REVIEW REPORT
FOR THE PERIOD ENDED SEPTEMBER 30, 2019

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 quarter and nine months ended September 30, 2019.

The Company continued to build its investment portfolio in shares of blue-chip listed companies on the Pakistan Stock Exchange as per the limits approved by the Board of Directors. The market stayed bearish on the back of a tough economic environment, registering a drop of about 15.5% during the period January to September 2019.

The Company performed better than the market because of prudent investments, resulting in a minimal unrealized loss. After including dividends from the investee companies received during the period, the portfolio yielded a negative return of 4.6%. The Company continues to actively explore other investment opportunities.

On a consolidated basis, the turnover for 9M 2019 was PKR 149,401 million, witnessing a growth of 30% arising from improved fertilizers and petrochemicals revenues and augmented by energy projects coming online during 3Q 2019. Excluding the one-time recording of capital gain from sale of HUBCO investments from last year's earnings, the consolidated profit for the period was PKR 20,965 million. This was 23% higher than last year. Consolidated earnings per share were PKR 8.16 for nine months of 2019.

On standalone basis, the profit after tax was PKR 2,685 million against PKR 5,450 million for the similar period last year, which included the one time recording of capital gain from the sale of HUBCO investments. Earnings per share for the period was PKR 5.58 per share.

A brief review of significant business segments is as follows:

Fertilizers

Fertilizer business revenues for 9M 2019 grew by 12% over comparative period, however, the business witnessed significant increase in cost on account of rise in gas prices, escalation in price of dollar denominated gas streams, logistics cost arising from changes in axle load regulations and rising financial charges. Resultantly, PAT for the current period stood at PKR 10,511 million as compared to PKR 12,249 million for 9M 2018.

Petrochemicals

The business recorded revenue growth of 9% over similar period last year, however, PAT for the 9M 2019 was PKR 2,814 million against PKR 3,865 million for the comparative period. Profitability was impacted on account of inflation, higher energy costs and higher interest rates coupled with PKR devaluation.

Energy

Thar Coal Mining & Power Generation Projects: Development of the 3.8 Mt per annum mine at Thar culminated with the successful 'Test on Completion' on 3 June 2019. Thereafter, Commercial Operations Date (COD) was declared on 10 July 2019 for both mining and power projects. Till 30 September 2019, over 786 thousand tons of coal has been supplied by the mine, while the Thar power plant has also been

running smoothly since COD and dispatched 904 GwH to the national grid. With this accomplishment, Engro is using indigenous resources to help alleviate the energy crisis and has, once again, proven its ability to deliver on mega projects that enable development for the people of Pakistan.

Qadirpur Power Plant: The Plant dispatched a Net Electrical Output of 970 GwH to the national grid with a load factor of 69.6% compared to 83% during similar period last year. Decline in load factor was primarily on account of lower demand and gas curtailment due to depletion of Qadirpur gas field. The business posted a PAT of PKR 2,610 million in 9M 2019 as compared to PKR 1,923 million in the comparative period.

Terminal Operations

Profitability of both LNG and chemicals terminals remained healthy for the period under review. Since the commencement of our LNG project, the terminal has handled over 15 million tons of LNG and currently fulfills more than 13% of the country's gas requirements

FUTURE OUTLOOK

The Company believes that the economic measures taken by the Government are slowly showing their effect with the fall in economic activity stabilizing. With the interest rates flat and expected to decline over the next 3-6 months; decrease in current account deficit and increase in tax collection, albeit below the set targets, Pakistan's economy while continuing with its challenges, has cautiously started to turnaround. The economy is expected to fully recover over the next 1-2 years with robust fundamentals and structural changes. The investment thesis for the portfolio built by the Company envisaged an investment horizon of 2-3 years. We maintain this view and accordingly will continue to hold the portfolio for this duration.

The Company will continue to explore new business opportunities independently and through its subsidiary Engro Corporation Limited. The main focus is to enhance long term shareholder value, whilst also addressing significant challenges faced by our economy and country.

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

Inam ur Rahman
Chief Executive

Shabbir Hussain Hashmi
Director

Dated: 28th October 2019

کول مائننگ اینڈ پاور جزیشن: تھر کول بلاک II میں 3.8 ملین ٹن سالانہ مائننگ اپنی تکمیل کو پہنچی اور 3 جون 2019 کو اس کا کامیاب ٹیسٹ کیا جا چکا ہے۔ بعد ازاں مائننگ اور پاور پروجیکٹس کیلئے کمرشل آپریشنز کی تاریخ 10 جولائی 2019 مقرر کی گئی تھی۔ مائن سے پاور پروجیکٹ کو کوئلے کی فراہمی کا آغاز ہو چکا ہے اور 30 ستمبر 2019 تک 1,000,786 ٹن کوئلہ فراہم کیا جا چکا ہے اور تھر پاور پلانٹ بھی اپنی تاریخ آغاز سے کامیابی سے 904 گیگا واٹ بجلی نیشنل گرڈ کو فراہم کر چکا ہے۔ اس کامیابی سے اینگرو ملک کی توانائی کے سیکٹر میں بحران پر قابو پانے کیلئے ملکی وسائل کو ہی استعمال کر رہا ہے اور ایک مرتبہ پھر اینگرو نے ثابت کر دیا ہے کہ کمپنی پاکستانی عوام کی ترقی اور بہتری کیلئے میگا پروجیکٹس کو کامیابی سے ہمکنار کرنے رکھتی ہے۔

قادر پور پاور پلانٹ: اس پلانٹ سے نیشنل گرڈ کو 970 گیگا واٹ خالص الیکٹریکل آؤٹ پٹ فراہم کیا گیا ہے جبکہ گذشتہ سال اسی مدت کے دوران لوڈ فیکٹر 83 فیصد کے مقابلے میں اس سال 69.6 فیصد رہا۔ قادر پور گیس فیلڈ سے گیس کی کمی کا شکار ہے کیونکہ قادر پور میں گیس ختم ہو رہی ہے۔ گذشتہ سال کی اسی مدت میں حاصل شدہ خالص منافع 1,923 ملین روپے کے مقابلے میں اس سال بزنس نے 2,610 ملین روپے کا خالص منافع کمایا۔

ٹرمینل آپریشنز

زیر جائزہ مدت کے دوران LNG اور کیمیکل ٹرمینلو کے منافع میں صحت مندرجہ جہان جاری رہا۔ ہمارے LNG منصوبے کے آغاز سے اب تک ٹرمینل نے 15 ملین ٹن سے زائد LNG ہینڈل کی ہے، یعنی اس وقت گیس کی ملکی مجموعی ضرورت کا 13 فیصد اینگرو ٹرمینل پورا کر رہا ہے۔

مستقبل کے امکانات

کمپنی کو یقین ہے کہ حکومت کی جانب سے کئے جانے والے معاشی اقدامات ست رفقاری سے سہی لیکن اپنے اثرات ظاہر کر رہے ہیں اور معاشی سرگرمیوں میں ہونے والی گراوٹ اب مستحکم ہوتی نظر آرہی ہے۔ ہمیں یقین ہے کہ شرح سود کیفلیٹ ہونے کی صورت میں، یہ آئندہ 4-6 ماہ میں مزید کم ہو گی؛ حالیہ اکاؤنٹ خسارے میں کمی اور ٹیکس وصولیوں میں اضافے، اہداف سے کم رہنے اور درپیش چیلنجز کے باوجود ملکی معیشت نے بہتر ہونا شروع کر دیا ہے۔ امکان ہے کہ آئندہ ایک یا دو برسوں میں ملکی معیشت مضبوط بنیادی اور بدلے ہوئے ڈھانچے کے ساتھ مکمل طور پر بحال ہو جائے گی۔ اسی لئے کمپنی کی جانب سے سرمایہ کاری کا نظریہ دو تا تین سال خیال کیا جا رہا ہے۔ ہم اس نقطہ نظر کو جاری رکھتے ہوئے اسی مدت کیلئے اپنے پورٹ فولیو کو مستحکم رکھیں گے۔

کمپنی آزادانہ اور اپنی ذیلی کمپنی اینگرو کا رپوریشن لمیٹڈ کے ذریعے سرمایہ کاری کے نئے مواقع کی تلاش جاری رکھے گی۔ ہماری توجہ معیشت اور ملک کو درپیش چیلنجز سے نمٹتے ہوئے شیمز ہولڈرز کی قدر میں طویل المیعاد اضافے پر بھی ہے۔

بورڈ آف ڈائریکٹرز ان پراعتاد کرنے پر شیمز ہولڈرز کا شکریہ ریکارڈ کروانا چاہتا ہے اور کمپنی کی ترقی و خوش حالی کیلئے مخلصانہ کوششوں پر کمپنی کی انتظامیہ اور ملازمین کا شکریہ ادا کرتی ہے۔

شبیر حسین ہاشمی

ڈائریکٹر

انعام الرحمن

چیف ایگزیکٹو

کمپنی کے ڈائریکٹرز نہایت مسرت کے ساتھ 30 ستمبر 2019 کو ختم ہونے والی سہ ماہی اور نو ماہی کیلئے اپنی رپورٹ کے ہمراہ کمپنی کے عبوری، غیر آڈٹ شدہ، غیر اشتمال شدہ مختصر گوشوارے اور گروپ کے عبوری، غیر آڈٹ شدہ، اشتمال شدہ مختصر گوشوارے پیش کر رہے ہیں۔

