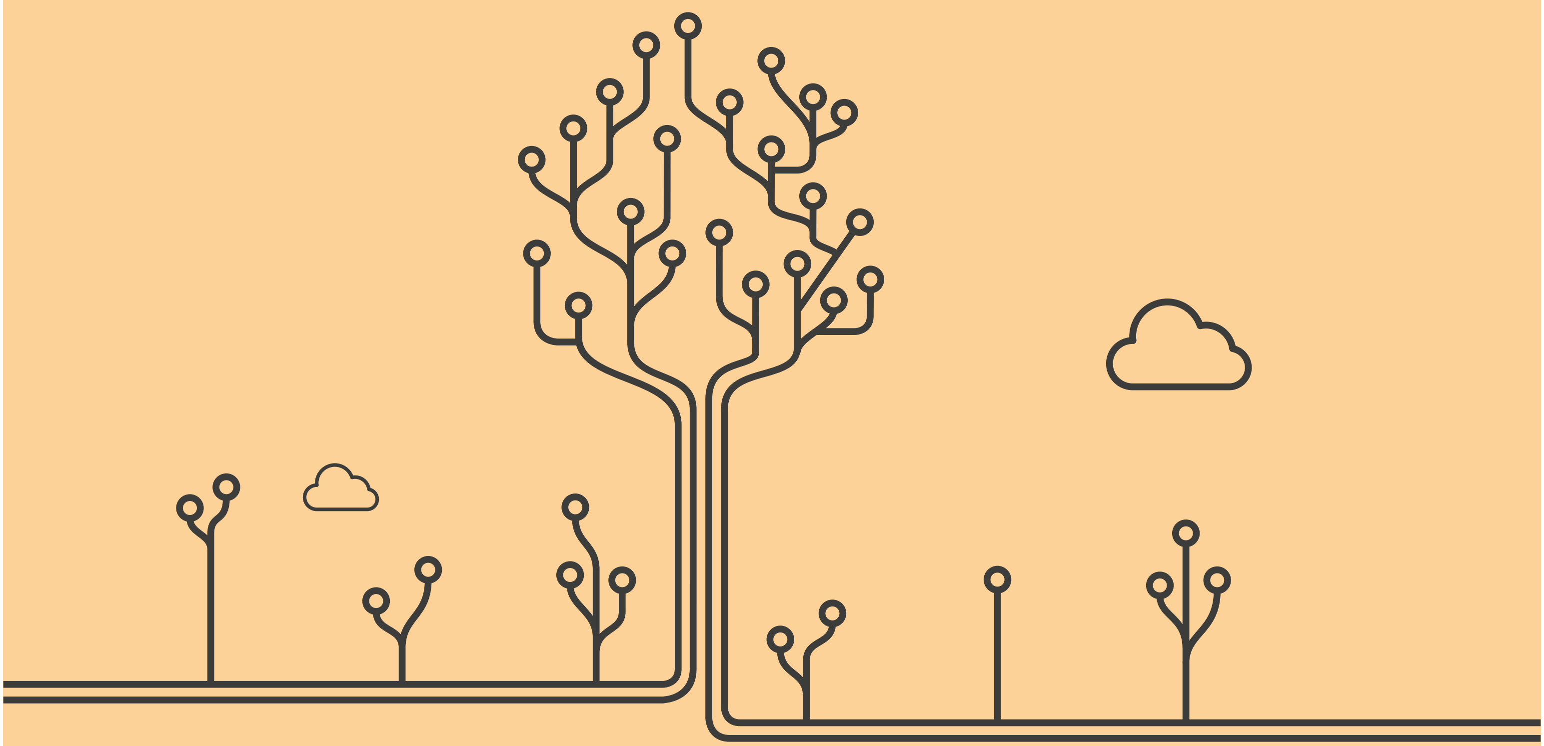
2019
ANNUAL REPORT

DH CORPORATION



"It is our faith, that there can be no progress without education and if the nation is to attain the goals of prosperity and stability, it is imperative that education, especially technical, must spread in the country."

-Ahmed Dawood (20 April 1960)

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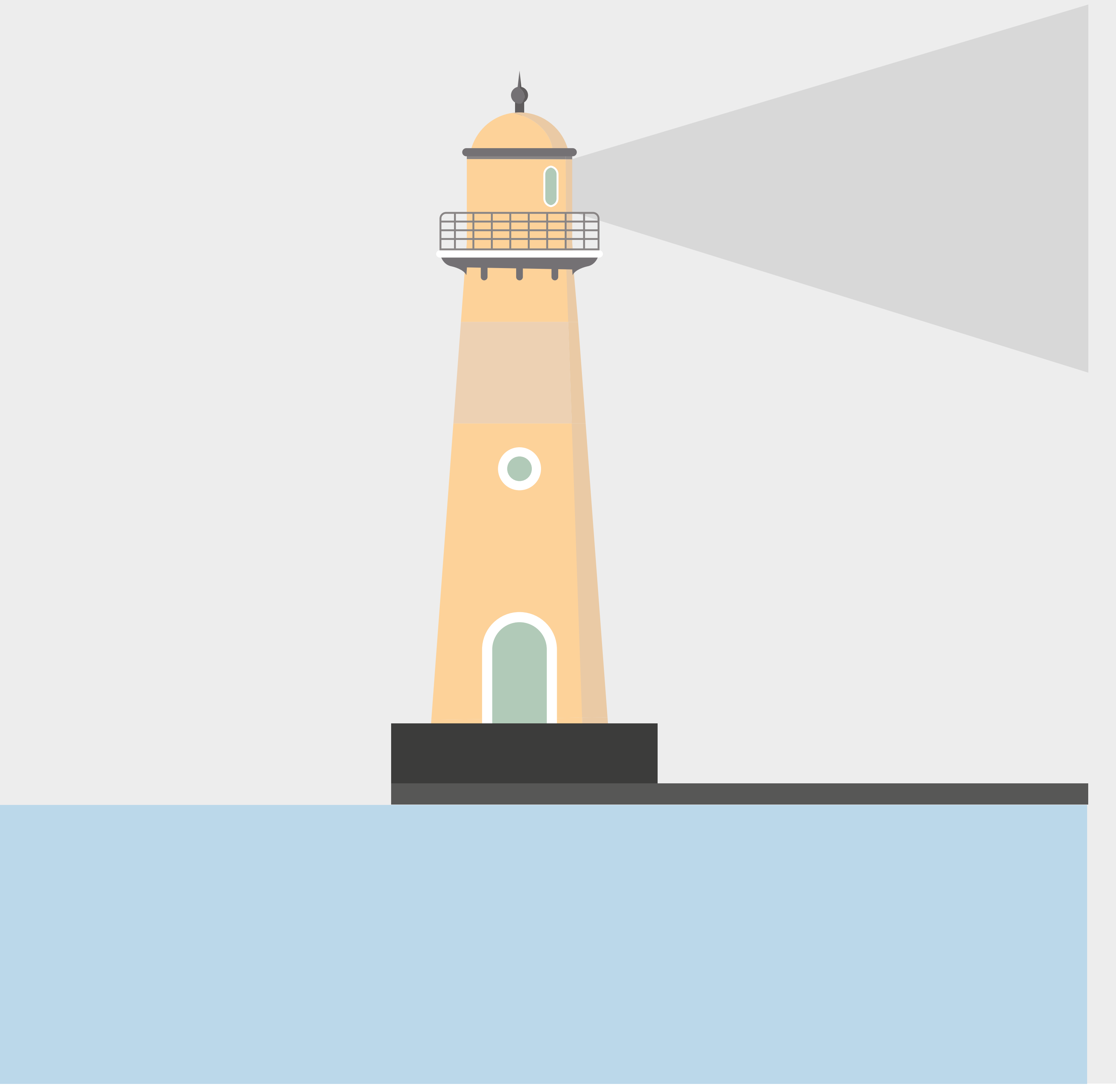
VISION

The leading investor & wealth
creator of value driven businesses

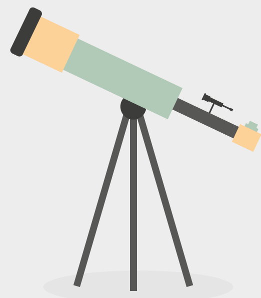


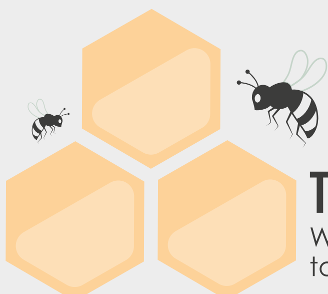
INTEGRITY

We will conduct ourselves with uncompromising ethics and honesty.

COMMITMENT TO EXCELLENCE

We pursue the highest standards and maximise the use of resources.



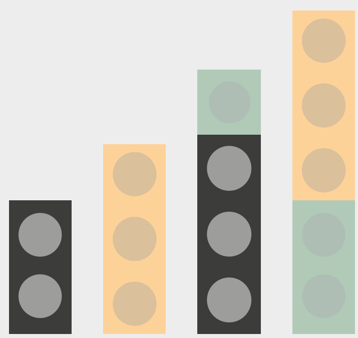


TEAMWORK

We work as a team toward goals.

DIVERSITY

We provide unrestricted opportunity for personal advancement to all employees.



ACCOUNTABILITY

We are accountable for our ethical conduct & for compliance with the applicable laws and corporate policies.

PERFORMANCE HIGHLIGHTS

(Consolidated)

TOTAL REVENUE

2019

225,920 MILLION PKR

2018

171,568 MILLION PKR

32%

Increase in Total Revenue

OPERATING PROFITS

2019
61,810
MILLION PKR

2018
53,572
MILLION PKR

15%
Increase

PERFORMANCE HIGHLIGHTS
(Unconsolidated)

RETURN ON INVESTMENT

2019
8,378
MILLION PKR

2018
5,831
MILLION PKR

44%
Increase

MARKET CAPITALIZATION

2019
74,219 MILLION PKR

2018
53,495 MILLION PKR

39%
Increase

COMPANY INFORMATION

Board of Directors
Mr. Hussain Dawood - Chairman
Mr. Shahzada Dawood - Vice Chairman
Mr. Abdul Samad Dawood - Director
Ms. Sabrina Dawood - Director
Mr. Parvez Ghias - Director
Mr. Shabbir Hussain Hashmi - Director
Mr. 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, Near 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
Haidermota & 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

COMMITTEES

Board Audit Committee:

The Board has set up an audit committee comprising of three directors. Presently, two of whom are non-executive directors and one is an independent director. The Chairman of the Committee is an Independent director.

Mr. Shabbir Hussain Hashmi	Chairman
Mr. Muneer Kamal	Member
Mr. Hasan Reza Ur Rahim	Member

The Committee meets at least once in a quarter or as often as it considers necessary, to review and discuss all matters specified in the Listed Companies (Code of Corporate Governance) Regulations, 2019.

The Head of Internal Audit acts as Secretary of the Committee.

Human Resource & Remuneration Committee:

The Human Resource & Remuneration Committee consists of four directors. Presently, three of whom are non-executive directors and one is an independent director. The Chairman of the Committee is an Independent director.

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

The Chief Executive Officer attends the meetings by invitation.

Human Resource & Remuneration Committee is responsible for reviewing and approving the company's executive compensation, overall compensation strategy, human resources management policies, performance evaluation and succession plans including career planning for employees with high potential.

The Head of HR acts as Secretary of the Committee.

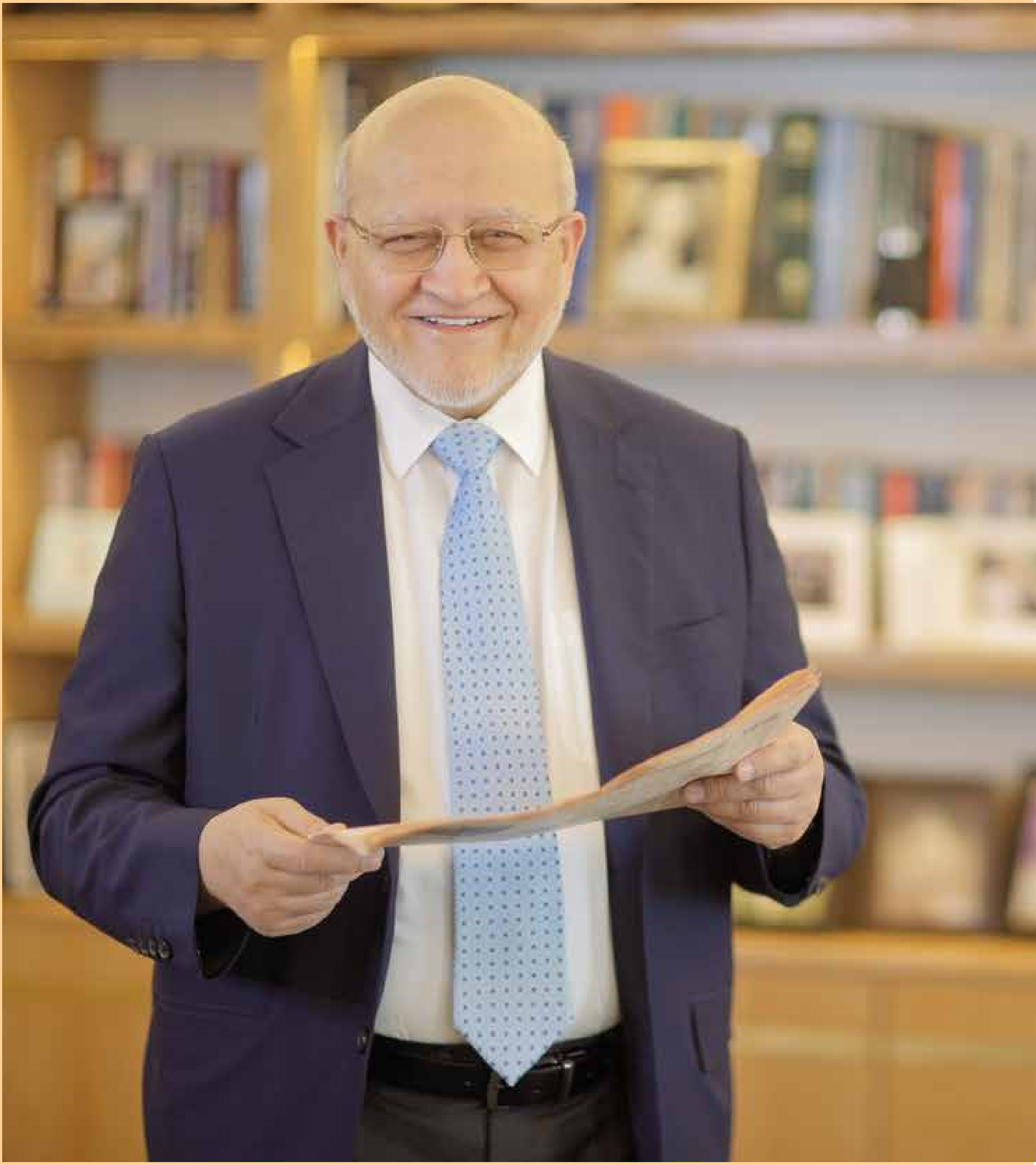
Board Investment Committee:

The Board has set up a Board Investment Committee comprising of three directors. Presently, two of whom are non-executive directors and one is an independent director. The Chairman of the Committee is non-executive director.