کمپنی نے بورڈ آف ڈائریکٹرز کی جانب سے منظور کی گئی حد کے اندر، پاکستان اسٹاک ایکسچینج میں لسٹڈ بلو چپ کمپنیوں کے شیئرز میں بااحتیاط سرمایہ کاری جاری رکھی۔ جنوری تا ستمبر 2019 کے دوران مارکیٹ میں سخت معاشی ماحول کی وجہ سے مندی رہی جس کا تخمینہ 15.5 فیصد ریکارڈ کیا گیا۔

کمپنی نے احتیاط سے کی جانے والی سرمایہ کاری کے باعث مارکیٹ سے بہتر کارکردگی کا مظاہرہ کیا، جس کے نتیجے میں کمپنی کو معمولی نقصان کا سامنا کرنا پڑا ہے۔ سرمایہ کار کمپنیوں کی جانب سے ڈیویڈنڈز سمیت اسی مدت میں ہونے والا منافع 4.6% رہا۔ اس کے ساتھ کمپنی سرگرمی سے سرمایہ کاری کے دیگر مواقع کی تلاش میں بھی مصروف رہی ہے۔

مجموعی طور پر گروپ نے 2019 کی نو ماہی میں حاصل کئے گئے ریونیو 149,401 ملین روپے رہے۔ اس کی وجہ فری لانز اور پیٹرو کیمیکلز محصولات میں 30 فیصد اضافہ رہا اور 2019 کی تیسری سہ ماہی کے دوران توانائی منصوبوں کے آن لائن آنے کی وجہ سے بھی یہ اضافہ ریکارڈ کیا گیا۔ جبکہ انٹوسٹمنٹس کی فروخت سے حاصل ہونے والے یکبارگی منافع کو صرف نظر کرتے ہوئے سہ ماہی کا مجموعی منافع 20,965 ملین روپے رہا، جو اسی بنیاد پر حاصل کردہ گذشتہ سال کے منافع سے 23 فیصد زیادہ رہا۔ 2019 کی نو ماہی میں فی شیئر مجموعی آمدنی 8.16 روپے فی شیئر رہی۔

گذشتہ سال کی اسی سہ ماہی میں جبکہ انٹوسٹمنٹس کی فروخت سے حاصل ہونے والے یکبارگی منافع سمیت حاصل کردہ منافع بعد از ٹیکس 5,450 ملین روپے کے مقابلے میں غیر اشتمال شدہ بنیاد پر 2,685 ملین روپے رہا۔ مذکورہ مدت کیلئے منافع فی شیئر 5.58 روپے رہا۔ ہمارے کاروبار کی نمایاں پیش رفت کا جائزہ حسب ذیل ہے:

فری لانرز

گذشتہ مدت کے مقابلے میں 2019 کی نو ماہی میں سیلز کی نمو 12 فیصد زیادہ رہی، تاہم گیس کی قیمت میں اضافے، ڈالر کی قدر میں اضافے، ایکسل لوڈ قواعد میں تبدیلی سے لاجسٹکس کی بڑھنے والی لاگت اور اضافی فنانشل چارجز کے باعث کاروباری اخراجات میں نمایاں اضافہ دیکھنے میں آیا۔ نتیجتاً 2018 کے نو ماہ کے دوران حاصل ہونے والے بعد از ٹیکس منافع یعنی 12,249 ملین روپے کے مقابلے میں 2019 کے نو ماہ کے دوران حاصل ہونے والا بعد از ٹیکس منافع یعنی 10,511 روپے رہا۔

پیٹرو کیمیکلز

2019 کی نو ماہی کے دوران بزنس میں 9 فیصد نمو دیکھنے کو ملی تاہم 2018 کے نو ماہ کے دوران حاصل ہونے والے بعد از ٹیکس منافع یعنی 3,865 ملین روپے کے مقابلے میں 2019 کے نو ماہ کے دوران حاصل ہونے والا بعد از ٹیکس منافع یعنی 2,814 روپے رہا۔ منافع پر مہنگائی، توانائی کی اضافی لاگت اور پاکستانی روپے کی قدر میں کمی کے ساتھ ساتھ زیادہ شرح سود اثر انداز ہوئے۔

DAWOOD HERCULES CORPORATION LIMITED
UNCONSOLIDATED CONDENSED INTERIM
FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED
SEPTEMBER 30, 2019

DAWOOD HERCULES CORPORATION LIMITED
UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF
FINANCIAL POSITION (UN-AUDITED)
AS AT SEPTEMBER 30, 2019

	Note	September 30, 2019 (Un-audited) ------(Rupees in '000)-----	December 31, 2018 (Audited)
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	5	90,760	137,107
Long term investments	6	24,687,169	23,308,927
		<u>24,777,929</u>	<u>23,446,034</u>
CURRENT ASSETS			
Advances, deposits and prepayments		36,068	17,656
Dividend receivable		1,736,345	-
Other receivables	7	161,181	1,892,707
Short term investments	8	16,285,874	21,742,180
Cash and bank balances		232,577	235,170
		<u>18,452,045</u>	<u>23,887,713</u>
TOTAL ASSETS		<u><u>43,229,974</u></u>	<u><u>47,333,747</u></u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
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		<u>27,058,448</u>	<u>30,151,555</u>
		<u>31,871,319</u>	<u>34,964,426</u>
NON CURRENT LIABILITIES			
Long term financing		7,762,407	9,465,891
Defined benefit liability		7,329	5,749
		<u>7,769,736</u>	<u>9,471,640</u>
CURRENT LIABILITIES			
Current portion of long term financings		2,240,000	1,640,000
Trade and other payables		33,576	372,751
Unclaimed dividend		129,150	107,385
Accrued mark-up		159,813	120,627
Taxation - net		1,026,380	656,918
		<u>3,588,919</u>	<u>2,897,681</u>
		<u>11,358,655</u>	<u>12,369,321</u>
TOTAL EQUITY AND LIABILITIES		<u><u>43,229,974</u></u>	<u><u>47,333,747</u></u>
CONTINGENCIES AND COMMITMENTS			

9

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

Inam ur Rahman
Chief Executive

M. Shamoon Chaudry
Chief Financial Officer

Shabbir Hussain Hashmi
Director

9

DAWOOD HERCULES CORPORATION LIMITED
UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF
PROFIT OR LOSS (UN-AUDITED)
FOR THE QUARTER AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2019

	Note	Quarter ended		Nine months period	
		September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
		------(Rupees in '000)-----			
Return on investments	10	2,128,094	1,879,287	5,206,461	3,939,133
Administrative expenses		(215,768)	(189,192)	(540,280)	(547,707)
Gross profit		<u>1,912,326</u>	<u>1,690,095</u>	<u>4,666,181</u>	<u>3,391,426</u>
Other (expense) / income - net	11	140	214	(27,409)	3,543,004
Operating profit		<u>1,912,466</u>	<u>1,690,309</u>	<u>4,638,772</u>	<u>6,934,430</u>
Finance cost		<u>(377,670)</u>	<u>(297,778)</u>	<u>(1,034,652)</u>	<u>(684,605)</u>
Profit before taxation		<u>1,534,796</u>	<u>1,392,531</u>	<u>3,604,120</u>	<u>6,249,825</u>
Taxation		<u>(397,709)</u>	<u>(204,721)</u>	<u>(919,415)</u>	<u>(799,540)</u>
Profit after taxation		<u><u>1,137,087</u></u>	<u><u>1,187,810</u></u>	<u><u>2,684,705</u></u>	<u><u>5,450,285</u></u>
Earnings per share (Rupees)					
- basic and diluted	12	<u>2.36</u>	<u>2.47</u>	<u>5.58</u>	<u>11.32</u>

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

Inam ur Rahman
Chief Executive

M. Shamooun Chaudry
Chief Financial Officer

Shabbir Hussain Hashmi
Director

DAWOOD HERCULES CORPORATION LIMITED
UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF
TOTAL COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE QUARTER AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2019

	Quarter ended		Nine months period	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
	------(Rupees in '000)-----			
Profit after taxation	1,137,087	1,187,810	2,684,705	5,450,285
Other comprehensive income for the period				
<i>Items that will not be reclassified to profit or loss</i>				
Remeasurement of staff retirement benefit liability	-	-	(2,367)	-
Total comprehensive income for the period	<u>1,137,087</u>	<u>1,187,810</u>	<u>2,682,338</u>	<u>5,450,285</u>

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

Inam ur Rahman
Chief Executive

M. Shamoon Chaudry
Chief Financial Officer

Shabbir Hussain Hashmi
Director

DAWOOD HERCULES CORPORATION LIMITED
UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2019