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

The Chief Financial Officer acts as Secretary of the Committee.

BOARD OF DIRECTORS



HUSSAIN DAWOOD
CHAIRMAN

Hussain Dawood joined the Board in April 1974.

Mr. Dawood has driven the Dawood Hercules Group and its investments for the last 50 years, with a vision of purpose to endeavour to make notable contributions to sectors that are drivers of economy & society. Mr. Dawood also serves as the Chairman of Engro Corporation, focusing on solutions to pressing challenges in the country. Under his stewardship, Engro has emerged as a partner of choice for international companies looking to work in Pakistan.

Committed to human development, Mr. Dawood is on the Board of Trustees for The Dawood Foundation (TDF). Established in 1962, TDF focuses on creating collective change by building interactive spaces for formal and informal learning. He is the Founder & Chairman of the Board of Governors, of Karachi School of Business & Leadership (KSBL), a graduate management school focused on inspiring Effective Leaders.

He is a member of the World Economic Forum since 1992 and has also been conferred the award "Ufficiale Ordine Al merito della Repubblica Italiana" by the Republic of Italy in 2008.

Mr. Dawood holds an MBA degree from the Kellogg School of Management, Northwestern University, USA and is a graduate in Metallurgy from Sheffield University, UK.

SHAHZADA DAWOOD

VICE CHAIRMAN

Shahzada Dawood joined the Board in May 1996.

For the last 24 years, Shahzada Dawood has been involved with corporate governance turnaround and transformation of industries in Pakistan. He has been instrumental in finding growth and innovation opportunities through mergers & acquisitions in textiles, fertilisers, foods, and energy for diversified public-listed companies.

Mr. Dawood is the Vice Chairman of Dawood Hercules Corporation. He also serves as Director on the Boards of; Engro Corporation Ltd, and Dawood Lawrencepur Ltd. He currently serves as Chairman of Inbox Business Technologies, an enterprise technology services firm & Engro Digital, with a focus on transforming industry through Internet of Things.

His philanthropic area of interest is in supporting education initiatives in his role as Trustee of The Dawood Foundation (TDF) & Trustee of Engro Foundation. He also serves as a Member of the Global Advisory Board, Prince's Trust International, contributing towards its vision that every young person should have a chance to succeed.

Mr. Dawood is an M.Sc. in Global Textile Marketing from Philadelphia University, USA, and an LLB from Buckingham University, UK.

SHABBIR HUSSAIN HASHMI
DIRECTOR

Shabbir Hashmi joined the Board in September 2015.

Shabbir Hashmi serves as an independent Director on the Boards of Dawood Lawrencepur Ltd. and Engro Powergen Qadirpur Ltd. He also invests his time on the Board of Governors of The Help Care Society which operates K-12 schools in Lahore for underprivileged children.

He has more than 30 years of project finance & private equity experience. In his previous experience in corporate governance, Mr. Shabbir Hashmi has held more than 24 Board directorships as a nominee of CDC/Actis &11 directorships as an independent.

In executive roles, Shabbir Hashmi has led the Pakistan operations at Actis Capital, one of the largest private equity investors in emerging market. Prior to Actis, he was responsible for a large regional portfolio of CDC Group Plc. for Pakistan & Bangladesh. He had a long stint with USAID & later briefly with the World Bank in Pakistan, specializing in planning and development of the energy sector.

Mr. Shabbir is an engineer from Dawood College of Engineering & Technology, Pakistan and holds an MBA degree from J.F. Kennedy University, USA.

IMRAN SAYEED
DIRECTOR

Imran Sayeed joined the Board in April 2018.

Imran Sayeed teaches as part of the Entrepreneurship & Innovation faculty at the MIT Sloan School of Management.

Working with the MIT Enterprise Forum he has started & developed entrepreneurial ecosystems in Central America and South Asia.

Mr. Sayeed is the co-founder of Teach The World Foundation; a global literacy non-profit that is using technology to radically transform how children across the world learn to read, write and do math.

He is also the founding global President of OPEN, the largest Pakistani entrepreneurship and leadership organization in the world.

Previously Mr. Sayeed started and led the Digital practice for NTT Data. He came to NTT through its acquisition of Keane, where he led a 7,000-person technology consulting organization. Prior to Keane, he was an entrepreneur for 13 years, having founded 2 successful software product and services companies including, Open Environment (grown to IPO), & later NetNumina (sold to Keane in 2005). He holds a patent on internet security technology that he jointly developed with Citibank. He was named by Computer World as one of the Premier 100 IT Leaders for 2013.

In governance roles in Pakistan, Mr. Sayeed currently serves on the Board of Karachi Education Initiative & previously as a Director on the Board of Engro Corporation.

Mr. Sayeed attended Brown University for his undergraduate degree in engineering & Harvard University for his post-graduate work in business.

ABDUL SAMAD DAWOOD
DIRECTOR

Abdul Samad Dawood joined the Board in January 2002.

Mr. Dawood has 18 years of experience in management and governance.

He currently serves as Chairman of Friesland Campina Engro Pakistan and Vice Chairman of the Board of Engro Corporation. He also serves on the Boards of Dawood Lawrencepur Ltd, Engro Fertiliser Ltd, Reon Pvt Ltd, Pakistan Business Council, & is a Trustee on the Board of The Dawood Foundation (TDF). He was previously CEO of Dawood Hercules Corp. Ltd. and Cyan Limited.

He has previously also been appointed as an Independent Director by International Industries Ltd. and Independent Non-Executive Director by Sui Northern Gas Pipelines Ltd. He has also served in governance roles at Engro EXIMP, Inbox Business Technologies, The Hub Power Company, Tenaga Generasi, Pebbles (Private) Limited, Dawood Industries Limited and World Wild-Life Fund for Nature-Pakistan.

Additionally, he is a member of the Young Presidents' Organisation.

He is a graduate in Economics from University College London, UK.

SABRINA DAWOOD

DIRECTOR

Sabrina Dawood joined the Board in April 2014.

Sabrina Dawood is the CEO of The Dawood Foundation (TDF), a philanthropic organisation for the promotion of education and the creation of informal learning spaces & opportunities. She is also a Trustee of Engro Foundation.

She has been involved in the field of education through her contributions in several educational initiatives such as Dawood Public School, an educational institution giving O & A level education to over 2500 female students for the past 3 decades.

She is also a member of Board of Governors of the National Management Foundation (NMF) of Lahore University of Management Sciences (LUMS) & the Board of Karachi School of Business and Leadership (KSBL).

She holds an MSc in Medical Anthropology from University College London and a BA from London School of Economics in Anthropology and Law.

PARVEZ GHIAS
DIRECTOR

Parvez Ghias joined the Board in March 2010.

Mr. Ghias is the Chief Executive Officer and Director at Habib University Foundation (HUF) since January 2017 & Vice Chairman, Automotive at the House of Habib.

Prior to joining HUF, Mr. Ghias was the CEO of Indus Motor Co. Ltd. from August 2005 to December 2016.

He also serves as an Independent Director on the Board of Shell Pakistan Ltd.

He is a fellow of the Institute of Chartered Accountants in England and Wales & holds a bachelor's degree in Economics and Statistics.

MUNEER KAMAL
DIRECTOR

Muneer Kamal joined the Board in August 2017.

An advisor to the Dawood Hercules Group, Muneer Kamal's current area of responsibility is to develop the next generation of business leaders, in his role as CEO of Karachi Education Initiative, which funds the graduate management school, Karachi School of Business and Leadership (KSBL).

His diverse corporate governance experience includes having previously served as; Chairman of the Pakistan Stock Exchange, Chairman of National Bank of Pakistan, Trustee of Shaukat Khanum Memorial Cancer Hospital, Director of Engro Corporation, Director of New Horizon Exploration and Production Ltd., Director of Government Holdings Private Ltd., & Vice Chairman of KASB Group.

Mr. Kamal's career in banking and the financial services sector, spanning over 35 years, started with Citibank Pakistan, where he served in various local & international positions, including Head of Country, Public Sector & Financial Institutions. Subsequently, Muneer Kamal went on to executive roles, appointed in President/ CEO roles at Faysal Bank Ltd, Union Bank Ltd. and KASB Bank Ltd, successively.

Mr. Kamal has an MBA degree from the University of Karachi.

HASAN REZA UR RAHIM
DIRECTOR

Hasan Reza Ur Rahim joined the Board in April 2014.

Mr. Rahim is the Chairman of Cyan Limited and he also serves on the Boards of Dawood Lawrencepur Limited, Atlas Insurance Limited and Hum Network Limited.

He is an accomplished professional who has over 35 years of domestic and international experience in the Banking & Financial Services industry.

Previously, he was the Executive Director of the Chairman's Corporate Office at the Dawood Hercules Group. Mr. Rahim spent 15 years at JPMorgan where he held several senior positions both in Pakistan and abroad.

His accomplishments include assisting in establishing & heading the Global Corporate Bank in Bahrain, Qatar & Saudi Arabia. He served as a Senior Country Officer of Pakistan & was an integral part of the Regional Corporate Finance team based in Singapore. He has originated, led & executed large complex M&A transactions & Privatizations totaling USD 5.0 billion, Sovereign Debt & Bond issues of over USD 2.0 billion in the Telecom, Airlines, Banking, Oil and Gas and the Petrochemical industries.

Earlier in his career Mr. Rahim was also with Mashreq Bank PSC, ANZ Grindlays Bank plc with whom he was transferred to and lived in Zurich, Singapore, Bahrain and Dubai. He received his bachelor's degree from the University of Delaware in USA.

INAM UR RAHMAN

CHIEF EXECUTIVE OFFICER

Inam ur Rahman joined the Board in December 2016.

Mr. Inam ur Rahman currently serves in corporate governance roles across various publicly listed firms associated with the Dawood Hercules Group. He brings more than 27 years of experience across diversified industries including energy & renewables, education, food, enterprise technology, textiles, fashion and apparel, lifestyle and business consulting. Mr. Rahman was appointed as a Chief Executive Officer of the group's parent investment company, Dawood Hercules Corporation, on December 1, 2016.

An environmentalist at heart, Mr. Rahman launched Reon Energy, an enterprise solar power EPC, and continues to serve as Chief Executive of Tenaga Generasi Limited, a 50-megawatt wind power plant.

His passion is to develop & grow people. He has taught at the undergraduate level, and at present devotes his time in governance roles at Karachi School of Business & Leadership (KSBL).

Mr. Rahman holds an MBA degree from Lahore University of Management Sciences (LUMS), in addition to an engineering degree from UET Lahore.

Dawood Hercules Corporation won the "Top 25 Companies for the Year" awards, announced by the Pakistan Stock Exchange (PSX). Hussain Dawood, the Chairman of Dawood Hercules Corporation was presented the award by Prime Minister of Pakistan Imran Khan.

The Dawood Foundation recently invested in 'The MagnifiScience Center' which will be the first world class interactive science museum in Pakistan. Through hands-on science, problem-solving and learning through educational activities, TDF MagnifiScience Center aims to enable the next generation of creative thinkers.

Karachi School of Business and Leadership (KSBL) a leading business school committed to promoting the core values of diversity, independence, integrity and entrepreneurial spirit by creating a community of world-class managers, business leaders, and entrepreneurs.

KSBL KARACHI SCHOOL OF BUSINESS & LEADERSHIP

OPERATING HIGHLIGHTS

SIX YEARS AT A GLANCE

Sr.#	PARTICULARS	UNIT	2014
A)	INCOME STATEMENT		
1	Sales Value	Rs. in Million	179,628
2	Gross Profit	Rs. in Million	36,490
3	Operating Profit	Rs. in Million	22,234
4	EBITDA	Rs. in Million	33,243
5	Profit Before Taxation	Rs. in Million	10,868
6	Profit After Taxation	Rs. in Million	7,455
B)	DIVIDEND		
1	Cash Dividend	%	10
2	Stock Dividend	%	-
C)	BALANCE SHEET		
1	Fixed assets	Rs. in Million	142,105
2	Long term investments	Rs. in Million	8,610
3	Current Assets	Rs. in Million	77,829
4	Current Liabilities	Rs. in Million	89,775
5	Paid Up Capital	Rs. in Million	4,813
6	Reserves	Rs. in Million	22,903
7	Non Controlling Interest	Rs. in Million	46,743
8	No. of Ordinary Shares	Million	481.29
D)	RATIO ANALYSIS		
1	Gross Profit	%	20.31
2	Net Profit to Sales	%	4.15
3	Operating Profit Margin	%	12.38
4	EBITDA margin	%	18.51
5	Earnings Per Share	Rs.	4.70
6	Inventory Turnover	Time	8.84
7	Age of Inventory	Days	41.31
8	Debtors Turnover	Time	46.73
9	Average Collection Period	Days	7.81
10	Operating Cycle	Days	49.12
11	Total Assets Turnover	Time	0.79
12	Fixed Assets Turnover	Time	1.26
13	Break-up Value of Share	Rs.	57.59
14	Dividend Yield	%	1.18
15	Dividend Payout Ratio	%	6.46
16	Return on Equity	%	26.90
17	Debt Equity Ratio	Time	1.32
18	Current Ratio	Time	0.87
19	Quick Ratio	Time	0.74
20	Total Debt Ratio	Time	0.68
21	Interest Cover Ratio	Time	1.82
22	Dividend Cover Ratio	Time	15.49
23	Return on capital employed	%	26.90
24	Market Value per Share	Rs.	84.51
25	Market Capitalization	Rs. in Million	40,674
26	Price Earning Ratio	Times	17.98
E)	PRODUCTION		
1	Urea	Metric Tons	1,860,867
2	NPK	Metric Tons	117,193
3	PVC - Resin	Metric Tons	153,000
4	EDC	Metric Tons	118,000
5	Caustic Soda	Metric Tons	114,000
6	Caustic Flakes	Metric Tons	-
7	VCM	Metric Tons	168,000
8	Power	Mega watts	1,721,959
9	Dairy and bevrages	Thousand Litres	472,735
10	Milling/Drying unit of rice processing plant	Metric Tons	166,801
11	Ice Cream	Thousand Litres	16,726
F)	OTHERS		
1	Employees	Nos.	4,113
2	Capital Expenditure	Rs. in Million	9,579.81

	2015	2016	2017	2018	**2019**
	181,980	157,208	128,592	171,568	**225,920**
	45,221	35,843	34,806	51,108	**68,687**
	36,696	85,939	31,289	53,572	**61,810**
	48,953	98,280	41,523	61,368	**74,399**
	30,385	82,543	28,354	47,365	**46,782**
	21,365	73,438	16,246	33,149	**29,788**
	160	155	40	100	**130**
	-	-	-	-	**-**
	134,336	136,257	162,265	209,364	**258,927**
	9,598	40,688	32,196	31,590	**37,274**
	59,639	113,944	134,240	176,182	**223,416**
	65,840	55,436	65,312	80,600	**152,896**
	4,813	4,813	4,813	4,813	**4,813**
	28,152	48,872	50,504	62,073	**59,208**
	59,901	119,278	122,148	134,857	**144,024**
	481.29	481.29	481.29	481.29	**481.29**
	24.85	22.80	27.07	29.79	**30.40**
	11.74	46.71	12.63	19.32	**13.19**
	20.16	54.67	24.33	31.22	**27.36**
	26.90	62.52	32.29	35.77	**32.93**
	19.17	53.12	7.19	29.60	**11.75**
	10.64	9.79	7.89	7.95	**8.47**
	34.32	37.28	46.25	45.90	**43.11**
	32.07	15.36	9.39	10.63	**6.41**
	11.38	23.76	38.85	34.33	**56.91**
	45.70	61.04	85.11	80.22	**100.02**
	0.89	0.54	0.39	0.41	**0.43**
	1.35	1.15	0.79	0.82	**0.87**
	68.49	111.54	114.93	138.97	**133.02**
	13.43	10.74	3.58	9.00	**8.43**
	36.04	10.16	11.85	14.52	**21.00**
	64.81	136.79	29.37	49.56	**46.53**
	0.93	0.52	0.61	0.77	**0.91**
	0.91	2.06	2.06	2.19	**1.46**
	0.69	1.86	1.86	1.97	**1.33**
	0.55	0.43	0.47	0.52	**0.64**
	4.41	13.84	6.04	8.48	**3.89**
	2.77	9.84	8.44	6.89	**4.76**
	64.81	136.79	29.37	49.56	**46.53**
	119.14	144.33	111.88	111.15	**154.21**
	57,341	69,465	53,847	53,495	**74,219**
	6.21	2.72	15.56	3.76	**13.12**
	1,964,034	1,881,016	1,806,977	1,928,080	**2,003,035**
	126,074	94,610	109,059	132,970	**134,784**
	162,000	172,000	187,000	202,000	**197,000**
	100,000	106,000	107,000	107,000	**110,000**
	98,000	103,000	105,000	105,000	**105,000**
	-	-	-	-	**4**
	162,000	174,000	180,000	195,000	**184,000**
	1,424,015	1,264,667	1,737,394	1,526,309	**3,097,604**
	552,532		-	-	**-**
	45,982	28,474	59,371	77,008	**93,689**
	19,364	-	-	-	**-**
	3,975	2,037	2,071	2,343	**2,658**
	8,917	23,721	29,947	36,606	**46,996**

HORIZONTAL ANALYSIS
BALANCE SHEET

------------------------------Rs. in Million------------------------------

Particulars	2014	2015	2016	2017	2018	2019
Share Capital and Reserves						
Issued, subscribed and paid up capital	4,813	4,813	4,813	4,813	4,813	**4,813**
Revenue reserves	22,903	28,152	48,872	50,504	62,073	**59,208**
Fair value reserve	-	-	-	-	-	**-**
Non-Controlling interest	46,743	59,901	119,278	122,148	134,857	**144,024**
Share holder's equity with FVR	74,459	92,866	172,963	177,465	201,743	**208,046**
Non Current Liabilities	66,710	49,758	72,918	94,411	139,270	**212,698**
Sub Total	141,169	142,624	245,881	271,876	341,013	**420,744**
Current Liabilities						
Current portion - long term loan	19,316	22,791	13,374	12,392	11,956	**22,096**
Current portion - lease liability	-	-	-	-	-	**4,444**
Short term financing - secured	12,201	6,608	8,405	11,327	6,641	**15,511**
Trade and other payables	54,669	34,619	32,107	39,311	51,119	**103,382**
Markup payable on secured loans	2,124	1,428	1,238	1,553	2,363	**3,457**
Provision for taxation	-	-	62	220	8,300	**3,439**
Others	1,465	394	250	509	221	**566**
Sub Total	89,775	65,840	55,436	65,312	80,600	**152,896**
Total	230,944	208,464	301,317	337,188	421,613	**573,640**

-----------------------------Rs. in Million------------------------------

Particulars	2014	2015	2016	2017	2018	2019
Assets						
Property, plant and equipment (Incl intangibles and biological asset)	142,105	134,336	136,257	162,265	209,364	**258,927**
Right-of-use assets	-	-	-	-	-	**4,927**
Net Investment in Lease	-	-	-	-	-	**45,564**
Long term investments	8,610	9,598	40,688	32,196	31,590	**37,274**
Long term loans and advances	1,184	3,758	9,851	6,810	4,093	**3,305**
Others	1,216	1,133	577	1,677	384	**228**
Sub Total	153,115	148,825	187,373	202,948	245,431	**350,224**
Current Assets						
Stores, spares and loose tools	8,276	7,679	7,148	7,639	7,688	**7,637**
Contract Asset	-	-	-	-	-	**5,313**
Current proportion of Investment in Lease	-	-	-	-	-	**2,544**
Stock in trade	11,628	14,089	10,704	13,066	17,228	**19,913**
Trade debts	4,615	6,734	13,734	13,641	18,630	**51,817**
Loans, advances, deposit, prepayments and other receivables including Accrued Income	7,082	9,599	11,445	13,601	16,987	**23,042**
Others	4,693	2,368	-	-	-	**-**
Short term investments	29,163	14,050	64,726	69,895	103,533	**90,594**
Investment - Held for sale	-	-	-	6,611	-	**1,326**
Cash and bank balances	12,372	5,120	6,187	9,787	12,116	**21,230**
Sub Total	77,829	59,639	113,944	134,240	176,182	**223,416**
Total Assets Employed	230,944	208,464	301,317	337,188	421,613	**573,640**

--Percentage Change--

14 Over 13	15 over 14	16 over 15	17 over 16	18 over 17	**19 over 18**
-	-	-	-	-	**-**
21%	23%	74%	3%	23%	**-5%**
-	-	-	-	-	**-**
24%	28%	99%	2%	10%	**7%**
21%	25%	86%	3%	14%	**3%**
-27%	-25%	47%	29%	48%	**53%**
-8%	1%	72%	11%	25%	**23%**
15%	18%	-41%	-7%	-4%	**85%**
-	-	-	-	-	**100%**
67%	-46%	27%	35%	-41%	**134%**
33%	-37%	-7%	22%	30%	**102%**
-8%	-33%	-13%	25%	52%	**46%**
-	-	100%	255%	3673%	**-59%**
6%	-73%	-37%	104%	-57%	**156%**
30%	-27%	-16%	18%	23%	**90%**
4%	-10%	45%	12%	25%	**36%**

--Percentage Change--

14 Over 13	15 over 14	16 over 15	17 over 16	18 over 17	**19 over 18**
2%	-5%	1%	19%	29%	**24%**
-	-	-	-	-	**100%**
-	-	-	-	-	**100%**
13%	11%	324%	-21%	-2%	**18%**
286%	217%	162%	-31%	-40%	**-19%**
-27%	-7%	-49%	191%	-77%	**-41%**
2%	-3%	26%	8%	21%	**43%**
6%	-7%	-7%	7%	1%	**-1%**
-	-	-	-	-	**100%**
-	-	-	-	-	**100%**
-44%	21%	-24%	22%	32%	**16%**
50%	46%	104%	-1%	37%	**178%**
9%	36%	19%	19%	25%	**36%**
3%	-50%	-100%	-	-	**-**
28%	-52%	361%	8%	48%	**-12%**
-	-	-	100%	-100%	**100%**
76%	-59%	21%	58%	24%	**75%**
7%	-23%	91%	18%	31%	**27%**
4%	-10%	45%	12%	25%	**36%**

VERTICAL ANALYSIS

BALANCE SHEET

------------------------------Rs. in Million------------------------------

Particulars	2014	2015	2016	2017	2018	**2019**
Share Capital and Reserves						
Issued, subscribed and paid up capital	4,813	4,813	4,813	4,813	4,813	**4,813**
Revenue reserves	22,903	28,152	48,872	50,504	62,073	**59,208**
Non-Controlling interest	46,743	59,901	119,278	122,148	134,857	**144,024**
Share holder's Equity with FVR	74,459	92,866	172,963	177,465	201,743	**208,045**
Non Current Liabilities	66,710	49,758	72,918	94,411	139,270	**212,698**
Sub Total	141,169	142,624	245,881	271,876	341,013	**420,743**
Current Liabilities						
Current portion - long term loan	19,316	22,791	13,374	12,392	11,956	**22,096**
Current portion - Lease Liability	-	-	-	-	-	**4,444**
Short term financing - secured	12,201	6,608	8,405	11,327	6,641	**15,511**
Trade and other payables	54,669	34,619	32,107	39,311	51,119	**103,382**
Markup payable on secured loans	2,124	1,428	1,238	1,553	2,363	**3,457**
Provision for taxation	-	-	62	220	8,300	**3,439**
Others	1,465	394	250	509	221	**566**
Sub Total	89,775	65,840	55,436	65,312	80,600	**152,896**
Total	230,944	208,464	301,317	337,188	421,613	**573,639**

------------------------------Rs. in Million------------------------------

Particulars	2014	2015	2016	2017	2018	**2019**
Assets						
Property, plant and equipment (Incl intangibles and biological asset)	142,105	134,336	136,257	162,265	209,364	**258,927**
Long term investments	8,610	9,598	40,688	32,196	31,590	**37,274**
Right-of-use assets	-	-	-	-	-	**4,927**
Net Investment in Lease	-	-	-	-	-	**45,564**
Long term loans and advances	1,184	3,758	9,851	6,810	4,093	**3,305**
Others	1,216	1,133	577	1,677	384	**228**
Sub Total	153,115	148,825	187,373	202,948	245,431	**350,224**
Current Assets						
Stores, spares and loose tools	8,276	7,679	7,148	7,639	7,688	**7,637**
Contract Asset	-	-	-	-	-	**5,313**
Current proportion of Investment in Lease	-	-	-	-	-	**2,544**
Stock in trade	11,628	14,089	10,704	13,066	17,228	**19,913**
Trade debts	4,615	6,734	13,734	13,641	18,630	**51,817**
Loans, advances, deposit, prepayments and other receivables including advance income tax	7,082	9,599	11,445	13,601	16,987	**23,042**
Others	4,693	2,368	-	-	-	**-**
Short term investments	29,163	14,050	64,726	69,895	103,533	**90,594**
Investment - Held for sale	-	-	-	6,611	-	**1,326**
Cash and bank balances	12,372	5,120	6,187	9,787	12,116	**21,230**
Sub Total	77,829	59,639	113,944	134,240	176,182	**223,416**
Total Assets Employed	230,944	208,464	301,317	337,188	421,613	**573,640**

--------Percentage--------

2014	2015	2016	2017	2018	**2019**
2%	2%	2%	1%	1%	**1%**
10%	14%	16%	15%	15%	**10%**
20%	29%	40%	36%	32%	**25%**
32%	45%	57%	53%	48%	**36%**
29%	24%	24%	28%	33%	**37%**
61%	68%	82%	81%	81%	**73%**
8%	11%	4%	4%	3%	**4%**
-	-	-	-	-	**100%**
5%	3%	3%	3%	2%	**3%**
24%	17%	11%	12%	12%	**18%**
1%	1%	0%	0%	1%	**1%**
0%	0%	0%	0%	2%	**1%**
1%	0%	0%	0%	0%	**0%**
39%	32%	18%	19%	19%	**27%**
100%	100%	100%	100%	100%	**100%**

--------Percentage--------

2014	2015	2016	2017	2018	**2019**
62%	64%	45%	48%	50%	**45%**
4%	5%	14%	10%	7%	**6%**
-	-	-	-	-	**100%**
-	-	-	-	-	**100%**
-	2%	3%	2%	1%	**1%**
1%	1%	0%	0%	0%	
66%	71%	62%	60%	58%	**61%**
4%	4%	2%	2%	2%	**1%**
-	-	-	-	-	**100%**
-	-	-	-	-	**100%**
5%	7%	4%	4%	4%	**3%**
2%	3%	5%	4%	4%	**9%**
3%	5%	4%	4%	4%	**4%**
2%	1%	0%	0%	0%	**0%**
13%	7%	21%	21%	25%	**16%**
0%	0%	0%	2%	0%	**0%**
5%	2%	2%	3%	3%	**4%**
34%	29%	38%	40%	42%	**39%**
100%	100%	100%	100%	100%	**100%**

HORIZONTAL ANALYSIS
PROFIT AND LOSS

------------------------------Rs. in Million------------------------------

Particulars	2014	2015	2016	2017	2018	2019
Net sales	179,628	181,980	157,208	128,592	171,568	**225,920**
Cost of sales	143,138	136,759	121,365	93,786	120,460	**157,233**
Gross profit	36,490	45,221	35,843	34,806	51,108	**68,687**
Selling and distribution expenses	10,932	10,766	12,053	7,850	8,488	**8,103**
Administrative expenses	4,577	5,209	4,352	4,282	6,605	**8,603**
Impairment loss	43	-	-	-	-	**-**
Other operating expenses	2,509	3,236	2,351	2,570	4,427	**6,863**
Other income	3,805	10,686	68,852	11,185	21,984	**16,692**
Operating profit	22,234	36,696	85,939	31,289	53,572	**61,810**
Finance cost	13,234	8,919	6,431	5,624	6,336	**16,176**
Share of profit of associates & Joint Ventures	1,868	2,608	3,035	2,689	129	**1,148**
Profit before taxation	10,868	30,385	82,543	28,354	47,365	**46,782**
Taxation	3,413	9,020	9,105	12,108	14,216	**16,994**
Profit after taxation	7,455	21,365	73,438	16,246	33,149	**29,788**