	Issued, subscribed and paid up share capital	General reserve	Revenue reserves Un- appropriated profit	Sub-total	Total
	(Rupees in '000)				
Balance as at January 1, 2018	4,812,871	700,000	27,253,301	27,953,301	32,766,172
Total comprehensive Income					
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
Transaction with owners					
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 ended December 31, 2018: 30% (Rs 3 per ordinary share)	-	-	(1,443,861)	(1,443,861)	(1,443,861)
Balance as at September 30, 2018	4,812,871	700,000	30,297,151	30,997,151	35,810,022
Balance as at January 1, 2019	4,812,871	700,000	29,451,555	30,151,555	34,964,426
Total comprehensive Income					
Profit for the period	-	-	2,684,705	2,684,705	2,684,705
Other comprehensive income	-	-	(2,367)	(2,367)	(2,367)
Total comprehensive income for the period	-	-	2,682,338	2,682,338	2,682,338
Transaction with owners					
Final cash dividend for the year ended December 31, 2018: 40% (Rs 4 per ordinary share)	-	-	(1,925,148)	(1,925,148)	(1,925,148)
Interim cash dividend for the year ending December 31, 2019: 50% (Rs 5 per ordinary share)	-	-	(2,406,436)	(2,406,436)	(2,406,436)
Interim cash dividend for the year ending December 31, 2019: 30% (Rs 3 per ordinary share)	-	-	(1,443,861)	(1,443,861)	(1,443,861)
Balance as at September 30, 2019	4,812,871	700,000	26,358,448	27,058,448	31,871,319

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

Inam ur Rahman
Chief Executive

M. Shamoon Chaudry
Chief Financial Officer

Shabbir Hussain Hashmi
Director

DAWOOD HERCULES CORPORATION LIMITED
UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF
CASH FLOWS (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2019

Note	Nine months period ended	
	September	September
	30, 2019	30, 2018
	------(Rupees in '000)-----	

CASH FLOW FROM OPERATING ACTIVITIES

Cash generated / (utilised) in operations	13	854,820	(2,569,071)
Finance cost paid		(995,466)	(572,609)
Taxes paid		(549,953)	(423,394)
Staff retirement and other service benefits paid		(2,882)	(3,543)
Net cash utilised in operating activities		(693,481)	(3,568,617)

CASH FLOW FROM INVESTING ACTIVITIES

Additions to property, plant and equipment	(12,598)	(13,187)
Profit received from saving accounts, T-Bills, PIBs and TDRs	1,747,010	486,793
Interest income received from MCPL	-	29,328
Proceeds from disposal of property, plant and equipment	3,134	4,629
Long term investment made	(1,329,282)	-
Short term investment made	(6,667,739)	(3,000)
Decrease in advance against investment	-	1,653,750
Proceeds from disposal of investment - held for sale	-	18,141,820
Proceeds from sale of quoted shares	28,771	-
Dividends received	1,925,776	1,623,681
Net cash (utilised) / generated from investing activities	(4,304,928)	21,923,814

CASH FLOW FROM FINANCING ACTIVITIES

Long term financing repaid	(1,120,000)	-
Long term financing obtained - net of transaction costs	-	5,936,341
Dividends paid	(5,753,680)	(958,752)
Net cash (utilised in) / generated from financing activities	(6,873,680)	4,977,589
Net (decrease) / increase in cash and cash equivalents during the period	(11,872,089)	23,332,786
Cash and cash equivalents at the beginning of the period	21,731,666	(1,012,712)
Cash and cash equivalents at the end of the period	14 9,859,577	22,320,074

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

Inam ur Rahman
Chief Executive

M. Shamoony Chaudry
Chief Financial Officer

Shabbir Hussain Hashmi
Director

DAWOOD HERCULES CORPORATION LIMITED
NOTES TO AND FORMING PART OF THE UNCONSOLIDATED
CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2019

1. THE COMPANY AND ITS OPERATIONS

- 1.1** Dawood Hercules Corporation Limited (the Company) was incorporated in Pakistan on April 17, 1968 as a public limited company under the Companies Act 1913 (now the Companies Act, 2017) and its shares are quoted on Pakistan Stock Exchange (PSX). The principal activity of the Company is to manage investments including in its subsidiary and associated companies. The registered office of the Company is situated at Dawood Center, M.T. Khan Road, Karachi.
- 1.2** Based on the concept of 'control' as stipulated in the International Financial Reporting Standard (IFRS) - 10 'Consolidated Financial Statements', the Company continues to conclude that although the Company has less than 50% voting rights in Engro Corporation Limited (ECL), yet, based on the absolute size of the Company's shareholdings, the relative size of other shareholdings and the number of representation on ECL's Board of Directors, the Company has the ability to exercise control over ECL. Accordingly, the Company is deemed to be the Holding Company of ECL.
- 1.3** These unconsolidated condensed interim financial statements are the separate financial statements of the Company in which investment in subsidiary has been accounted for at cost less accumulated impairment losses, if any.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

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

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

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

- 2.2** These unconsolidated condensed interim financial statements should be read in conjunction with the unconsolidated financial statements for the year ended December 31, 2018 as these provide an update of previously reported information.
- 2.3** These unconsolidated condensed interim financial statements include the unconsolidated condensed interim statement of financial position as at September 30, 2019 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 and the unconsolidated condensed interim statement of total comprehensive income for the quarter ended September 30, 2019.

2.4 The comparative statement of financial position presented in these unconsolidated condensed interim financial statements as at December 31, 2018 (December 2018 financial statements) has been extracted from the audited unconsolidated financial statements of the Company for the year ended December 31, 2018. 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, 2018 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 and condensed interim statement of total comprehensive income for the quarter ended September 30, 2018 are also included in these unconsolidated condensed interim financial statements.

2.5 Significant accounting policies

2.5.1 The accounting policies and the methods of computation adopted in the preparation of these unconsolidated condensed interim financial statements are consistent with those applied in the preparation of the December 2018 unconsolidated financial statements, except relating to the matters stated in notes 2.5.2 and 2.5.3 below.

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

2.5.3 Initial application of new standards, amendments and interpretation to accounting and reporting standards which are effective during the period:

There were certain amendments and an interpretation to accounting and reporting standards which became applicable to the Company during the period. However, these do not have any significant impact on the Company's financial reporting and, therefore, not disclosed in these unconsolidated condensed interim financial statements.

In addition to the above, the following new standards became applicable to the Company during the period:

- IFRS 9 'Financial instruments' – This standard replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. It also includes an expected credit losses model that replaces IAS 39 incurred loss impairment model. On January 1, 2019 (the date of initial application of IFRS 9), the Company's management has assessed which business models apply to the financial assets held by the Company and has classified its financial instruments into the appropriate IFRS 9 categories. As a result of the application of IFRS 9, the financial assets previously classified as 'loans and receivables' and 'held to maturity' have now been classified as 'amortised cost'.
- IFRS 15 'Revenue from contracts with customers' – This standard introduces a single five-step model for revenue recognition with a comprehensive framework based on core principle that an entity should recognise revenue representing the transfer of promised goods or services under separate performance obligations under the contract to customer at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 replaces the previous revenue standards: IAS 18 Revenue, IAS 11 Construction Contracts, and the related interpretations on revenue recognition.

- IFRS 16 'Leases' - IFRS 16 replaces the previous lease standard: IAS 17 Leases. It results in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short term and low value leases.

The management has assessed that the application of IFRS 9, IFRS 15 and IFRS 16 do not have any significant impact on the Company's financial reporting. However, the relevant accounting policies has been updated.

2.5.4 Standard, amendments to published accounting standards and an interpretation that are not yet effective:

There is a new standard, certain amendments and an interpretation to the accounting and reporting standards that will be mandatory for the Company's annual accounting periods beginning on or after January 1, 2020. However, the standard, amendments and interpretation will not have any significant impact on the financial reporting of the Company and, therefore, have not been disclosed in these unconsolidated condensed interim financial statements.

3. SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

3.1 During the preparation of these unconsolidated condensed interim financial statements, significant judgments made by management in applying the Company's accounting policies and key sources of estimation were same as those applied in the Company's December 2018 unconsolidated financial statements.

3.2 The Company's financial risk management objectives and policies are consistent with those disclosed in the December 2018 unconsolidated financial statements.

4. 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, 2019 (Un-audited)	December 31, 2018 (Audited)
		------(Rupees in '000)-----	
5. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets (WDV) - opening balance		137,107	156,898
Add: Additions during the period	5.1	12,598	26,140
		<u>149,705</u>	<u>183,038</u>
Less: Disposals during the period (WDV)	5.2	31,018	5,734
Depreciation charge for the period		27,927	40,197
Operating fixed assets (WDV) - closing balance		<u>90,760</u>	<u>137,107</u>

		September 30, 2019 (Un-audited) ------(Rupees in '000)-----	September 30, 2018 (Un-audited)
5.1	Additions during the period		
	Vehicles	3,058	6,125
	Furniture, fittings and equipment	5,617	747
	Data processing equipment	3,923	3,986
		<u>12,598</u>	<u>10,858</u>
5.2	Disposals during the period - net book value		
	Vehicles	30,881	5,497
	Furniture, fittings and equipment	102	-
	Data processing equipment	35	210
		<u>31,018</u>	<u>5,707</u>
		Note	September 30, 2019 (Un-audited) ------(Rupees in '000)-----
			December 31, 2018 (Audited)
6.	LONG TERM INVESTMENTS		
	Investment in a subsidiary - at cost	6.1	23,308,927
	Government securities - Pakistan Investment Bonds - Amortised cost	6.2	1,378,242
	Other investment - Fair value through profit or loss	6.3	-
			<u>24,687,169</u>
6.1	Investment in subsidiary - at cost		<u>23,308,927</u>
	Engro Corporation Limited (ECL) - quoted 214,469,810 (December 31, 2018: 194,972,555) ordinary shares of Rs 10 each. Percentage of holding 37.22% (December 31, 2018: 37.22%)	6.1.1	23,308,927
6.1.1	The market value of investment in ECL as at September 30, 2019 was Rs 57,239.848 million (December 31, 2018: Rs 56,752.611 million).		23,308,927
6.1.2	During the period, ECL has announced bonus shares in the proportion of 10 shares for every 100 existing shares held i.e.10%.		