VERTICAL ANALYSIS
PROFIT AND LOSS

------------------------------Rs. in Million------------------------------

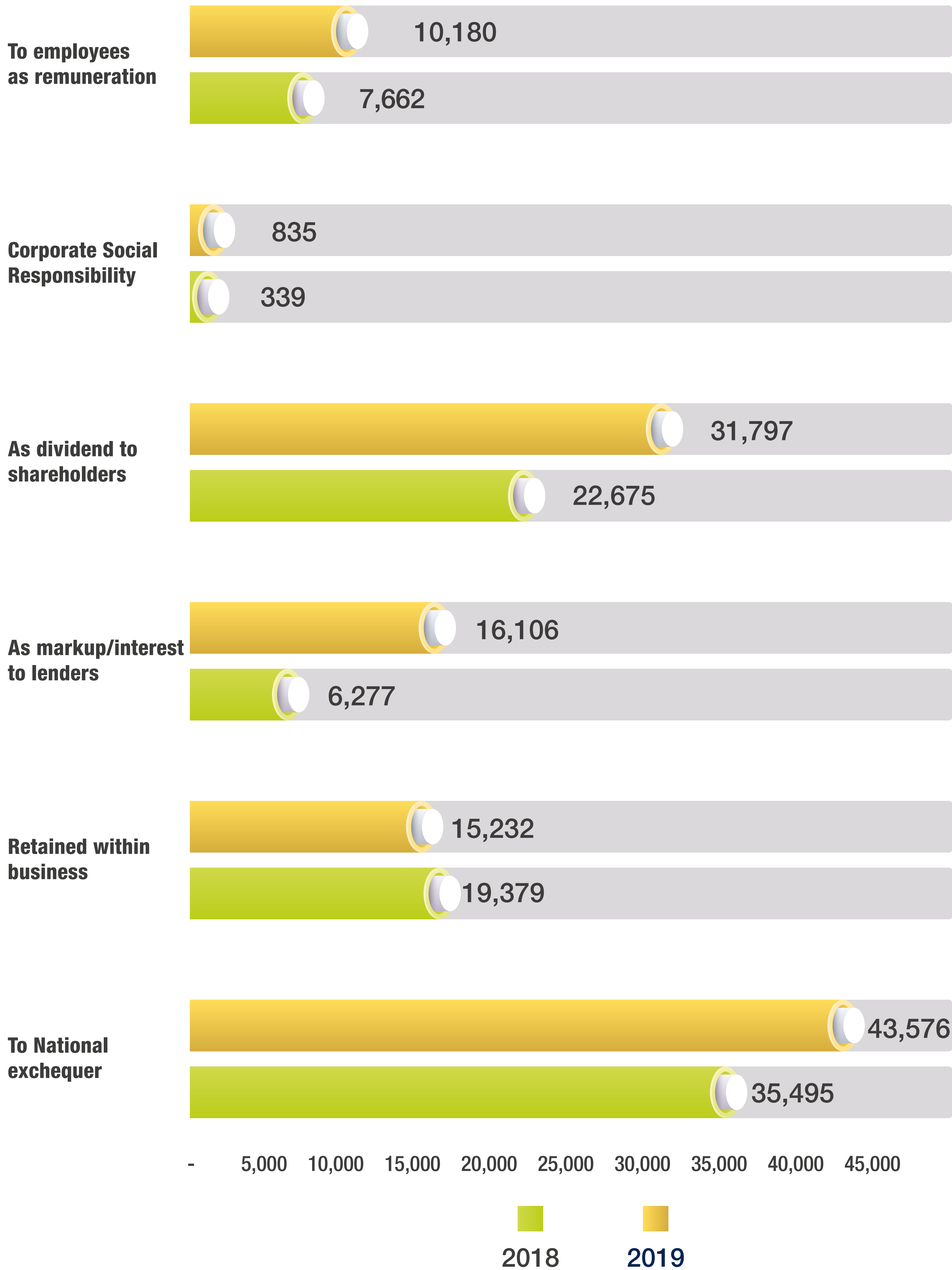
Particulars	2014	2015	2016	2017	2018	2019
Net sales	179,628	181,980	157,208	128,592	171,568	**225,920**
Cost of sales	143,138	136,759	121,365	93,786	120,460	**157,233**
Gross profit	36,490	45,221	35,843	34,806	51,108	**68,687**
Selling and distribution expenses	10,932	10,766	12,053	7,850	8,488	**8,103**
Administrative expenses	4,577	5,209	4,352	4,282	6,605	**8,603**
Impairment loss	43	-	-	-	-	**-**
Other operating expenses	2,509	3,236	2,351	2,570	4,427	**6,863**
Other income	3,805	10,686	68,852	11,185	21,984	**16,692**
Operating profit	22,234	36,696	85,939	31,289	53,572	**61,810**
Finance cost	13,234	8,919	6,431	5,624	6,336	**16,176**
Share of profit of associates	1,868	2,608	3,035	2,689	129	**1,148**
Profit before taxation	10,868	30,385	82,543	28,354	47,365	**46,782**
Taxation	3,413	9,020	9,105	12,108	14,216	**16,994**
Profit after taxation	7,455	21,365	73,438	16,246	33,149	**29,788**

--Percentage Change--					
14 Over 13	15 over 14	16 over 15	17 over 16	18 over 17	**19 over 18**
3611%	1%	-14%	-18%	33%	**32%**
3434%	-4%	-11%	-23%	28%	**31%**
4523%	24%	-21%	-3%	47%	**34%**
11341%	-2%	12%	-35%	8%	**-5%**
614%	14%	-16%	-2%	54%	**30%**
100%	-100%	-	-	-	**-**
6341%	29%	-27%	9%	72%	**55%**
1259%	181%	544%	-84%	97%	**-24%**
7458%	65%	134%	-64%	71%	**15%**
1457%	-33%	-28%	-13%	13%	**155%**
-58%	40%	16%	-11%	-95%	**790%**
179%	180%	172%	-66%	67%	**-1%**
673%	164%	1%	33%	17%	**20%**
116%	187%	244%	-78%	104%	**-10%**

---Percentage---					
2014	2015	2016	2017	2018	**2019**
100%	100%	100%	100%	100%	**100%**
80%	75%	77%	73%	70%	**70%**
20%	25%	23%	27%	30%	**30%**
6%	6%	8%	6%	5%	**4%**
3%	3%	3%	3%	4%	**4%**
0%	-	-	-	-	**-**
1%	2%	1%	2%	3%	**3%**
2%	6%	44%	9%	13%	**7%**
12%	20%	55%	24%	31%	**27%**
7%	5%	4%	4%	4%	**7%**
1%	1%	2%	2%	0%	**1%**
6%	17%	53%	22%	28%	**21%**
2%	5%	6%	9%	8%	**8%**
4%	12%	47%	13%	19%	**13%**

STATEMENT OF VALUE ADDITION
CONSOLIDATED

	2019 PKR 'million'	2019 %age	2018 PKR 'million'	2018 %age
Wealth generated				
Total gross revenue & other income	**264,277**		206,414	
Brought in materials and services	**(146,551)**		(114,587)	
Total value addition	**117,726**		91,827	
Wealth distribution				
To employees (Salaries, wages & benefits)	**10,180**	**9%**	7,662	8%
To government (Income Tax, sales tax & wwf)	**43,576**	**37%**	35,495	39%
To Society				
Donation toward eductaion,health, environment and natural disaster	**835**	**0.7%**	339	0.4%
To providers of capital:				
Dividend to Shareholders	**31,797**	**27%**	22,675	25%
Markup/interest expenses on borrowed money	**16,106**	**14%**	6,277	7%
Retained for investment and future growth, depreciation and retained profits	**15,232**	**13%**	19,379	21%
Total value distribution	**117,726**		91,827	


To employees as remuneration
10,180
7,662
Corporate Social Responsibility
835
339
As dividend to shareholders
31,797
22,675
As markup/interest to lenders
16,106
6,277
Retained within business
15,232
19,379
To National exchequer
43,576
35,495
-
5,000
10,000
15,000
20,000
25,000
30,000
35,000
40,000
45,000
2018
2019

NOTICE OF 52nd ANNUAL GENERAL MEETING

Notice is hereby given that the Fifty-Second Annual General Meeting **("AGM")** of Dawood Hercules Corporation Limited **(the "Company")** will be held on Thursday, May 21, 2020 at 11:00 a.m. at the Dawood Foundation Business Hub, Ground Floor, Dawood Centre, M.T. Khan Road, Karachi to transact the following businesses:

ORDINARY BUSINESS:

1. To receive, consider and adopt the annual unconsolidated and consolidated Audited Financial Statements of the Company for the year ended December 31, 2019, together with Auditors' and Directors' Reports thereon and Chairman's Review Report.

2. To appoint Auditors and fix their remuneration. The members are hereby given notice that Audit Committee and the Board of Directors have recommended the name of retiring auditors, M/s A.F. Fergusons & Co., Chartered Accountants for reappointment as auditors of the Company.

3. To elect nine (9) directors of the Company as fixed by the Board of Directors, in accordance with Section 159(1) of the Companies Act, 2017 for a term of three (3) year commencing from May 22, 2020. Names of the retiring directors who are eligible for re-election are given below:

    1. Mr. Hussain Dawood
    2. Mr. Shahzada Dawood
    3. Mr. Abdul Samad Dawood
    4. Ms. Sabrina Dawood
    5. Mr. Parvez Ghias
    6. Mr. Shabbir Hussain Hashmi
    7. Mr. Muneer Kamal
    8. Mr. Hasan Reza Ur Rahim
    9. Mr. Imran Sayeed

Attached to this notice being sent to the members is a Statement under 166(3) of the Companies Act, 2017.

By Order of the Board

Place: Karachi,
Dated: April 16, 2020

Asim H. Akhund
Company Secretary

Notes:

1. **Coronavirus Contingency Planning for Annual General Meeting of Shareholders:**

    Due to current COVID-19 situation, the Government has suspended large public gatherings at one place. Additionally, the Securities and Exchange Commission of Pakistan **("SECP")** in terms of its Circular No.5 of 2020 issued on March 17, 2020 and Pakistan Stock Exchange Limited **("PSX")** through its notice Ref: PSX/N-372 dated March 19, 2020 has advised companies to modify their usual planning for general meetings for the safety and wellbeing of shareholders and the public at large.

    Considering the SECP's directives, the Company intends to convene this AGM with minimal physical interaction of shareholders while ensuring compliance with the quorum requirements and requests the members to consolidate their attendance and voting at the AGM through proxies.

    The Company, furthermore, has made arrangements to ensure that all participants, including shareholders, can now participate in the AGM proceedings via video link. For this, members are required to email their Name, Folio Number, Cell No., and Number of Shares held in their name with subject "Registration for Dawood Hercules Corporation Limited AGM" alongwith valid copy of CNIC (both sides) at company.secretary@dawoodhercules.com. Video link and login credentials will be shared with only those members whose emails, containing all the required particulars, are received at least 24 hours before the time of AGM.

    Shareholders can also provide their comments and questions for the agenda items of the AGM at the email address company.secretary@dawoodhercules.com

    Members are therefore, encouraged to attend the AGM through video link or by consolidating their attendance through proxies.

2. **Closure of Share Transfer Books:**

The Share Transfer Books of the Company will remain closed from May 15, 2020 to May 21, 2020 (both days inclusive). Transfers received in order at the office of the Company's Share Registrar, FAMCO Associates (Private) Limited, 8-F, Near Hotel Faran, Block 6, P.E.C.H.S. Shahra-e-Faisal, Karachi, PABX No (92-21) 34380101-5 and email info.shares@famco.com.pk, by close of business on May 14, 2020, will be treated as being in time for the purposes of attending and voting at the AGM.

3. **Election of Directors:**

The current directors of the Company were supposed to complete their term on April 28, 2020, however owing to the Pandemic (COVID 19), the Commission vide Circular No. 6 issued on March 22, 2020 **("Circular")** granted relaxation from certain provisions of Act, pertaining to the holding of AGMs. In this regard, a general extension of 30 days for holding AGM till May 29, 2020 was granted to companies in terms of Section 132 of the Act and for election of directors, companies were advised to file impediment report under Section 158(2) of the Act in order to hold elections at a later date due to impediments. Pursuant to the Circular, the Company filed the impediment report hence the current directors have continued their term in accordance with Section 158(2) of the Act, the Circular and the impediment report filed with the Registrar under the Circular.

In terms of Section 159(1) of the Companies Act, 2017, the Directors have fixed the number of elected directors at nine (9) to be elected in the AGM for the next term of three year.

Any person who seeks to contest the election of directors shall, whether he is a retiring director or otherwise, file with the Company the following documents and information at its registered office not later than fourteen days before the day of the above said meeting:

a) His/her Folio No./CDC Investors Account No./CDC Participant No./Sub-Account No.

b) Notice of his/her intention to offer himself/herself for the election of directors in terms of Section 159(3) of the Companies Act, 2017.

c) Consent to act as director on Form 28 under Section 167 of the Companies Act, 2017.

d) A detailed profile along with his/her office address for placement onto the Company's website https://www.dawoodhercules.com.

e) The selection of independent directors shall be as per requirements of Section 166 of the Companies Act, 2017. Any member intending to contest as independent director shall submit a declaration that he/she qualifies the criteria of eligibility and independence notified under the Companies Act, 2017 and rules and regulations issued thereunder.

f) An attested copy of Computerized National Identity Card (CNIC).

g) A declaration that:

- He/she is not ineligible to become a director of the Company under Section 153 of the Companies Act, 2017 and any other applicable laws, rules and regulations.
- He/she is not serving as a director of more than seven listed companies.
- Neither he/she nor his/her spouse is engaged in the business of brokerage or is a sponsor director or officer of a corporate brokerage house.
- He/she is aware of his/her duties and powers under the Companies Act, 2017, Memorandum & Articles of Association of Company, regulations of Pakistan Stock Exchange Limited and other applicable laws, rules and regulations.

4. Participation in the AGM:

All members, entitled to attend and vote at the meeting, are entitled to appoint another person in writing as their proxy to attend and vote on their behalf. A proxy need not be a member of the Company. In case of corporate entities, a resolution of the board of directors / power of attorney with specimen signature of the person nominated to represent and vote on behalf of the corporate entity and attested copy of CNIC shall be submitted to the Company at meeting or along with a completed proxy form. The proxy holders are required to produce their original valid CNICs or original passports at the time of the meeting.

In order to be effective, duly completed and signed proxy forms must be received at the Company's Registered Office at least 48 hours before the time for holding the meeting.

CDC account holders will further have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan.