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

Bank	As at September 30, 2019			As at December 31, 2018		
	Number of shares pledged	Face value of pledged shares	Market value of pledged shares	Number of shares pledged	Face value of pledged shares	Market value of pledged shares
	-----{(Rupees in '000)}-----			-----{(Rupees in '000)}-----		
Pledged in favour of Fatima Fertilizer Company Limited against potential liabilities of ex- subsidiary (DHFL)						
Meezan Bank Limited - as agent	10,491,800	104,918	2,800,157	10,491,800	104,918	3,053,943
Pledged in favour of JS Bank Limited against issuance of Sukuks						
JS Bank Limited	78,271,975	782,720	20,890,007	81,375,698	813,757	23,686,838

	Note	September 30, 2019 (Un-audited)	December 31, 2018 (Audited)
		------(Rupees in '000)-----	
6.2 Amortised cost			
Government securities - Pakistan Investment Bonds	6.2.1	1,378,242	-
		<u>1,378,242</u>	<u>-</u>

6.2.1 These securities have a tenor of 3 years and are maturing on July 12, 2021. The yield on these securities ranges from 13.50% - 13.70% per annum.

	September 30, 2019 (Un-audited)	December 31, 2018 (Audited)
	------(Rupees in '000)-----	
6.3 Other investment - Fair value through profit or loss		
e2e Business Enterprises (Private) Limited - unquoted [11,664,633 ordinary shares of Rs 10 each Percentage of holding 19.14% (2018: 19.14%)]		
Cost	116,646	116,646
Less: Accumulated impairment	(116,646)	(116,646)
	<u>-</u>	<u>-</u>

	Note	September 30, 2019 (Un-audited)	December 31, 2018 (Audited)
		------(Rupees in '000)-----	
7. OTHER RECEIVABLES			
Receivable from related parties		25,164	75,803
Interest accrued on investment		119,816	131,519
Amount receivable on termination of Shares Subscription Agreement	7.1	-	1,653,750
Others		52,992	68,426
		<u>197,972</u>	<u>1,929,498</u>
Provision for doubtful receivables		<u>(36,791)</u>	<u>(36,791)</u>
		<u>161,181</u>	<u>1,892,707</u>

7.1 Further to the matter stated in note 7 to the December 2018 unconsolidated financial statements, during the period the amount deposited in the Escrow Account has been released.

	Note	September 30, 2019 (Un-audited)	December 31, 2018 (Audited)
		------(Rupees in '000)-----	
8. SHORT TERM INVESTMENTS			
Amortised cost			
- Market Treasury bills (T-Bills)	8.1	3,599,438	15,517,319
- Term Deposit Receipts (TDRs)	8.2	9,645,000	6,018,000
		<u>13,244,438</u>	<u>21,535,319</u>
At fair value through profit or loss			
- Quoted shares		3,041,436	206,861
		<u>16,285,874</u>	<u>21,742,180</u>

8.1 The security have a tenor of 6 to 12 months and having maturity on March 12, 2020 and September 10, 2020. These carry profit at rates ranging from 13.80% to 13.91% per annum (2018: 10.29%).

8.2 These carry profit at rates ranging from 8.75% to 14.00% per annum (2018: 6.5% to 11% per annum).

9. CONTINGENCIES AND COMMITMENTS

9.1 Contingencies

9.1.1 There has been no significant change in the status of matters stated in notes 18.1.1 to 18.1.3 to the December 2018 unconsolidated financial statements, except for the fact that during the period the Company's ex-subsiidiary, DH Fertilizer Limited (now Fatima Fertilizer Company Limited) was served with a income tax demand amounting to Rs. 10.47 million in relation to the tax year 2013. The demand mainly pertain to the tax impact of certain expenses disallowed by the Commissioner Inland Revenue. The ex-subsiidiary being aggrieved filed an appeal before Commissioner Inland Revenue (Appeals). On August 20, 2019, the appeal order was issued by Commissioner Inland Revenue Appeals (CIRA) which was partially in favor of the Company. The appeal affect order is pending to date. However, on a prudent basis an accrual amounting to Rs. 5 million has been recorded in these unconsolidated condensed interim financial statements.

	Note	September 30, 2019 (Un-audited)	December 31, 2018 (Audited)
		------(Rupees in '000)-----	
9.2 Commitments			
Commitments in respect of operating lease not later than one year	9.2.1	-	9,399

9.2.1 Due to adoption of IFRS 16 (as stated in note 2.5.3), the operating lease are now part of IFRS 16 as 'Right of Use' asset. However, the related impacts being insignificant have not been recognised in these unconsolidated condensed interim financial statements.

	Note	September 30, 2019 (Un-audited)	September 30, 2018 (Un-audited)
		------(Rupees in '000)-----	
10. RETURN ON INVESTMENTS			
Dividend income	10.1	3,662,121	2,988,489
Interest income	10.2	1,544,340	950,644
		<u>5,206,461</u>	<u>3,939,133</u>

10.1 Dividend income

Subsidiary - Engro Corporation Limited	3,606,992	2,729,616
Held for sale investment - The Hub Power Company Limited	-	258,873
Other investments on quoted shares	55,129	-
	<u>3,662,121</u>	<u>2,988,489</u>

10.2 Interest income

Income on T-Bills	1,022,351	782,430
Return on Term Deposit Receipts	612,852	132,444
Income on PIBs	85,695	-
Profit on saving accounts	28,397	6,442
Gain on sale of quoted shares	4,061	-
Unrealised loss on quoted shares	(209,016)	-
	-	-
Income received from Mega Conglomerate (Private) Limited upon settlement of purchase consideration relating to sale of shareholding in HUBCO shares	-	29,328
	<u>1,544,340</u>	<u>950,644</u>

	September 30, 2019 (Un-audited) ------(Rupees in '000)-----	September 30, 2018 (Un-audited) ------(Rupees in '000)-----
11. OTHER (EXPENSE) / INCOME - NET		
Loss on disposal of operating fixed assets	(27,884)	-
Gain on disposal of held for sale investment - (net of transaction costs of Rs 430.250 million)	-	3,542,472
Others	475	532
	<u>(27,409)</u>	<u>3,543,004</u>

12. EARNINGS PER SHARE

	Quarter ended		Nine months ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
	------(Rupees in '000)-----			
Profit after taxation	1,137,087	1,187,810	2,684,705	5,450,285
	------(Number of shares)-----			
Weighted average number of ordinary shares outstanding during the period	481,287,116	481,287,116	481,287,116	481,287,116
	------(Rupees)-----			
Earnings per share	2.36	2.47	5.58	11.32

		Nine months period ended	
	Note	September 30, 2019 (Un-audited) ------(Rupees in '000)-----	September 30, 2018 (Un-audited) ------(Rupees in '000)-----
13. CASH UTILISED IN OPERATIONS			
Profit before taxation		3,604,120	6,249,825
Adjustments for non cash expenses and other items:			
Depreciation		27,927	30,394
Finance cost		1,034,652	684,605
Return on investment		(5,206,461)	(3,909,805)
Provision for staff retirement and other service benefits		4,462	3,649
Loss on disposal of investment - held for sale		-	(3,972,722)
Loss on disposal of operating fixed assets		27,884	1,010
Interest income from MCPL		-	(29,328)
Working capital changes	13.1	<u>1,362,236</u>	<u>(1,626,699)</u>
Cash utilised in operations		<u>854,820</u>	<u>(2,569,071)</u>

		Nine months period ended	
		September 30, 2019	September 30, 2018
		(Un-audited)	(Un-audited)
		----- (Rupees in '000) -----	
13.1	Working capital changes		
	Decrease / (increase) in current assets		
	Advances, deposits and prepayments	(18,412)	5,316
	Other receivables	1,719,823	(1,639,904)
		<u>1,701,411</u>	<u>(1,634,588)</u>
	(Decrease) / increase in trade and other payables	(339,175)	7,889
		<u>1,362,236</u>	<u>(1,626,699)</u>

14. CASH AND CASH EQUIVALENTS

Cash and bank balances	232,577	47,559
Short term investments	9,627,000	22,272,515
	<u>9,859,577</u>	<u>22,320,074</u>

15. RELATED PARTY TRANSACTIONS

15.1 The related parties comprise related group companies, directors of the Company, companies in which directors are interested, staff retirement benefits, key management personnel and close members of the family of directors. The Company, in the normal course of business, carries out transactions with various related parties on mutually agreed terms.

15.2 Significant transactions with related parties during the period are as follows:

	Nine months period ended	
	September 30, 2019	September 30, 2018
	(Un-audited)	(Un-audited)
	----- (Rupees in '000) -----	
Subsidiary		
Reimbursement of expenses made to the Company	2,451	-
Reimbursement of expenses made by the Company	9,616	6,907
Sale of operating fixed assets	-	4,551
Dividend income	3,606,992	2,729,616
Cost sharing of services	55,870	-
Associated companies		
Purchase of services	25,436	20,519
Sale of services	10,966	7,976
Dividend income	-	258,873
Reimbursement of expenses made to the associates	1,750	2,897
Reimbursement of expenses made by the company	36,703	19,120
Advances and deposits	-	3,530
Donation	55,395	-
Dividend paid	1,172,703	488,626

	Nine months period ended	
	September 30, 2019	September 30, 2018
	(Un-audited)	(Un-audited)
	------(Rupees in '000)-----	
Other related parties		
Membership fee and other subscriptions	2,360	1,081
Purchase of services	1,715	6,443
Advances and deposits	-	2,829
Contribution to staff gratuity fund	4,462	3,133
Contribution to staff provident fund	9,475	6,250
Other payments	209	1,000
Key management personnel		
Salaries and employee benefits	301,312	191,695
Directors' fee	8,000	11,250
Post retirement benefit plans	4,857	5,411
Dividend paid	811,975	335,946
Loss on sale of an item of operating fixed asset	30,132	-
Payment of special bonus accrued in unconsolidated financial statements for the year ended December 31, 2018 as stated in note 26.5 to those financial statements.		
	235,292	-

16. GENERAL

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

16.2 These unconsolidated condensed interim financial statements were authorised for issue by the Board of Directors on October 28, 2019 .

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

The Board of Directors in its meeting held on October 28, 2019 approved an interim cash dividend of Rs. 5 per share amounting to Rs 2,406 million for the nine months period ended September 30, 2019. 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
Chief Executive

M. Shamoon Chaudry
Chief Financial Officer

Shabbir Hussain Hashmi
Director

DAWOOD HERCULES CORPORATION LIMITED
CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

DAWOOD HERCULES CORPORATION LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2019

(Amounts in thousand)

	Note	Unaudited September 30, 2019	Audited December 31, 2018
		-----Rupees-----	
ASSETS			
Non-current assets			
Property, plant and equipment	5	253,917,471	204,545,985
Intangible assets		5,035,948	4,817,940
Right-of-use asset	3.5.3	3,558,717	-
Deferred taxation		100,463	384,612
Long term investments	6	33,738,422	31,590,380
Long term loans and advances		3,711,590	4,092,566
		<u>300,062,611</u>	<u>245,431,483</u>
Current assets			
Stores, spares and loose tools		7,346,149	7,687,869
Stock-in-trade		16,187,599	17,228,278
Trade debts		39,547,231	18,629,468
Loans, advances, deposits and prepayments		8,998,369	3,188,326
Other receivables		11,297,720	13,273,925
Accrued Income		446,779	524,809
Contract Asset		122,265	-
Dervative financial instrument	7	70,874	-
Short term investments		104,837,723	103,533,500
Cash and bank balances		15,490,901	12,115,981
		<u>204,345,610</u>	<u>176,182,156</u>
TOTAL ASSETS		<u>504,408,221</u>	<u>421,613,639</u>

(Amounts in thousand)

	Note	Unaudited September 30, 2019	Audited December 31, 2018
		-----Rupees-----	
EQUITY AND LIABILITIES			
Equity			
Share capital		4,812,871	4,812,871
Revaluation reserve on business combination		6,413	9,261
Maintenance reserve		60,117	60,117
Exchange revaluation reserve		249,936	147,583
Hedging reserve		(648)	(10,980)
General reserve		700,000	700,000
Unappropriated profit		58,945,097	61,197,392
Remeasurement of post-employment benefits		(32,390)	(30,023)
		59,928,525	62,073,350
		64,741,396	66,886,221
Non-controlling interest	8	143,388,977	134,856,918
Total Equity		208,130,373	201,743,139
Liabilities			
Non-current liabilities			
Borrowings		138,478,175	130,576,362
Deferred taxation		9,161,668	8,428,363
Deferred liabilities		286,144	265,535
Lease Liabilities		5,468,217	-
Staff retirement and other service benefits		7,329	-
		153,401,533	139,270,260
Current liabilities			
Trade and other payables		92,835,048	51,118,725
Accrued interest / mark-up		3,396,089	2,363,313
Current portion of :			
- borrowings		19,688,184	11,955,924
- lease liabilities		872,170	-
- deferred liabilities		113,970	113,852
Taxes payable		9,361,281	8,299,834
Short term borrowings		9,703,033	6,641,207
Dividend payable		6,371,610	-
Unclaimed dividends		534,930	107,385
		142,876,315	80,600,240
Total Liabilities		296,277,848	219,870,500
Contingencies and Commitments			
	9		
TOTAL EQUITY AND LIABILITIES		504,408,221	421,613,639

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

Inam ur Rahman
Chief Executive

M. Shamoon Chaudry
Chief Financial Officer

Shabbir Hussain Hashmi
Director

DAWOOD HERCULES CORPORATION LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

(Amounts in thousand except for earnings per share)

		Quarter ended		Nine months ended	
		September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
	Note	-----Rupees-----			
Net sales		63,411,459	42,910,678	149,400,575	114,643,755
Cost of sales		(43,901,199)	(29,274,937)	(104,911,349)	(79,183,277)
Gross profit		19,510,260	13,635,741	44,489,226	35,460,478
Selling and distribution expenses		(1,911,804)	(2,054,045)	(5,009,066)	(5,618,405)
Administrative expenses		(2,324,270)	(1,882,984)	(5,052,251)	(4,021,570)
		15,274,186	9,698,712	34,427,909	25,820,503
Other income		4,328,209	1,970,682	11,903,804	18,737,759
Other operating expenses		(975,515)	(472,733)	(3,718,385)	(2,732,782)
Finance cost		(5,095,408)	(1,501,497)	(10,396,311)	(4,332,476)
Share of income from associates & joint ventures		472,437	305,233	1,162,624	(196,372)
Profit before taxation		14,003,909	10,000,397	33,379,641	37,296,632
Taxation		(4,178,156)	(3,379,034)	(12,415,065)	(9,155,445)
Profit for the period		9,825,753	6,621,363	20,964,576	28,141,187
Profit attributable to:					
- Owners of the Holding Company		1,710,371	1,258,714	3,925,850	13,990,842
- Non-controlling interest		8,115,382	5,362,649	17,038,726	14,150,345
		<u>9,825,753</u>	<u>6,621,363</u>	<u>20,964,576</u>	<u>28,141,187</u>
Earnings per share - basic and diluted	10	<u>3.55</u>	<u>2.62</u>	<u>8.16</u>	<u>29.07</u>

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

Inam ur Rahman
Chief Executive

M. Shamoon Chaudry
Chief Financial Officer

Shabbir Hussain Hashmi
Director

DAWOOD HERCULES CORPORATION LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE
INCOME (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

(Amounts in thousand)

	Quarter ended		Nine months ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
	-----Rupees-----			
Profit for the period	9,825,753	6,621,363	20,964,576	28,141,187
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss				
Hedging reserve - cash flow hedges				
- Profit / (loss) arising during the period	(282,176)	-	70,874	64,679
- Reclassification adjustments for losses included in profit or loss	(220)	(221)	(653)	(653)
- Adjustments for amounts transferred to initial carrying amount of hedged items	-	-	-	-
	(282,396)	(221)	70,221	64,026
Share of other comprehensive income of associate	-	-	-	-
Revaluation reserve on business combination	(5,252)	(5,252)	(15,753)	(15,753)
Exchange differences on translation of foreign operations	(97,245)	58,381	274,996	235,339
	(102,497)	53,129	259,243	219,586
Income tax relating to:				
- Hedging reserve - cash flow hedges	81,833	-	(20,552)	-
- Revaluation reserve on business combination	1,681	1,681	5,041	5,041
	83,514	1,681	(15,511)	5,041
Items that will not be reclassified to profit or loss				
Remeasurement of post employment benefits obligation	-	-	(2,367)	-
Deferred tax charge relating to revaluation of equity	-	-	-	(1,651)
	(301,379)	54,589	311,586	287,002
Total Comprehensive income for the period	<u>9,524,374</u>	<u>6,675,952</u>	<u>21,276,162</u>	<u>28,428,189</u>
Total comprehensive income attributable to:				
- Owners of the Holding Company	1,676,133	1,274,112	4,033,320	14,065,503
- Non-controlling interest	7,848,241	5,401,840	17,242,842	14,362,686
	<u>9,524,374</u>	<u>6,675,952</u>	<u>21,276,162</u>	<u>28,428,189</u>

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

Inam ur Rahman
Chief Executive

M. Shamooun Chaudry
Chief Financial Officer

Shabbir Hussain Hashmi
Director

DAWOOD HERCULES CORPORATION LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