A. For Attending the Meeting

a. In case of individuals, the account holders or sub-account holders whose registration details are uploaded as per the Regulations shall authenticate his/her original valid CNIC or the original passport at the time of attending the meeting.

b. In case of corporate entity, the board of directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

B. For Appointing Proxies

a. In case of individuals, the account holders or sub-account holders whose registration details are uploaded as per the Regulations shall submit the proxy form as per above requirements.

b. Attested copies of valid CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

c. The proxy shall produce original valid CNIC or original passport at the time of the meeting.

d. In case of corporate entity, the board of directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

e. Proxy form will be witnessed by two persons whose names, addresses and valid CNIC numbers shall be mentioned on the form.

5. Deduction of Income Tax from Dividend under Section 150 of the Income Tax Ordinance, 2001 ("Income tax Ordinance")

The rates of deduction of withholding tax for filers and non-filers as prescribed under Section 150 of the Income Tax Ordinance 2001, are as under:

For filers of income tax returns	15.00%
For non-filer of income tax returns	30.00%

Withholding tax on Dividend in case of Joint Account Holders

Members who have joint shareholdings held by Filers and Non-Filers shall be dealt with separately and in such particular situation, each account holder is to be treated as either a Filer or a Non-Filer and tax will be deducted according to his/her shareholding.

If the share is not ascertainable then each account holder will be assumed to hold equal proportion of shares and the deduction will be made accordingly. Therefore, in order to avoid deduction of tax at a higher side, the joint account holders are requested to provide the below details of their shareholding to the Share Registrar of the Company latest by the Annual General Meeting date.

Folio/CDC A/c No.	Total No of Shares	Name of Principal Shareholder and CNIC #	Share Holding	Name of Joint Shareholders and CNIC #	Share Holding

Valid Tax Exemption Certificate for Exemption from Withholding Tax:

A valid tax exemption certificate is necessary for exemption from the deduction of withholding tax under Section 150 of the Income Tax Ordinance, 2001. Members who qualify under Clause 47B of Part IV of the Second Schedule to the Income Tax Ordinance, 2001 and wish to seek an exemption must provide a copy of their valid tax exemption certificate to the Shares Registrar prior to the date of commencement of Book closure otherwise tax will be deducted according to the applicable law.

Unclaimed Dividend

Shareholders, who by any reason, could not claim their dividend, if any, are advised to contact our Share Registrar FAMCO Associates (Private) Limited, 8-F, Near Hotel Faran, Block 6, P.E.C.H.S. Shahra-e-Faisal, Karachi to collect / enquire about their unclaimed dividend, if any.

6. **Change of Address:**

Shareholders are requested to promptly notify any change in their address quoting their Folio No(s). to the Share Registrar of the Company.

7. **Notice of Shareholders who have not provided their CNIC:**

The members who have not yet submitted copy of their valid CNIC / NTN (in case of corporate entities) are requested to submit the same to the Company's Share Registrar with members Folio No. / CDC Account No. mentioned thereon.

8. **Postal Ballot:**

a. Pursuant to the Companies (Postal Ballot) Regulations, 2018 for the purpose of election of directors and for any other agenda item, the members will be allowed to exercise their right of vote through postal ballot, that is voting by post or through any electronic mode, in accordance with the requirements and procedure contained in the aforesaid Regulations.

b. If the number of persons who offer themselves to be elected is more than the number of directors fixed under Section l59(1) of the Companies Act, 2017, then the Company shall provide its members with the option of voting by postal ballot in accordance with the provisions of the Companies (Postal Ballot) Regulations, 2018.

9. **Deposit of Physical Shares into CDC Accounts**

As per Section 72 of the Companies Act, 2017 every existing company shall be required to replace its physical shares with book-entry form in a manner as may be specified and from the date notified by the Commission, within a period not exceeding four years from the commencement of the Companies Act, 2017 i.e. May 31, 2017.

The shareholder having physical shareholding may open CDC sub-account with any of the brokers or investor's account directly with the CDC to place their physical shares into scrip-less form. This will facilitate them in many ways including safe custody and sale of shares, anytime they want as the trading of physical shares is not permitted as per existing Regulations of the Pakistan Stock Exchange Limited.

10. Payment of Cash Dividend Electronically

Under second proviso to Section 242 of the Companies Act, 2017, listed companies are required to pay declared cash dividends only through electronic mode directly into the bank accounts designated by the entitled shareholders.

Accordingly, the shareholders of the Company are requested to provide the following information for payment of cash dividend to be declared by the Company through electronic mode directly in the bank account designated by you.

Title of Bank Account	
Account Number	
IBAN Number	
Bank's Name	
Branch Name and Address	
Cell Number of Shareholder	
Landline number of Shareholder	
Email of Shareholder	

The shareholders are also required to intimate the changes, if any in the above-mentioned information to the Company and the Share Registrar as soon as these occur. In case of shares held electronically, then the above electronic credit mandate form must be submitted directly to shareholder(s)' broker/participant/CDC account services.

11. Transmission of Annual Accounts, Notices of Meetings, Auditor's Report and Directors' Report through CD, DVD or USB Pursuant to S.R.O 470(I)/2016 dated May 31, 2016, the shareholders of the Company have accorded approval in general meeting for transmission of annual reports including annual audited accounts, notices of annual general meetings and other information contained therein of the Company through CD or DVD or USB instead of transmitting the same in hard copies. The shareholders who wish to receive hard copy of the aforesaid documents may send to the Company Secretary / Share Registrar, the Standard Request Form provided in the annual report and also available on the website of the Company and the Company will supply hard copies of the aforesaid document to the shareholders on demand, free of cost, within one week of such demand. The shareholders who intend to receive the annual report including the notice of meeting through e-mail are requested to provide their written consent on the Standard Request Form provided in the annual report and also available on the Company's website: https://www.dawoodhercules.com

12. The Company has placed the audited unconsolidated and consolidated financial statements and notice of AGM along with Proxy Form both in English and Urdu language on its website https://www.dawoodhercules.com.

STATEMENT UNDER SECTION 166(3) OF THE COMPANIES ACT, 2017

ELECTION OF DIRECTORS:

Persons eligible under Section 153, meet the criteria under Section 166 of the Companies Act, 2017 and the Companies (Manner and Selection of Independent Directors) Regulation, 2018, may submit their nominations to be elected as independent directors. However, it is noteworthy to mention that independent directors shall be elected in the same manner as other directors are elected in terms of Section 159 of the Companies Act, 2017.

UPDATE UNDER CLAUSE 4(2) OF THE COMPANIES (INVESTMENT IN ASSOCIATED COMPANIES OR ASSOCIATED UNDERTAKINGS) REGULATIONS, 2017, WITH RESPECT TO THE SPECIAL RESOLUTION PASSED AT THE ANNUAL GENERAL MEETING HELD ON APRIL 27, 2020

In the Annual General Meeting held on April 27, 2019, the shareholders of the Company approved to lend / provide short term funded and unfunded financing facilities to the following associated companies up to the amounts stated below in respect of each. The facility was approved for one (1) year, along with renewal of the same for four (4) further periods of one (1) year each was also approved.

- Dawood Lawrencepur Limited - PKR 5 billion
- Tenaga Generasi Limited - PKR 1 billion
- Cyan Limited - PKR 2 billion
- Engro Corporation Limited - PKR 6 billion
- Engro Fertilizers Limited - PKR 2 billion
- Engro Polymers & Chemicals Limited - PKR 2 billion
- Engro Energy Limited - PKR 2 billion
- Engro EXIMP Agriproducts (Private) Limited - PKR 1 billion

This short-term facility has not been utilized to date since approval, however, it is being renewed as earlier approved by the shareholders.

CHAIRMAN'S REVIEW

CHAIRMAN'S AND VICE CHAIRMAN'S REVIEW 2019

Dear Shareholders,

It is our privilege to present to you the Annual Report of your Company for the year ended 31 December 2019. Your confidence and trust in the Company strengthens our resolve to invest in businesses of tomorrow.

We are happy to share that your Company is now classified as an Investment Company on the Pakistan Stock Exchange (PSX). This is a significant change in the direction of your Company. Our journey has progressed from being an Old Economy Fertiliser manufacturer and marketing entity to an Investment company focused on the Future Economy.

The Board has established your Company's Guiding Principles enshrining Entrepreneurship, Growth and Disruptive Technologies as the cornerstones of our investment philosophy. The Guiding Principles, embracing a global outlook, endeavour to contribute to Pakistan's educational and economic development. To succeed in the implementation of our Guiding Principles, we have placed Human Development at the heart of our organisation. We are convinced that your Company will have the best chance of succeeding by having the most competent people. Such people are those who are best in Character having Good Manners.

Our investment in Engro Corporation Limited continues to demonstrate good performance and we make continuous efforts to create value and deliver sustainable growth. The Board is delighted to share that your Company was recognised as one of the top 25 Companies of the PSX. For this achievement the Board congratulates the Chief Executive, his Team and all the Employees.

Furthermore, it is our privilege to appreciate the exceptional contribution of the Board in defining the Direction of your Company. We are pleased to share that your Board of Directors is doing a commendable job by giving Guidance to the Management.

The impact of the Coronavirus is being felt globally and that will result in significant negative impacts on the Global and Pakistan Economies, making the future uniquely unpredictable. In such a challenging environment, we are contributing to our Nation by working with the Government to fight the pandemic. However, we are particularly conscious of our responsibilities towards our Employees and their families.

Lastly, please accept our sincere gratitude for your continued confidence and trust in your Company.

Hussain Dawood
Chairman

Shahzada Dawood
Vice Chairman

27 April 2020

DIRECTORS' REPORT

DIRECTORS' REPORT

We are pleased to present the Annual Report and the Audited Financial Statements of Dawood Hercules Corporation (DH Corp) for the year ended 31 December 2019.

A. Principal Activity

The Principal Activity of DH Corp is to undertake and manage investments in, but not limited to, its subsidiaries and/or associated companies, at national and international levels and to do all incidental acts and things necessary for the attainment of this objective.

I. Business Overview:

Our investment portfolio out-performed the market despite a tough year for the economy as the country suffered from twin deficit concerns and inflationary pressures. To address these issues, the government turned towards tightening of monetary and fiscal policies as well as a market-based exchange rate mechanism resulting in the devaluation of the Pak Rupee.

During the year, the country officially entered an IMF program and secured approximately USD$6bn facility. The stabilisation process to curtail twin deficits led the central bank to increase its policy rate to 13.25% to manage higher inflation. The State Bank of Pakistan (SBP) also moved towards a market-based exchange rate which led currency to depreciate by approximately 11% to settle at PKR 154.8 (peaking to PKR 164.1). It also readjusted its GDP growth forecast for FY20 to 3.5% and flag a possible downward revision in case of benign agricultural growth. The Large-Scale Manufacturing Index (LSM) remained lacklustre, posting a decline of 4% in CY19. Despite difficult conditions, our better placed investments during the year largely remained unaffected.

II. Money Market Portfolio:

With rising interest rates, surplus funds were placed in government securities and short-term bank deposits so as to take advantage of any increase in policy rates resulting in an effective yield of 12.82%.

III. Listed Equities Portfolio:

We continued to build our investment portfolio in shares of blue-chip listed companies on the Pakistan Stock Exchange (PSX) as per the limits approved by the Board of Directors. The portfolio outperformed the market because of its prudent investments and timing, resulting in gains of PKR 682 million equivalent to a 19% return on investment. Other than the strategic investment in Engro Corporation Limited, our portfolio, yielded a return of 22.5% (inclusive of dividends) as compared to the 9.90% of the KSE-100 Index.

Our major investment, ENGRO also performed very well – its consolidated revenue grew by 32%, from PKR 171,568 million during 2018 to PKR 225,920 million mainly driven by the energy projects coming online during July 2019, augmented by higher turnover of Fertilizer and Petrochemical businesses.

We view our investment in ENGRO as a long-term strategic play with high growth potential. We continue to monitor the progress of the company and its subsidiaries, and some highlights are shared in the subsequent sections.

IV. Engro Corporation Limited:

Our subsidiary ENGRO posted a consolidated profit of PKR 31,125 million as compared to PKR 23,625 million for the similar period last year, an increase of 32%. This year the Earnings per Share (EPS) were PKR 30.82 per share compared to PKR 22.06 per share in 2018. ENGRO declared a total dividend of PKR 24 per share for 2019 resulting in a post-tax inflow of PKR 4,375 million for DH Corp.

V. Fertilizers:

The Engro Fertilizers business achieved a historic milestone of the highest ever urea production of 2,003 KT due to better plant efficiency and higher gas availability. Sales revenue witnessed an increase of 11% over the last year on the back of improved product availability due to enhanced production as well as higher fertilizer prices. The business recorded a PAT of PKR 16.9 billion; down by 3% from last year. The decrease is mainly attributed to the one-off deferred tax impact of higher future corporate tax rates introduced through the Finance Act, 2019.

VI. Polymer and Chemicals:

2019 proved to be an important year for the Polymer business. The business successfully initiated commercial production from its caustic flake plant, commenced export and announced Hydrogen Peroxide and other diversification and efficiency projects. Efforts on Poly-Vinyl Chloride (PVC) expansion, Vinyl Chloride Monomer (VCM) de-bottlenecking and oxygen-based VCM production projects are progressing well. The core profitability of the business remained in line with last year, despite higher gas prices and volume decline, however, the PAT decreased as compared to last year due to higher financial cost and certain one-off benefits booked in 2018.

VII. Energy and Energy Infrastructure:

Within the Energy vertical, the development of phase I of the Thar Block II 3.8 Mt per annum mine concluded on 03 June 2019. Thereafter, the Commercial Operations Date (COD) for both mining and the 2x330MW Thar power plant was declared on 10 July 2019. From COD till the end of the year, the mine supplied 2.28 million tons of coal to the power plant. Further, the mining project commenced construction of Phase II of the mine expansion and achieved Financial Close on 31 December 2019. This will enhance production of coal from the mine to 7.6 Mt per annum. During the year, the power plant achieved 87% availability with a load factor of 79%. Plant operations remained smooth since COD and dispatched approximately 2,000 GwH to the national grid.

The Qadirpur Power Plant continued to demonstrate excellence owing to the strategic operational and human resources transformation and recalibration carried out at the plant during the year. The plant displayed a billable availability factor of 99.9% during 2019. However, it dispatched a total net electrical output of 1,097 GwH to the national grid demonstrating a load factor of 58.8% compared to 81.9% last year. The decrease in load factor was primarily due to a lower merit order ranking and consequently lower dispatch given that newer plants were commissioned during the year. Circular debt remains a persistent problem in the domestic energy sector.