(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				
Rupees											
Balance as at 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
Transaction with owners	-	(2,848)	-	61,439	16,416	-	13,990,496	-	14,065,503	14,362,686	28,428,189
Dividend by subsidiary company 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 ended 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 (unaudited)	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
Balance December 31, 2018 (audited) / January 01, 2019	4,812,871	9,261	60,117	147,583	(10,980)	700,000	61,197,392	(30,023)	66,886,221	134,856,918	201,743,139
Effect of change in accounting policies	-	-	-	-	-	-	(396,954)	-	(396,954)	(1,501,080)	(1,898,034)
Adjusted balance as at January 1, 2019	4,812,871	9,261	60,117	147,583	(10,980)	700,000	60,800,438	(30,023)	66,489,267	133,355,838	199,845,105
Total Comprehensive income /(loss) for the nine months ended September 30, 2019 (unaudited)											
Profit for the period	-	-	-	-	-	-	3,925,850	-	3,925,850	17,038,726	20,964,576
Other comprehensive income	-	(2,848)	-	102,353	10,332	-	-	(2,367)	107,470	204,116	311,586
Transaction with owners	-	(2,848)	-	102,353	10,332	-	3,925,850	(2,367)	4,033,320	17,242,842	21,276,162
	-	-	-	-	-	-	-	-	-	-	-
Dividend by subsidiaries allocable to Non-Controlling interest	-	-	-	-	-	-	-	-	-	(12,003,696)	(12,003,696)
Shares issued during the period - net of transaction cost	-	-	-	-	-	-	(5,746)	-	(5,746)	2,532,804	2,527,058
Preference shares issued during the period - net of transaction cost	-	-	-	-	-	-	-	-	-	1,229,759	1,229,759
Advance against issue of share capital	-	-	-	-	-	-	-	-	-	1,031,430	1,031,430
Final cash dividend for the year ended December 31, 2018: 40% (Rs 4 per ordinary share)	-	-	-	-	-	-	(1,925,148)	-	(1,925,148)	-	(1,925,148)
First Interim cash dividend for the year ending December 31, 2019: 50% (Rs 5 per ordinary share)	-	-	-	-	-	-	(2,406,436)	-	(2,406,436)	-	(2,406,436)
Second Interim cash dividend for the year ending December 31, 2019: 30% (Rs 3 per ordinary share)	-	-	-	-	-	-	(1,443,861)	-	(1,443,861)	-	(1,443,861)
	-	-	-	-	-	-	(5,781,191)	-	(5,781,191)	(7,209,703)	(12,990,894)
Balance as at September 30, 2019	4,812,871	6,413	60,117	249,936	(648)	700,000	58,945,097	(32,390)	64,741,396	143,388,977	208,130,373

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

DAWOOD HERCULES CORPORATION LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

(Amounts in thousand)

		Nine months ended	
	Note	September 30, 2019	September 30, 2018
-----Rupees-----			
Cash flows from operating activities			
Cash generated from operations	11	58,086,832	22,531,748
Retirement and other service benefits paid		(193,507)	(171,319)
Finance cost paid		(13,960,914)	(5,467,087)
Taxes paid		(9,702,581)	(6,694,218)
Long term loans and advances - net		(10,346)	(69,348)
Net cash generated from operating activities		34,219,484	10,129,776
Cash flows from investing activities			
Purchase of property, plant and equipment (PPE)		(41,402,165)	(25,587,703)
Sale proceeds on disposal of PPE		61,558	25,370
Income on deposits / other financial assets		9,801,381	4,317,683
Long term Investment made		(1,329,282)	-
Investments made during the period - net		(28,319,079)	43,430,093
Proceeds from sale of quoted shares		28,771	-
Proceeds from maturity of T-Bills		(417,176)	-
Decrease in advance against investment		-	1,653,750
Dividends received		844,542	1,101,303
Net cash (utilised in) / generated from investing activities		(60,731,450)	24,940,496
Cash flows from financing activities			
Proceeds from borrowings - net		6,497,200	26,019,033
Repayment against Engro Islamic Rupiya Certificates		(1,000,000)	-
Proceeds from issuance of shares		3,793,809	3,816,717
Advance against issuance of shares		1,031,430	-
Share issuance cost		(36,992)	(31,220)
Lease rentals paid		(1,140,615)	-
Dividends paid		(11,442,327)	(6,404,790)
Net cash generated from financing activities		(2,297,495)	23,399,740
Net increase in cash and cash equivalents		(28,809,461)	58,470,012
Cash and cash equivalents at beginning of the period		93,371,304	42,863,608
Cash and cash equivalents at end of the period	12	64,561,843	101,333,620

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

DAWOOD HERCULES CORPORATION LIMITED
NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

(Amounts in thousand)

1. LEGAL STATUS AND OPERATIONS

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

1.1 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	
	2019	2018
- Engro Corporation Limited (ECL)	37.22	37.22

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

	%age of direct holding	
	June 30, 2019	December 31, 2018
- Engro Energy Limited	100	100
- Engro Eximp Agriproducts (Private) Limited	100	100
- Engro Infiniti (Private) Limited (1.1.1)	100	100
- Engro Eximp FZE (note 1.1.2)	100	-
- Engro Fertilizers Limited	56.27	56.27
- Engro Polymer and Chemicals Limited	56.19	56.19
- Elengy Terminal Pakistan Limited	56	56

Joint Venture Company:

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

Associated Company:

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

1.1.1 During the period, ECL has made investment in Engro Infiniti (Private) Limited through subscription of 18,460,000 ordinary shares of Rs. 10 each at par.

1.1.2 During the period, the shareholders of the ECL in its Extraordinary General Meeting held on May 28, 2019, authorised ECL to acquire 100% of the issued and paid-up share capital of Engro Eximp FZE (UAE) from Engro Fertilizers Limited (EFert) against an amount of Rs. 1,757,280 (subject to adjustments at the date of closing of the transaction). On July 10, 2019, ECL acquired Engro Eximp FZE for a consideration of Rs. 1,972,505.

2. SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING THE GROUP'S FINANCIAL POSITION AND PERFORMANCE DURING THE PERIOD

Following is the summary of significant transactions and events affecting the Group's financial position and performance during the period:

2.1 Through Finance Act 2019, the corporate tax rate for companies have been fixed at 29% for TY 2019 and onwards, thereby deleting the previous 1% successive reduction in corporate tax rate up till TY 2023 enacted through Finance Act 2018. The consequent increase in deferred tax liability has been recognised in these consolidated condensed interim financial statements.

2.2 In 2017, Engro Polymer and Chemicals Limited (EPCL) had announced Caustic Flake production plan as a part of its expansion plan. During the period, the commercial production of the product has been commenced.

- 2.3 EPCL has approved the incorporation of two wholly owned subsidiaries by name Engro Peroxide (Private) Limited and Engro Plasticizer (Private) Limited for manufacturing Hydrogen Per-oxide and Chlorinated Paraffin Wax, respectively.
- 2.4 In 2014, Engro Powergen Thar (Private) Limited (EPTL), a subsidiary company of Engro Energy Limited, a wholly owned subsidiary of ECL, was formed for the purpose of the development of 2 x 330 MW mine mouth power plants at Thar Block II, Islamkot District, Sindh. On July 10, 2019, EPTL has declared its Commercial Operations Date (COD) and initiated supply of electricity into the national grid.
- 3. BASIS FOR PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**
- 3.1 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.
- 3.2 The preparation of these consolidated condensed interim financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. During the preparation of these consolidated condensed interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation and uncertainty were the same as those that apply to the consolidated financial statements of the Group for the year ended December 31, 2018.
- 3.3 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, 2018.
- 3.4 The accounting policies and the methods of computation 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, 2018 except for changes specified in note 3.5.
- 3.5 New accounting standards, interpretations and amendments to approved accounting standards**
- a) Standards, interpretations and amendments to approved accounting standards that are effective for the period and are relevant to the Group.**
- There are certain new standards, interpretations and amendments to approved accounting standards which are applicable for the first time on the Group's accounting periods beginning on or after January 1, 2019 but are considered not to be relevant or have any significant effect on the Group's financial reporting, except as follows:
- 3.5.1 - IFRS 15 - 'Revenue from Contracts with Customers' supersedes IAS 11 'Construction Contracts', IAS 18 'Revenue' and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards.
- The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The Group has assessed that significant performance obligation in contracts with customers are discharged at a single point of time and therefore there is no significant financial impact of IFRS 15 on the Group. However, certain transportation and handling expenses previously included in selling and distribution expenses have now been reclassified to cost of revenue.

- 3.5.2 - IFRS 9 - 'Financial Instruments' addresses the classification, measurement and recognition of financial assets and financial liabilities and replaces the related guidance in IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income (OCI) and fair value through profit and loss (FVTPL). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI, without recycling of fair value changes to profit or loss.

There is now a new expected credit losses model that replaces the incurred loss impairment model of IAS 39. For financial liabilities there are no changes to classification and measurement except for the recognition of changes in own credit risk in OCI, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

The adoption of IFRS 9 from January 1, 2019 by the Group has resulted in change in accounting policies. The Group has applied IFRS 9 retrospectively in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". However, it has elected not to restate comparative information as permitted under the transitional provisions of the standard considering there being no material impact of the same.

Loans, deposits, and other receivables, accrued interest and cash and cash equivalents, which were previously classified as "loans and receivables" under IAS 39, will now be classified as amortised cost under IFRS 9. Further, short-term investments which were previously classified as held-for-trading under IAS 39 will now be classified as fair value through profit or loss. There have been no changes to the classification of financial liabilities. Furthermore, there were no changes to the carrying values of the Group's financial assets and liabilities for current and prior year balances from adopting the new classification model under IFRS 9.

During the period, the Securities and Exchange Commission of Pakistan (SECP) through its SRO 985(I)/2019 dated September 2, 2019 has granted exemption of the said standard upto June 30, 2021 to the companies holding financial assets from the Government of Pakistan.

In light of the above, certain changes have been made in the accounting policies of the Group. However, based on Group's assessment, there is no material impact of these changes on these consolidated condensed interim financial statements.

- 3.5.3 Effective January 1, 2019, the Group has adopted IFRS 16, "Leases" which replaces existing guidance on accounting for leases, including IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC-15 "Operating Leases - Incentive" and SIC-27 "Evaluating the substance of transactions involving the legal form of a Lease". IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right-of-use of the underlying asset and a lease liability representing its obligations to make lease payments. The only exceptions are short term and low value leases. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases.

The SECP through its SRO 986(I)/2019 dated September 2, 2019 extended its exemption from requirements of IFRS 16 to all companies that have executed their power purchase agreements before January 1, 2019. Accordingly, in this respect, the Group has prepared these consolidated condensed interim financial statements consistent with prior years.

The accounting policies relating to Group's right-of-use assets and lease liabilities are as follows:

Lease liabilities and right-of-use assets

At the inception of a contract, the Group assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

From January 1, 2019, leases are recognised as right-of-use assets and corresponding liabilities at the date at which the leased assets are available for use by the Group.

The lease liabilities are initially measured at the present value of the remaining lease payments at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate.

Lease payments include fixed payments, variable lease payments that are based on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option, less any lease incentives receivable. The extension and termination options are incorporated in determination of lease term only when the Group is reasonably certain to exercise these options.

The lease liabilities are subsequently measured at amortised cost using the effective interest rate method. They are remeasured when there is a change in future lease payments arising from a change in fixed lease payments or an index or rate, change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. The corresponding adjustment is made to the carrying amount of the respective right-of-use asset, or is recorded in profit or loss if the carrying amount of that right-of-use asset has been reduced to zero.

Right-of-use assets are initially measured based on the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The right-of-use assets are depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The carrying amount of the right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the corresponding lease liability.

The Group has adopted IFRS 16 retrospectively from January 1, 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The impact of adoption of this standard is, therefore, recognised in the opening consolidated statement of financial position on January 1, 2019.

On adoption of IFRS 16, the Group recognised lease liabilities which had previously been classified as 'operating leases' under the principles of IAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019.

The right-of use assets of Group were measured at the amount equal to the lease liability, adjusted by the amount of prepaid lease payments recognised in the unconsolidated condensed interim statement of financial position immediately before the date of initial application, accordingly, there is no impact on the opening balances of unappropriated profit as on January 1, 2019. The recognised right-of-use assets relates to the office space and land for infrastructure towers acquired on rental basis. In case of Ethylene storage tanks, the right-of use assets were measured on a retrospective basis at its carrying amounts as if IFRS 16 had been applied since the commencement date of the respective leases, but discounted using the lessee's incremental borrowing rate at the date of initial application.

	(Unaudited) September 30, 2019	(Unaudited) January 1, 2019
	----- (Rupees) -----	
The recognised right-of-use assets relate to the following types of assets:		
Buildings and infrastructure	1,067,434	1,289,242
Storage tanks - Ethylene	2,491,283	2,778,739
Total right-of-use assets	3,558,717	4,067,981

The change in accounting policy affected the following items in the statement of financial position on January 1, 2019:

	---Rupees---
Right of Use assets - increased by	4,067,981
Unappropriated profits - decreased by	1,898,034
Deferred tax asset- increased by	743,047
Lease liabilities - increased by	6,709,062

Practical expedients applied

In applying IFRS 16 for the first time, they have used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics,
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases,
- the exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

b) Standards, interpretations and amendments to approved accounting standards that are not yet effective

There are certain new standards, interpretations and amendments to approved accounting standards that will be mandatory for the Group's annual accounting periods beginning on or after July 1, 2019 and may have an impact on the consolidated condensed interim financial statements of the Group. At present, the impact of application of these standards, amendments and interpretations on the Group's future financial statements is being assessed.

- 3.6 Earlier, the SECP vide its circular dated June 22, 2009 deferred the implementation of IFRIC 4 to all companies to facilitate corporate sector as the application would involve complex calculations and materially affect the status of the assets, available profits and distribution of dividends to the shareholders which would in turn effect the overall financing of the companies. Engro Elengy Terminal (Private) Limited (EETPL) , a subsidiary of Elengy Terminal Pakistan Limited, has applied to the SECP for exemption from the application of IFRS 16 citing the afore-mentioned issues and prepared its condensed interim financial statements without accounting for IFRS 16. The management of EETPL is confident that an exemption shall be granted by the SECP in this regard. These consolidated condensed interim financial statements have been prepared accordingly.

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

4. BASIS OF CONSOLIDATION

- 4.1 The condensed interim financial statements of the subsidiary companies have been consolidated on a line by line basis. The carrying value of investments held by the Holding Company is eliminated against the subsidiaries' share capital and pre-acquisition reserves.
- 4.2 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.
- 4.3 The Group's interest in jointly controlled and associated entities i.e. Engro Vopak Terminal Limited, Engro Foods Limited, Sindh Engro Coal Mining Company Limited, GEL Utility Limited and Siddiqsons Energy Limited has been accounted for using the equity method.
- 4.4 These 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 year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income, except where such gains and losses are directly attributable to the acquisition, construction or production of a qualifying asset, in which case, such gains and losses are capitalized as part of the cost of that asset.

	Unaudited September 30, 2019	Audited December 31, 2018
5. PROPERTY, PLANT AND EQUIPMENT	----- (Rupees) -----	
Operating assets, at net book value (notes 5.1 and 5.2)	231,906,855	105,275,905
Capital work in progress - Expansion and other projects	18,216,817	98,326,481
Capital spares and standby equipments	3,793,799	943,599
	<u>253,917,471</u>	<u>204,545,985</u>

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

	Unaudited September 30, 2019	Audited December 31, 2018
	----- (Rupees) -----	
Land	329,296	26,938
Plant and machinery	132,412,623	6,284,288
Building and civil works including pipelines	91,806	153,748
Furniture, fixture and equipment	720,008	637,691
Catalyst	371,195	213,900
Vehicles	166,034	259,665
Jetty	-	6,133
Dredging	-	116,758
	<u>134,090,962</u>	<u>7,699,121</u>

- 5.2 During the period, assets costing Rs. 969,130 (December 31, 2018: Rs. 125,839), having net book value of Rs. 71,372 (December 31, 2018: Rs. 23,917) were disposed / written-off for Rs. 61,534 (December 31, 2018: 45,501).

	Unaudited September 30, 2019	Audited December 31, 2018
	------(Rupees)-----	
6. LONG TERM INVESTMENTS		
Balance at beginning of the period / year	31,590,380	32,195,681
Add:		
- Investment in associates (note 6.1)	417,176	713,042
- Share of profit for the period / year	1,162,624	1,484,326
- Government securities - Pakistan Investment Bonds - Amortised cost (note 6.2)	1,378,242	-
	2,958,042	2,197,368
Less:		
- Dividend received during the period / year	(810,000)	(1,292,430)
- Provision against tax contingency	-	(1,355,679)
- Provision for impairment	-	(154,560)
	(810,000)	(2,802,669)
Balance at end of the period / year	33,738,422	31,590,380
6.1 This represents investment made during the period by Engro Energy Limited (EEL) in Sindh Engro Coal Mining Company Limited and Siddiqsons Energy Limited.		
6.2 These securities have a tenor of 3 years and are maturing on July 12, 2021. The yield on these securities ranges from 13.50% - 13.70% per annum.		
7. DERIVATIVE FINANCIAL ASSET		
During the period, Engro Polymer & Chemicals Limited has entered into Forward Exchange agreement on Import Letter of Credit to manage exchange rate exposure on foreign currency payments amounting to CNY 152,000 due on account of purchase of machinery for expansion projects.		
8. NON - CONTROLLING INTEREST		
During the period, Engro Powergen Thar (Private) Limited (EPTL), subsidiary of EEL, has issued 123,593,943 fully paid preference shares of Rs. 10 each as fully paid right shares. These preference shares are cumulative, non-redeemable, non-convertible, non-participatory, non-voting and carry dividend at the rate of 11% US Dollars Internal Rate of Return (IRR). These preference shares have been classified in equity as per the requirements of the Companies 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.		
As per the arrangement with preference shareholder, there will be one time revision in coupon rate which will be applicable thereafter for payment of all future dividends to the preference shareholder, such that the preference shareholder gets 11% IRR in US Dollar terms over the entire term of investment. Accordingly, preference dividend payable for the period subsequent to the Commercial Operations Date (COD) has been recorded.		
9. CONTINGENCIES AND COMMITMENTS		
9.1 Contingencies		
Significant changes in the status of contingencies and commitments reported in the annual financial statements for the year ended December 31, 2018 are as follows :		
9.1.1 During the period:		
- ECL pledged shares of Engro Fertilizers Limited and Engro Foods Limited against the Standby Letter of Credit (SBLC) provided by Engro Energy Limited have been replaced by Treasury Bills amounting to Rs 7,250,000; and		
- the amount of Equity SBLC provided in connection with Engro Powergen Thar (Private) Limited has been reduced to USD 138 (December 31, 2018: USD 17,827) (in PKR equivalent).		