Elengy Terminal handled 74 cargoes during the year. It delivered 216.6 bcf re-gasified LNG into the SSGC network. The availability factor remained at 97.4% for the year. The LNG terminal currently fulfils more than 12% of the country's gas requirements. Since its commencement in March 2015, the terminal has handled over 17 million tons of LNG. Through the consistent supply of gas via LNG import, the fertilizer and CNG sectors as well as over 500 industrial units have been revived, whilst the country has saved nearly USD 3 billion to date due to the replacement of the import of more expensive furnace oil and diesel with LNG.

The terminal witnessed a volumetric increase of 6% for chemicals and LPG handled over last year, which is mainly attributable to higher chemical imports. The business completed 22 years of safe operations without lost work injury and continued to maintain health, safety and quality standards.

VIII. Foods:

The Dairy business witnessed a strong growth momentum backed by strong volumetric sales in both the dairy and ice cream segments and reported a revenue of PKR 39 billion – up by 20% over last year. However, the profitability was significantly impacted by sharp economic headwinds, particularly the steep increase in commodity prices due to PKR depreciation, higher interest rates and the one-off deferred tax charge due to higher future corporate taxes. The business has taken price increases across its portfolio in the last six months to offset these inflationary pressures. The business posted a post-tax loss of PKR 955 million for the year.

Increased focus on the rice business continued in 2019 and the business closed the year in profit for the second time in a row. Rice exports also continued to grow and witnessed a volumetric increase of 22% over 2018. An external quality audit by Bureau Veritas for quality recertification was successfully completed, maintaining ratings of 'AA'. The rice business has the highest number of quality certifications amongst rice players in Pakistan.

B. Corporate and Social Development

I. Partnership with World Economic Forum:

During the year, the World Economic Forum invited DH Corp for its exclusive membership at a 'Partner' level. This is the first time in the history of WEF that a Pakistani private sector organization has been invited to engage in thought leadership at this level, making us the first and only Pakistani 'Partner' company. Accordingly, the Board of Directors resolved to engage with the World Economic Forum at a Partner Level thereby giving us access to Strategic Intelligence tools, and Knowledge of global business issues. Through this enhanced alliance we will have access to investment and networking opportunities with potential partners at the international level for DH Corp, our subsidiaries and/or associated companies.

II. Human Development:

Talent Development

Our people are our most valuable asset and we invested substantially in developing them in 2019. Our monthly Learning Circles initiative, aimed at sharing knowledge and developing curious minds, was very successful with 11 interactive sessions held during the year on various topics. A holistic approach to employee development was delivered in a program with modules on personal drive, emotional intelligence and learning to work effectively in an ever-changing uncertain world. Technical and subject matter related training were also provided, as well as international training.

Inclusion and Diversification

We strongly believe that having a diverse workforce and an inclusive culture are critical for the success of our organization. As a result, we consciously work to ensure that all employees, irrespective of background, religion, gender, or hierarchy are respected and feel a sense of belonging. Employees across all grades are made part of engagement activities and participate in interactive idea generation sessions that help us solve problems. At DH Corp, nearly a quarter of the population comprises of women and 42% of people are from cities outside the Karachi head office. With the goal of connecting women across all our Group companies, we held our first ever Group-wide Women’s Collective on inspiring conversations with role model women.

Health and Safety

Safety and health of our employees and other stakeholders remain paramount. During the year specific initiatives were carried out like Behaviour Based office safety training for all the staff to remind individuals about their responsibilities as well as provide specifics. A leading HSE consultant was engaged to provide regular feedback on the safety aspects of our offices and related workspaces. ‘Safety Driving’ and ‘Defensive Driving’ trainings were conducted for all employees with special focus on drivers within the company. Healthy meals are prepared within the office premises for all employees. To encourage employees to exercise a sports facility within the office has been newly constructed which is equipped with the latest exercising equipment. An exercising boot camp was also arranged for employees to adopt a healthy lifestyle.

III. Social Contribution:

During the year, we contributed PKR 86.4 million as Corporate Social Responsibility (CSR) towards unique projects by The Dawood Foundation (TDF). Over the years, TDF has been involved in the establishment of institutions of formal learning and is now moving forward to undertake scalable projects that are more content and technology based in their knowledge dissemination. TDF has recently invested in The MagnifiScience Center which will be Pakistan's first world-class interactive science museum, and DH Corp is passionately participating in supporting the launch of this endeavour. Providing hands-on science, problem-solving and informal learning through educational activities is how TDF MagnifiScience Center aims to enable the next generation of creative thinkers. It will be a space especially curated for children to explore science, mathematics, technology and engineering with exhibits that are enjoyable learning opportunities for families.

A project stewarded by TDF is Karachi School of Business and Leadership (KSBL), a graduate management school which motivates the development of inspired leaders making decisions on the basis of truthfulness, trustworthiness, humility, integrity, tenacity and competence.

C. Financial Report

I. Financial Performance:

The consolidated revenue was PKR 225.92 billion as compared to PKR 171.57 billion for the similar period last year mainly driven by the energy projects coming online during July 2019 and augmented by the higher turnover of Fertilizer and Petrochemical businesses. Strong operational performance of all businesses translated into a consolidated profit-after-tax of PKR 29.79 billion as compared to PKR 33.15 billion in 2018 due to one-time gain on sale of investment in HUBCO. On an unconsolidated basis, our revenue was PKR 8,378 million against PKR 5,830 million for the similar period last year i.e. higher by PKR 2,548 million mainly on account of gains on investment in listed equities and interest income on surplus funds.

II. Earnings Per Share:

The unconsolidated earnings per share for the year 2019 were PKR 10.02 per share as compared to PKR 12.58 per share for the year 2018. Consolidated earnings per share for the year were PKR 11.75 (2018: PKR 29.60) per share.

III. Auditors:

The present auditors, A.F. Ferguson & Co., Chartered Accountants are retiring at the conclusion of the forthcoming annual general meeting and are offering themselves for reappointment. The Audit Committee has recommended the re-appointment of A.F. Ferguson & Co., Chartered Accountants as auditors of DH Corp for the year ending 31 December 2020, and the Board has endorsed this recommendation.

IV. Shares Traded, Average Prices and PSX:

During the year 24.3 million shares of DH Corp were traded on the PSX. The average price of DH Corp's share based on the daily closing rate was PKR 123.25, while the 52 weeks low-high during 2019 was PKR 96.5 – PKR 166.9 per share respectively.

V. Pattern of Shareholding:

The pattern of shareholding of DH Corp as at 31 December 2019, together with other necessary information, is available at the end of this report along with the proxy form.

VI. Market Capitalization and Book Value:

At the close of the year, the market capitalization of DH Corp was Rs. 74,219 million (2018: 53,495 million) with a market value of Rs. 154.21 per share (2018: Rs. 111.15) and the breakup value of Rs. 65.66 per share (2018: Rs. 72.65 per share).

VII. Appropriation:

The total dividend attributable to the year is PKR 13 per share (130%) paid during the year.

VIII. Entity Rating:

During 2019, PACRA reaffirmed the long-term and short-term credit rating of DH Corp in its annual review.

These credit ratings reflect the entities' financial and management strength as well as favourable credit standing and are a testament to our strong balance sheet and robust performance with consistent dividend payouts.

IX. Provident and Gratuity Funds:

The funded retirement benefits of the employees of DH Corp are audited once a year and are adequately covered by appropriate investments. The value of the investments of the provident fund as per the unaudited accounts aggregated to PKR 19.87 million (2018: PKR 63.52 million). Fair value of the assets of the funded defined benefit gratuity plan was PKR 23.18 million as at 31 December 2019 (2018: PKR 16.47 million).

X. Corporate Governance:

DH Corp remains committed to the high standards of corporate governance, conducting its business in line with the best practices of the Code of Corporate Governance and the Listing Regulations of the PSX, which specify the roles and responsibilities of the Board of Directors and DH Corp's management. For further details, please refer to the Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations 2017.

XI. Risk Management:

DH Corp's activities expose it to a variety of financial risks: market risk (including interest rate risk, currency risk and price risk), credit risk and liquidity risk. DH Corp's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance.

Hence risk management policies are established to address the risks faced by DH Corp, to set appropriate risk limits and controls, and to monitor adherence to limits. Risk management policies and systems are reviewed regularly keeping the market conditions and activities in perspective.

XII. Board of Directors:

The Board comprises of ten directors. The composition of the Board members is as follows:

Independent Directors	2
Non-Executive Directors	
• Male	6
• Female	1
Executive Director	1

XIII. Board Meetings:

Five meetings of the Board were held during the year 2019 and all of them were presided over by the Chairman. The Company Secretary and Chief Financial Officer also attended the meetings as required by the Code of Corporate Governance. Attendance by each Director was as follows:

Name of Directors	Meetings attended		
	Board Meetings	Board Audit Committee	Human Resource & Remuneration Cpmmittee
Mr. Hussain Dawood	4/5	-	-
Mr. Shahzada Dawood	4/5	-	3/4
Mr. Abdul Samad Dawood	4/5	-	-
Ms. Sabrina Dawood	5/5	-	-
Mr. Parvez Ghias	5/5	-	4/4
Mr. Shabbir Hussain Hashmi	5/5	4/4	-
Mr. Muneer Kamal	5/5	3/4	4/4
Mr. Hasan Reza ur Rahim	5/5	4/4	-
Mr. Imran Sayeed	5/5	-	3/3
Mr. Inam ur Rahman	5/5	-	-

XIV. Directors' Remuneration:

DH Corp has a formal and transparent policy for the remuneration of the directors in accordance with the Articles of Association of the Company and the Companies Act 2017.

XV. Statement of Directors Responsibility:

The Directors confirm compliance with the Corporate and Financial Reporting Framework as per the Listing Regulations of the PSX as follows:

a. The financial statements prepared by the management of DH Corp present the state of affairs fairly, the result operations, cash flows and change in equity.

b. Proper books of accounts of DH Corp have been maintained.

c. Appropriate accounting policies have been consistently applied in preparation of the financial statements. Accounting estimates are based on reasonable prudent judgment.

d. International Financial Reporting Standards, as applicable in Pakistan, have been followed in the preparation of these financial statements and any departures therefrom have been adequately disclosed.

e. The system of internal controls is sound in design and has been effectively implemented and monitored.

f. There are no significant doubts upon DH Corp's ability to continue as a going concern.

g. Key operating and financial data for the last six years in summarized form are annexed to the report.

XVI. Directors Training Program:

Out of ten Directors, nine are duly certified or exempted from the Directors' Training Program. Further during the year, the Directors' Training Program was arranged Ms. Humera Ahmad - Head of Human Resource Department.

XVII. Related Party Transactions:

In accordance with the requirements of the Code of Corporate Governance, DH Corp presented all related party transactions before the Audit Committee and the Board for their review and approval, respectively.

D. Future Outlook

We continue to assess investment opportunities for an effective deployment of our capital. In the interim, the funds will be managed through a prudent portfolio of government securities, term deposits, and blue-chip market securities.

We believe 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 to 6 months, the decrease in the current account deficit and an increase in tax collection, albeit below the set targets, Pakistan's economy, while continuing with its challenges, has cautiously started to turn around. The economy is expected to fully recover over the next 1 to 2 years with robust fundamentals and structural changes. The investment thesis for the portfolio built by DH Corp envisaged an investment horizon of 2 to 3 years. We maintain this view and accordingly will continue to hold the portfolio for another 1 to 2 years.

We are also carefully monitoring the priorities of the government and are fully committed to playing our role for the economy of our country - Pakistan. We are regularly engaged with the Government in dialogue and discussions on the role that the business sector can play in bringing prosperity to the country. We also believe that Pakistan has to increase its exports manifold to be a relevant player in the world economy and are exploring areas where DH Corp can contribute – directly and indirectly.

For future investments, the Board is highly cognisant of its role in providing direction to management and will continue to drive DH Corp towards value investments.

We also continue to explore new business opportunities through our subsidiary ENGRO. Our main focus would be to enhance long-term shareholder value whilst addressing the significant challenges faced by the economy and country.

E. Material Changes due to Subsequent Events

No material changes or commitments affecting our financial position have occurred between the end of the financial year and the date of this report.

F. Acknowledgement

The Board expresses its gratitude to all shareholders for their confidence and support. We would like to thank all stakeholders, including but not limited to financial institutions who have been associated with us, for their support and cooperation and assure them of our commitment to look after their respective interests.

We would like to thank the management and employees for their sincere contributions towards the growth and prosperity of DH Corp.

Shabbir Hussain Hashmi
Director

Inam ur Rahman
Chief Executive

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

SUKUK (PRIVATELY PLACED) REGULATIONS, 2017

pwc

A·F·FERGUSON&Co.

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Dawood Hercules Corporation Limited

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Dawood Hercules Corporation Limited (the Company) for the year ended December 31, 2019 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended December 31, 2019.

Afferguson & Co

A. F. Ferguson & Co.
Chartered Accountants
Karachi
Date: April 15, 2020

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
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Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019

Dawood Hercules Corporation Limited
For the year ended December 31, 2019

The Company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are ten (10) as per the following:
   a. Male: Nine (9)
   b. Female: One (1)

2. The composition of Board is as follows:

Category	Names
Independent Directors	Mr. Shabbir Hussain Hashmi Mr. Muhammad Imran Sayeed
Non-executive Directors	Mr. Hussain Dawood Mr. Shahzada Dawood Mr. Samad Dawood Mr. Parvez Ghias Mr. Muneer Kamal Mr. Hasan Reza Ur Rahim Ms. Sabrina Dawood
Executive Director	Mr. Inam ur Rahman

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company;

4. The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company;

6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/ shareholders as empowered by the relevant provisions of the Act and these Regulations;

7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;

8. The Board has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations;

9. Out of ten Directors, nine directors are duly certified or exempted, from the Directors' Training Program. Further during the year, Directors' Training Program was arranged for Ms. Humera Ahmad Head of Human Resource Deartment;

10. The Board has approved appointment of Company Secretary during the year. There was no fresh appointment of Chief Financial Officer and Head of Internal Audit during the year. The Board has approved the remuneration of Chief Financial Officer, Company Secretary and Head of Internal Audit and complied with relevant requirements of the Regulations;

11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board;

Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019

Dawood Hercules Corporation Limited
Year ended December 31, 2019

12. The Board has formed Committees comprising of members given below:

Name of Committees	Names of members and Chairman	
Board Audit Committee	Mr. Shabbir Hussain Hashmi	- Chairman
	Mr. Muneer Kamal	- Member
	Mr. Hasan Reza Ur Rahim	- Member
Human Resource and Remuneration Committee	Mr. Muhammad Imran Sayeed	- Chairman
	Mr. Parvez Ghias	- Member
	Mr. Shahzada Dawood	- Member
	Mr. Muneer Kamal	- Member

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

14. The frequency of meetings of the Committees are as follows:
    - Board Audit Committee: February 19, 2019; April 26, 2019; August 20, 2019; October 25, 2019
    - Human Resource and Remuneration: Committee February 14, 2019; April 12, 2019; October 4, 2019; December 2, 2019

15. The Board has set up an effective internal audit function comprising of suitably qualified and experienced staff who are conversant with the policies and procedures of the company;

16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or Director of the Company;

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard; and

18. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.