- 9.1.2 In the year 2017, the High Court of Islamabad in its order dated June 8, 2017 declared that the income derived by M/s Snamprogetti Engineering (the Contractor) from its contract with EFert, is subject to tax as per Clause 4 of Article 5 of Double Taxation Treaty between Pakistan and the Netherlands. As per the terms of the contract, EFert is liable to reimburse the Contractor for any taxes applied to the income of the Contractor under the contract by the taxation authorities. In respect thereof, the Contractor preferred an appeal in the Supreme Court of Pakistan (SCP). During the period, the SCP decided the case on ex-parte basis against the Contractor. A review application for case restoration has been filed with SCP. The management of EFert based on the opinion of its legal counsel feels that the chances of restoration application being allowed by SCP are good. Hence, no provision has been made in this respect.
- 9.1.3 During the period, EEL furnished 10 bank guarantees amounting to USD 50 each, to Baluchistan Power Development Board to acquire Letter of Intents / development rights for 50MW x 10 project sites located in Chagai corridor (area of Baluchistan). These guarantees shall expire in February 2021.
- 9.1.4 On June 27, 2019, EEL furnished a bank guarantee amounting to Rs. 100,000 expiring on October 4, 2019, to Frontier Works Organization (FWO) along with a proposal for participation as equity partner for the white oil pipeline project being developed by FWO.
- 9.1.5 During the period the Holding Company's ex-subsiary, DH Fertilizer Limited (now Fatima Fertilizer Company Limited) was served with a income tax demand amounting to Rs. 10.47 million in relation to the tax year 2013. The demand mainly pertain to the tax impact of certain expenses disallowed by the Commissioner Inland Revenue. The ex-subsiary being aggrieved filed an appeal before Commissioner Inland Revenue (Appeals). On August 20, 2019, the appeal order was issued by Commissioner Inland Revenue Appeals (CIRA) which was partially in favor of the Company. The appeal affect order is pending to date. However, on a prudent basis an accrual amounting to Rs. 5 million has been recorded in these consolidated condensed interim financial statements.

9.2 Commitments

- 9.2.1 Commitments in respect of capital expenditure contracted but not incurred amount to Rs. 15,576,503 (2018: Rs. 23,026,122).
- 9.2.2 Due to adoption of IFRS 16 (as stated in note 3.5.3), the operating lease are now part of IFRS 16 as 'Right of Use' asset.

10. EARNINGS PER SHARE - BASIC AND DILUTED

	(Unaudited)			
	Quarter ended		Nine months ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
	Rupees			
There is no dilutive effect on the basic earnings per share of the Group, which is based on the following:				
Profit after taxation (attributable to the owners of the Holding Company)	1,710,371	1,258,714	3,925,850	13,990,842
	Number in thousands			
Weighted average number of ordinary shares	481,287	481,287	481,287	481,287

(Amounts in thousand)

		------(Unaudited)-----	
		Nine months ended	
		September 30, 2019	September 30, 2018
		-----Rupees-----	
11.	CASH GENERATED FROM OPERATIONS		
	Profit before taxation	33,379,641	37,296,632
	Adjustment for non-cash charges and other items:		
	Depreciation and amortization	8,218,150	5,952,412
	Loss / (Gain) on disposal / write off of property, plant and equipment	13,137	(7,824)
	Provision for retirement and other service benefits	376,050	178,619
	Gain on disposal of investment	-	(11,530,352)
	Income on deposits / other financial assets	(9,879,042)	(4,552,024)
	Share of income from joint venture and associated companies	(1,162,624)	196,372
	Dividend income	-	(258,873)
	Finance cost	8,867,147	4,077,227
	(Gain) / Loss on foreign currency translations	1,593,510	707,887
	Working capital changes (note 11.1)	16,680,863	(9,528,328)
		<u>58,086,832</u>	<u>22,531,748</u>
11.1	Working capital changes		
	Decrease / (Increase) in current assets		
	- Stores, spares and loose tools	(169,219)	(284,112)
	- Stock-in-trade	1,513,212	(12,495,125)
	- Trade debts	(21,142,729)	(1,437,773)
	- Loans, advances, deposits and prepayments	(6,354,125)	(1,421,521)
	- Other receivables - net	(254,531)	(1,417,156)
		<u>(26,407,392)</u>	<u>(17,055,687)</u>
	Increase in current liabilities		
	- Trade and other payables, including other service benefits - net	43,088,255	7,527,359
		<u>16,680,863</u>	<u>(9,528,328)</u>
12.	CASH AND CASH EQUIVALENTS		
	Cash and bank balances	15,490,901	14,942,124
	Short term investments	56,108,651	93,029,191
	Short term borrowings	(7,037,709)	(6,637,695)
		<u>64,561,843</u>	<u>101,333,620</u>
13.	FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS		
13.1	Financial risk factors		
	The Group's activities expose it to a variety of financial risks including market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk.		
	There have been no changes in the risk management policies during the period, consequently these consolidated condensed interim financial statements does not include all the financial risk management information and disclosures required in the annual financial statements.		
13.2	Fair value estimation		
	The table below analyzes financial instruments carried at fair value by valuation method. The different levels have been defined as follows:		
	- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)		
	- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2)		
	- Inputs for the asset or liability that are not based on observable market data (Level 3)		

	Level 1	Level 2	Level 3	Total
Assets	Rupees			
Financial assets at fair value through profit and loss				
- Short term investments	21,308,064	83,282,382	-	104,590,446
- Derivative financial asset	-	70,874	-	70,874

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.

13.3 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.

14. 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:

	(Unaudited)	
	Nine months ended	
	September 2019	September 2018
	Rupees	
Associated companies and joint ventures		
Purchases and services	17,330,188	4,271,402
Services rendered / sale of goods	10,966	140,209
Dividends received	810,000	1,101,303
Dividends paid	2,651,899	1,627,479
Payment against EPC contract	18,925,494	16,455,196
Mark-up on borrowings	111,398	8,199,632
Reimbursements from associates	233,245	144,444
Reimbursements to associates	159,007	129,197
Loan received	384,304	847,065
Finance cost paid	182,428	252,668
Share capital issued	4,560,488	3,884,053
Donations	129,895	61,000
Key Management Personnel		
Remuneration paid to key management personnel / directors	1,326,690	993,753
Reimbursements to key management personnel	40,302	16,805
Dividend paid	987,593	433,704
Profit on Engro Rupiya Certificates	19,504	18,118
Directors' fees	176,253	100,439
Contribution for retirement benefits	608,354	478,092

15. 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.

15.1 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 and mining	Includes Independent Power Projects (IPP).
Other operations	Includes chemical terminal & storage services.

15.2 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.

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

	(Unaudited)			
	Quarter ended		Nine months ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
	Rupees		Rupees	
Revenue				
Fertilizer	27,106,188	28,098,690	77,749,136	69,215,104
Polymer	9,233,901	8,422,094	27,834,222	25,523,707
Food	1,300,771	755,575	3,047,840	2,404,594
Power and mining	21,738,987	2,388,428	29,160,824	8,451,792
Other operations	8,371,325	7,149,725	20,156,214	16,611,009
Elimination - net	(4,339,713)	(3,903,834)	(8,547,661)	(7,562,451)
Consolidated	63,411,459	42,910,678	149,400,575	114,643,755
Profit for the period				
Fertilizer	3,372,970	5,099,712	10,557,145	12,249,088
Polymer	1,270,089	1,081,765	2,814,483	3,865,436
Food	(212,100)	24,493	(296,584)	251,384
Power and mining	4,867,794	102,828	5,447,761	1,417,999
Other operations	6,077,886	5,200,555	13,652,109	13,778,365
Elimination / adjustment - net	(5,550,886)	(4,887,990)	(11,210,338)	(3,421,085)
Consolidated	9,825,753	6,621,363	20,964,576	28,141,187
			(Unaudited) September 30, 2019	(Audited) December 31, 2018
			Rupees	
Assets				
Fertilizer			130,361,644	117,721,049
Polymer			47,385,678	36,023,287
Food			30,898,320	31,554,174
Power and mining			199,843,675	133,172,457
Other operations			161,081,548	156,246,355
Elimination - net			(65,162,644)	(53,103,683)
Consolidated			504,408,221	421,613,639

16. SEASONALITY

- 16.1 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.
- 16.2 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.

17. NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors of the Holding Company in its meeting held on October 28, 2019 has approved an interim cash dividend of Rs. 5 per share amounting to Rs. 2,406 million for the year ending December 31, 2019. These consolidated condensed interim financial statements does not include the effect of the said interim dividend.

18. CORRESPONDING FIGURES

- 18.1 Corresponding figures have been rearranged and reclassified, wherever considered necessary, for the purpose of comparison, the effects of which are not material.
- 18.2 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.

19. DATE OF AUTHORIZATION

This consolidated condensed interim financial information is authorized for issue on October 28, 2019 by the Board of Directors of the Holding Company.

Inam ur Rahman
Chief Executive

M. Shamooun Chaudry
Chief Financial Officer

Shabbir Hussain Hashmi
Director

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](https://twitter.com/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