Inam ur Rahman
Chief Executive

Hussain Dawood
Chairman

Karachi
Date: February 26, 2020

INDEPENDENT ASSURANCE REPORT TO THE BOARD OF DIRECTORS ON THE STATEMENT OF COMPLIANCE WITH THE SUKUK (PRIVATELY PLACED) REGULATIONS, 2017

Scope of our work

We have performed an independent assurance engagement of Dawood Hercules Corporation Limited (the Company) to express an opinion on the annexed Statement of Compliance (the Statement) for the year ended December 31, 2019 with the requirements of the Sukuk (Privately Placed) Regulations, 2017 (the Regulations) as notified by the Securities and Exchange Commission of Pakistan.

Applicable Criteria

The criteria for the assurance engagement against which the underlying subject matter (Statement of Compliance for the year ended December 31, 2019) is assessed comprise of compliance with the features and Shariah requirements of Sukuks in accordance with the requirements of the Regulations. Therefore, the underlying subject matter may not be suitable for another purpose. Our engagement was carried out as required under regulation No. 12 of the Regulations.

Responsibility of Company's Management

The responsibility for the preparation and fair presentation of the Statement (the subject matter information) and for compliance with the features and Shariah requirements of Sukuks in accordance with the requirements of the Regulations is that of the management of the Company. The management is also responsible for the design, implementation and maintenance of appropriate internal control procedures with respect to such compliance and maintenance of relevant documentation/records. The management is also responsible to ensure that the personnel involved are conversant with the Criteria for the purpose of the Company's compliance.

Our Independence and Quality Control

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. The firm applies International Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Historical Financial Information, And Other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Responsibility of Independent Assurance Provider

Our responsibility is to express our conclusion on the Statement for the year ended December 31, 2019 based on our independent assurance engagement, performed in accordance with the International Standard on Assurance Engagements 3000 'Assurance Engagements other than Audits or Reviews of Historical Financial Information' (ISAE 3000). This standard requires that we plan and perform the engagement to obtain reasonable assurance about whether the annexed Statement reflects the status of the Company's compliance with the features and Shariah requirements of Sukuks in accordance with the requirements of the Regulations and is free from material misstatement.

The procedures selected by us for the engagement depend on our judgment, including an assessment of the risks of material non-compliances with the Criteria. In making those risk assessments, we have considered internal controls relevant to the Company's compliance with the Criteria in order to design procedures that are appropriate in the circumstances, for gathering sufficient appropriate evidence to determine that the Company was not materially non-compliant with the Criteria. Our engagement was not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Our procedures applied to the selected data primarily comprised of:

- inquiry and evaluation of the systems, procedures and practices in place with respect to the Company's compliance with the Criteria;

- verification of Sukuks related transactions on sample basis to ensure the Company's compliance with the Criteria during the year;

- review of Shariah structure and transaction documents, term sheet and Shariah approval letter issued by the Shariah Advisor of the Sukuks; and

- review of the annexed Statement based on our procedures performed and conclusion reached.

We believe that the evidences we have obtained through performing our aforementioned procedures were sufficient and appropriate to provide a basis for our opinion.

Conclusion

Based on our independent assurance engagement, in our opinion, the annexed Statement for the year ended December 31, 2019 has been prepared, in all material respects, in compliance with the features and Shariah requirements of Sukuks in accordance with the Regulations.

Restriction on use and distribution

This report is being issued in relation to the requirements as stipulated under regulation No. 12 of the Sukuk (Privately Placed) Regulations, 2017 and is not to be used or distributed for any other purpose. This report is restricted to the facts stated herein and the attachment.

Afferguson & Co

A. F. Ferguson & Co.,
Chartered Accountants
Karachi
Date: April 15, 2020
Engagement Partner: Khurshid Hasan

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STATEMENT OF COMPLIANCE WITH THE SUKUK (PRIVATELY PLACED) REGULATIONS, 2017

Dawood Hercules Corporation Limited
Year ended December 31, 2019

This statement is being presented to comply with the requirements of the Sukuk (Privately Placed) Regulations, 2017 issued by the Securities and Exchange Commission of Pakistan (SECP). This statement of Compliance (the Statement) is for the year ended December 31, 2019.

Dawood Hercules Corporation Limited (the Company) entered into arrangements for issue of Sukuk-1and Sukuk-2 amounting to Rs 5,200 million on November 16, 2017 and Rs 6,000 million on March 1, 2018 for a period of five years each (here-in-after collectively referred to as 'Sukuk'). We state that the Company is in compliance with the features and Shariah requirements of Sukuks in accordance with Sukuk (Privately Placed) Regulations, 2017.

We specifically confirm that:

- The Company has established policies and procedures for all Sukuk related transactions to comply with the features and Shariah requirements of Sukuk;

- The Company has implemented and maintained such internal control and risk management systems that are necessary to mitigate the risk of non-compliances of the features and Shariah requirements of Sukuk, whether due to fraud or error;

- The Company has a process to ensure that the management and where appropriate those charged with governance, and personnel responsible to ensure the Company's compliance with the features and Shariah requirements of Sukuk are properly trained and systems are properly updated.

The features and Shariah requirements of Sukuk in accordance with the Sukuk (Privately Placed) Regulations, 2017 comprise of the following:

a) Requirements of Shariah Structure and the following Transaction Documents as stated in the approval of the Shariah Board of Dubai Islamic Bank Pakistan Limited, with respect to issuance of Sukuk-1 and Sukuk-2:

   (i) Trust Deed
   (ii) Master Sale and Purchase Agreement
   (iii) Sale and Purchase Agreement
   (iv) Purchase Undertaking
   (v) Sale Undertaking
   (vi) Deed of Floating Charge
   (vii) Service Agency Agreement
   (viii) Letter of Confirmation of Pledge and Lien for Pledged Shares

b) Guidelines of the relevant Shariah Standards, issued by the Accounting and Auditing Organization of the Islamic Financial Institutions, as notified by the SECP;

c) Requirements of the relevant Islamic Financial Accounting Standards as notified by the SECP; and

d) Other compliances specified in the Sukuk (Privately Placed) Regulations, 2017 issued by the SECP.

Inam ur Rahman
Chief Executive

Hussain Dawood
Chairman

Date: April 15, 2020

UNCONSOLIDATED FINANCIAL STATEMENT

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INDEPENDENT AUDITOR'S REPORT

To the members of Dawood Hercules Corporation Limited

Report on the Audit of the Unconsolidated Financial Statements

Opinion

We have audited the annexed unconsolidated financial statements of Dawood Hercules Corporation Limited (the Company), which comprise the unconsolidated statement of financial position as at December 31, 2019, and the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity, the unconsolidated statement of cash flows for the year then ended, and notes to the unconsolidated financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2019 and of the profit and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the unconsolidated financial statements of the current period. These matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following is the Key audit matter:

	Key audit matters	How the matter was addressed in our audit
(i)	**Return on investments** (Refer note 17 to the unconsolidated financial statements) Return on investments comprises dividend income, interest income and capital gains generated from the Company's investments. Dividend income and interest income are the most significant components of the Company's revenue for the year which drives some of the Company's key performance indicators including earnings per share. Given the significance of the amounts in the overall context of the annexed unconsolidated financial statements and the fact that there is presumed risk of misstatement that the return on investments may not be recognised in the correct accounting period in the unconsolidated financial statements, this remained our focus area throughout the audit, hence a key audit matter.	Our audit procedures included the following: • Obtained an understanding of the process and key internal controls relating to recognition of return on investments. • Agreed, on a sample basis, the Company's entitlement for the dividend income to an independent source and the bank statements. • Recalculated, on a sample basis, the interest income, using the effective interest rate method and agreed receipts to the bank statements. • Tested cut-off relating to both the revenue streams using independent data sources and subsequent collections by the Company.

Information Other than the Unconsolidated and Consolidated Financial Statements and Auditor's Reports Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the unconsolidated and consolidated financial statements and our auditor's reports thereon.

Our opinion on the unconsolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the unconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the unconsolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Unconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of the unconsolidated financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the unconsolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the unconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the unconsolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

(a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

(b) the unconsolidated statement of financial position, the unconsolidated statement of profit or loss, the statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

(c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

(d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

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

Afferguson &Co

A. F. Ferguson & Co
Chartered Accountants

Karachi

Date: April 15, 2020

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UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2019

	Note	2019	2018
		------- (Rupees in '000) -------	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	5	**91,073**	137,107
Right-of-use assets	6	**75,560**	-
Long term investments	7	**24,698,293**	23,308,927
		24,864,926	23,446,034
CURRENT ASSETS			
Advances, deposits and prepayments	8	**56,695**	17,656
Other receivables	9	**409,575**	1,892,707
Short term investments	10	**16,589,381**	21,742,180
Cash and bank balances	11	**337,103**	235,170
		17,392,754	23,887,713
TOTAL ASSETS		**42,257,680**	47,333,747
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital	12	**10,000,000**	10,000,000
Issued, subscribed and paid up share capital	12	**4,812,871**	4,812,871
Revenue reserve		**26,790,852**	30,151,555
		31,603,723	34,964,426
NON CURRENT LIABILITIES			
Long term financings	13	**7,258,850**	9,465,891
Lease liabilities		**54,993**	-
Defined benefit liabilities	14	**5,666**	5,749
Deferred tax liability		**98,964**	-
		7,418,473	9,471,640
CURRENT LIABILITIES			
Current portion of long term financings	13	**2,240,000**	1,640,000
Current portion of lease liabilities		**36,551**	-
Trade and other payables	15	**73,375**	372,751
Unclaimed dividend		**135,980**	107,385
Accrued mark-up		**141,667**	120,627
Taxation - net		**607,911**	656,918
		3,235,484	2,897,681
		10,653,957	12,369,321
TOTAL EQUITY AND LIABILITIES		**42,257,680**	47,333,747
CONTINGENCIES AND COMMITMENTS	16		

The annexed notes 1 to 31 form an integral part of these unconsolidated financial statements.

Mohammad Shamoon Chaudry	**Inam ur Rahman**	**Shabbir Hussain Hashmi**
Chief Financial Officer	Chief Executive	Director

UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended December 31, 2019

	Note	2019	2018
		------- (Rupees in '000) -------	
Return on investments	17	**8,378,225**	5,830,576
Administrative expenses	18	**(828,402)**	(1,010,389)
Gross profit		**7,549,823**	4,820,187
Other (expense) / income - net	19	**(30,749)**	3,537,423
Operating profit		**7,519,074**	8,357,610
Finance cost	20	**(1,425,280)**	(883,003)
Profit before taxation		**6,093,794**	7,474,607
Taxation	21	**(1,272,097)**	(1,420,657)
Profit after taxation		**4,821,697**	6,053,950
		--------------Rupees-------------	
Earnings per share – basic and diluted	22	**10.02**	12.58

The annexed notes 1 to 31 form an integral part of these unconsolidated financial statements.

Mohammad Shamoon Chaudry	**Inam ur Rahman**	**Shabbir Hussain Hashmi**
Chief Financial Officer	Chief Executive	Director

UNCONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

For the year ended December 31, 2019

	2019	2018
	------- (Rupees in '000) -------	
Profit after taxation	**4,821,697**	6,053,950
Other comprehensive income for the year		
Items will not be reclassified to profit or loss		
Remeasurement of staff retirement benefit liability	**(519)**	(5,399)
Total comprehensive income for the year	**4,821,178**	6,048,551

The annexed notes 1 to 31 form an integral part of these unconsolidated financial statements.

Mohammad Shamoon Chaudry	**Inam ur Rahman**	**Shabbir Hussain Hashmi**
Chief Financial Officer	Chief Executive	Director

UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2019

	Issued, subscribed and paid up share capital	Revenue reserves: General reserve	Revenue reserves: Unappropriated profit	Revenue reserves: 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 after taxation	-	-	6,053,950	6,053,950	6,053,950
Other comprehensive income	-	-	(5,399)	(5,399)	(5,399)
	-	-	6,048,551	6,048,551	6,048,551
Transactions with owners					
Final cash dividend @ 20% for the year ended December 31, 2017 (Rs 2 per ordinary share)	-	-	(962,574)	(962,574)	(962,574)
Interim cash dividend @ 60% for the year ended December 31, 2018 (Rs 6 per ordinary share)	-	-	(2,887,723)	(2,887,723)	(2,887,723)
			(3,850,297)	(3,850,297)	(3,850,297)
Balance as at December 31, 2018	4,812,871	700,000	29,451,555	30,151,555	34,964,426
Total comprehensive income					
Profit after taxation	-	-	4,821,697	4,821,697	4,821,697
Other comprehensive income	-	-	(519)	(519)	(519)
	-	-	4,821,178	4,821,178	4,821,178
Transactions with owners					
Final cash dividend @ 40% for the year ended December 31, 2018 (Rs 4 per ordinary share)	-	-	(1,925,148)	(1,925,148)	(1,925,148)
Interim cash dividend @ 130% for the year ended December 31, 2019 (Rs 13 per ordinary share)	-	-	(6,256,733)	(6,256,733)	(6,256,733)
	-	-	(8,181,881)	(8,181,881)	(8,181,881)
Balance as at December 31, 2019	4,812,871	700,000	26,090,852	26,790,852	31,603,723

The annexed notes 1 to 31 form an integral part of these unconsolidated financial statements.

Mohammad Shamoon Chaudry
Chief Financial Officer

Inam ur Rahman
Chief Executive

Shabbir Hussain Hashmi
Director

UNCONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2019

	Note	2019	2018
		------- (Rupees in '000) -------	
CASH FLOW FROM OPERATING ACTIVITIES			
Net cash generated / (used) from operations	25	**596,115**	(1,140,135)
Finance cost paid		**(1,356,120)**	(823,578)
Taxes paid		**(1,222,140)**	(983,326)
Defined benefit liabilities paid		**(8,232)**	(8,256)
Net cash utilised in operating activities		**(1,990,377)**	(2,955,295)
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		**(21,151)**	(26,140)
Sale proceeds from disposal of property, plant and equipment		**3,275**	4,672
Sale proceeds from investment - Held for Sale		**-**	18,141,819
Interest received on bank deposits and investments		**1,929,936**	1,318,159
Long term investments made		**(1,265,359)**	-
Short term investments made		**(8,660,582)**	(195,961)
Dividend received		**5,439,805**	4,353,297
Net cash (used in) / generated from investing activities		**(2,574,076)**	23,595,846
CASH FLOW FROM FINANCING ACTIVITIES			
Long term financing obtained - net of transaction cost		**-**	5,936,033
Lease rentals paid during the year		**(36,824)**	-
Long term financings repaid		**(1,640,000)**	-
Dividends paid		**(8,153,286)**	(3,832,206)
Net cash (used in) / generated from financing activities		**(9,830,110)**	2,103,827
Net (decrease) / increase in cash and cash equivalents		**(14,394,563)**	22,744,378
Cash and cash equivalents at the beginning of the year		**21,731,666**	(1,012,712)
Cash and cash equivalents at the end of the year	26	**7,337,103**	21,731,666

The annexed notes 1 to 31 form an integral part of these unconsolidated financial statements.

Mohammad Shamoon Chaudry
Chief Financial Officer

Inam ur Rahman
Chief Executive

Shabbir Hussain Hashmi
Director

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 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 and liaison offices are in Islamabad and Lahore.

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 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these unconsolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, except for the changes due to adoption of new standards as disclosed in note 3.

2.1 Basis of preparation

These unconsolidated financial statements have been prepared under the historical cost convention unless otherwise stated.

2.2 Statement of compliance

2.2.1 These unconsolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRSs) 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 provisions of and directives issued under the Companies Act, 2017 differ from the IFRSs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2.2 Initial application of new standards; amendments and interpretations to the existing standards

a) New standards, amendments to the accounting and reporting standards and interpretations effective during the year

The following new standards became effective for the Company during the year:

- IFRS 9 - 'Financial instruments';
- IFRS 15 - 'Revenue from Contracts with Customers'; and
- IFRS 16 - 'Leases'.

The changes laid down by these standards and the related impacts have been disclosed in note 3.

The amendments to accounting and reporting standards and interpretations that became applicable during the year are considered not to be relevant or did not have any significant effect on the Company's financial reporting and operations and, therefore, have not been disclosed in these unconsolidated financial statements.

b) New standard, amendments to the accounting and reporting standards and interpretations that are not yet effective and have not been early adopted by the Company.

There is a standard and certain amendments and interpretations to the accounting and reporting standards that are not yet effective and have not been early adopted by the Company and, therefore, have not been presented in these unconsolidated financial statements.

2.3 Property, plant and equipment

These are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any except for leasehold land which is stated at cost. Historical cost includes expenditure that is directly attributable to the acquisition of items including borrowing cost.

Assets having cost exceeding the minimum threshold as determined by the management are capitalised. All other costs are charged to profit or loss in the year in which such are incurred.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

All repairs and maintenance are charged to profit or loss during the financial period in which such are incurred. Major renewals and improvements, if any, are capitalised in accordance with IAS 16 'Property, Plant and Equipment' and depreciated in a manner that best represents the consumption pattern.

Disposal of assets is recognised when significant risk and rewards incidental to ownership have been transferred to buyer. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss for the year.

Depreciation is charged to profit or loss account applying the straight line method so as to write off the historical cost of the assets over their estimated useful lives at the rates stated in note 5 to these unconsolidated financial statements. Depreciation on additions is charged from the following month in which the asset is available for use and on disposals up to the month the asset is no longer in use. The assets’ residual values and useful lives are reviewed annually, and adjusted, if material.

2.4 Impairment of non financial assets

Assets that are subject to depreciation / amortisation are reviewed at each reporting date to identify circumstances indicating occurrence of impairment loss or reversal of previous impairment losses.

An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Reversal of impairment loss is restricted to the original cost of the asset.

2.5 Investment in subsidiaries

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Further, while evaluating control, the Company also considers whether:

- it has power over the investee entity;
- it has exposure, rights, to variable returns from its involvement with the investee entity; and
- it has ability to use its power over the investee entity to affect the amount of the Company's returns.

Investment in subsidiaries are classified as long term investments and stated at cost less accumulated impairment losses, if any.

2.6 Financial instruments

2.6.1 Financial assets

Classification, initial recognition and measurement

Upto December 31, 2018, the Company classified its financial assets into four categories namely at fair value through profit or loss, loans and receivables, held to maturity and available for sale.

Effective January 1, 2019, financial assets are classified, at initial recognition and subsequently measured at amortised cost, at Fair Value through Other Comprehensive Income (FVOCI) or at Fair Value through Profit or Loss (FVPL). The management determines the classification of financial assets at initial recognition based on the Company’s business model for managing the financial assets and the contractual terms of the cash flows.

A financial asset is measured at amortised cost if both of the following conditions are met:

a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at fair value through profit or loss if it is not measured at amortised cost or at fair value through other comprehensive income.

All financial assets are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets at amortised cost are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses, if any. Interest income and impairment losses are recognised in profit or loss. Financial assets carried at FVOCI are initially and subsequently measured at fair value, with gains and losses arising from changes in fair value recognised in other comprehensive income. Financial assets carried at FVPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realised and unrealised gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVPL are included in profit or loss and in the period in which they arise.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. On derecognition of a financial asset, in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Impairment of financial assets

The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

2.6.2 Financial liabilities

The Company recognises a financial liability in its statement of financial position when, and only when, it becomes party to the contractual provisions of the instrument. At initial recognition, the Company measures a financial liability at its fair value minus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial liability. Subsequently, financial liabilities are stated at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in profit or loss.

2.6.3 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle either on a net basis, or realize the asset and settle the liability simultaneously.

2.7 Cash and cash equivalents

Cash and cash equivalents are carried at cost. Cash and cash equivalents in the statement of cash flows include cash in hand and in transit, cheques in hand, balances with banks on current, deposit and saving accounts, other short-term highly liquid investments with original maturities of three months or less.

2.8 Staff retirement and other benefits

2.8.1 Defined benefit plans

The Company operates defined benefit plans i.e. funded gratuity schemes for all its permanent employees who have completed minimum service of prescribed period.

Actuarial valuation for funded gratuity scheme is carried out using the projected unit credit method. Remeasurements (actuarial gains / losses) in respect of defined benefit plans are recognised in OCI.

2.8.2 Defined contribution plan

The Company operates a recognised provident fund for all its permanent employees who have completed prescribed qualifying period of service. Equal monthly contributions are made, both by the Company and its employees, to the fund at the rate of 15% of the basic salaries of employees.

2.8.3 Employee compensated absences

The Company provides for compensated absences for all eligible employees in accordance with the rules of the Company. The provision for compensated absences is made at actual amount as these are not material in the overall context of these unconsolidated financial statements.

2.9 Lease liabilities and right-of-use assets

Effective 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 Company.

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 Company's incremental borrowing rate.

Lease payments include fixed payments and variable lease payments that are based on an index or a rate. The extension and termination options are incorporated in determination of lease term only when the Company is reasonably certain to exercise these options.

The lease liabilities are subsequently measured at amortised cost using the effective interest rate method. These are remeasured when there is a change in future lease payments arising from a change in fixed lease payments or an index or rate or if the Company 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.

2.10 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

These are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liability.

Exchange gains and losses arising in respect of liabilities in foreign currency are added to the carrying amount of the respective liabilities.

2.11 Provisions

Provisions are recognised when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

2.12 Dividend

Dividend distribution to the Company's shareholders is recognised as a liability in the period in which dividend is approved.

2.13 Income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in OCI or directly in equity. In which case, the tax is also recognised in OCI or directly in equity.

- Current

  Provision for current taxation is based on the taxable income for the year calculated on the basis of the tax laws enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

- Deferred

  Deferred tax is recognised using the balance sheet liability method, providing for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.14 Contingent liabilities

Contingent liabilities are disclosed when:

- there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company; or

- there is a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured reliably.

2.15 Revenue recognition

Upto December 31, 2018 revenue was recognised when the risks and rewards were transferred.

Effective January 1, 2019 revenue is recognised when or as performance obligations are satisfied by transferring control of a promised goods or service to a customer at a point in time. Revenue is measured at fair value of the consideration received or receivable, excluding discounts, rebates and government levies. The details are as follows:

- Dividend income is recognised when the Company's right to receive dividend is established, i.e. on the date of book closure of the investee company declaring the dividend.

- Returns on bank deposits are accrued on a time proportion basis by reference to the outstanding principal amounts and the applicable rates of return.

- Income on Market Treasury Bills, Pakistan Investment Bonds (PIBs) and Term Deposit Receipts is accrued using the effective interest rate method.

- Gains and losses arising on disposal of investments are included in income in the year in which these are disposed of.

- Unrealised gains and losses arising on revaluation of securities classified as 'fair value through profit or loss' are included in profit or loss in the period in which these arise respectively.

2.16 Foreign currency transactions

Foreign currency transactions are recognised or accounted for in Pakistan Rupees using the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into Pakistan Rupees at the rates of exchange prevailing on the reporting date. Exchange gains / losses on foreign currency translations are included in profit or loss.

2.17 Functional and presentation currency

Items included in these unconsolidated financial statements are measured using the currency of the primary economic environment in which the Company operates. These unconsolidated financial statements are presented in Pakistan Rupees, which is the Company's functional and presentation currency.

3. CHANGES IN ACCOUNTING POLICIES

The Company has applied the following standards for the first time with effect from January 1, 2019:

IFRS 9 - 'Financial instruments'

IFRS 9 has replaced the provisions of IAS 39 "Financial Instruments: Recognition and Measurement" 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. The adoption of IFRS 9 from January 1, 2019 by the Company has resulted in change in accounting policies which are detailed in note 2.6. The Company has elected not to restate comparative information as permitted under the transitional provisions of IFRS 9. The adjustments arising from the new impairment rules are not reflected in these unconsolidated financial statements as the effects were not material.

Further, on January 1, 2019, the 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 this, financial assets previously classified as "loans and receivables" and "held-to-maturity" have now been classified as "at amortised cost". Financial liabilities continue to be classified as at amortised cost. The reclassifications of the financial instruments also did not result in any changes to measurements.

IFRS 15 - 'Revenue from contracts with customers'

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. IFRS 15 introduces a single five-step model for revenue recognition with a comprehensive framework based on the 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. 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 management has assessed that the requirements contained in IFRS 15 are generally consistent with the timing of revenue the Company recognised in accordance with the previous standard, IAS 18 and related interpretations. Hence, the management has concluded that this standard does not have a material impact on these unconsolidated financial statements.

IFRS 16 - 'Leases'

IFRS 16, "Leases" has replaced the 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 has introduced a single, on-balance sheet lease accounting model for lessees. A lessee recognises 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. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The accounting policies relating to the Company's right-of-use assets and lease liabilities have been disclosed in note 2.9.

The Company has adopted IFRS 16 from January 1, 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in IFRS 16.

On adoption of IFRS 16, the Company 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 Company's incremental borrowing rate as of January 1, 2019.

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by IFRS 16:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics,

- 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.

The change in accounting policy due to adoption of IFRS 16 has affected the following items in the statement of financial position.

	Dec 31, 2019	Jan 1, 2019
	------- (Rupees in '000) -------	
Right of use assets - increased by	**75,560**	113,207
Lease liabilities:		
- Current liabilities - increased by	**33,260**	32,809
- Non current liabilities - increased by	**52,924**	80,398
	86,184	113,207

The unconsolidated statement of profit or loss for the year ended December 31, 2019 shows the following amounts relating to leases:

	Dec 31, 2019
	---- (Rupees in '000) ----
Increase in finance cost	**15,161**
Increase/(decrease) in administrative expenses:	
- Depreciation on right-of-use	**37,647**
- Rent expense	**(36,824)**
Decrease in profit before tax	**(15,984)**

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of these unconsolidated financial statements in conformity with approved accounting and reporting standards requires the use of certain significant accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Estimates and judgements 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. In the process of applying the Company's accounting policies, the management has made the following estimates and judgements which are significant to these unconsolidated financial statements:

4.1 Provision for staff retirement and other benefits

The present value of these obligations depends on a number of factors that are determined on actuarial basis using a number of assumptions. Changes in the assumptions will impact the carrying amount of these obligations. The present values of these obligations and the underlying assumptions are disclosed in note 14 to these unconsolidated financial statements.

4.2 Current and deferred income taxes

In making the estimates for income taxes payable by the Company, management considers current income tax law and the decisions of appellate authorities on certain cases issued in the past. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax provision in the period in which such final outcome is determined. Deferred taxes are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

4.3 Consolidation of entities in which the Company holds less than half of the voting rights

The management considers that the Company has control over ECL even though it has less than 50% of the voting rights. The pattern of shareholding of ECL shows that the Company is the single largest shareholder having shareholding of 37% (approximately) with the remaining shares having a widely dispersed shareholding pattern, which enables the Company to exercise control over ECL.

4.4 Impairment of investments in subsidiary

In making an estimate of impairment, investments are considered to be impaired if there is a significant or prolonged decline in the recoverable amount and carrying value of investments.

4.5 Property, plant and equipment

Estimates with respect to residual values and useful lives are based on the assessment of the management of the Company considering the estimated usage and the industry practices. Further, the Company analyses the internal and external indicators for possible impairment of assets on an annual basis. Any change in the estimates of residual values and useful lives that might affect the carrying amounts of the respective items of property, plant and equipment (note 5) will have a corresponding effect on the depreciation charge and impairment loss incurred during the year.

4.6 Leases accounting

The implementation process to identify and process all relevant data associated with the leases is complex and the measurement of the right-of-use asset and lease liability is based on assumptions such as discount rates and the lease terms, including termination and renewal options. Lease payments to be made under reasonable certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the Company's incremental borrowing rate is used, being the rate the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

	Note	**2019**	2018
		------- (Rupees in ‘000) -------	
5. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	5.1	**91,073**	137,107

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

5.1 **The following is the statement of operating fixed assets:**

	Leasehold land	Building	Leasehold improve-ments	Furniture, fittings and equipment	Data processing equipment	Vehicles	Total
	(Rupees in '000)						
At January 1, 2018							
Cost	22,716	7,500	22,150	24,310	50,910	133,387	260,973
Accumulated depreciation	-	(7,426)	(5,639)	(13,895)	(22,173)	(54,942)	(104,075)
Net book value	22,716	74	16,511	10,415	28,737	78,445	156,898
Year ended December 31, 2018							
Additions	-	-	-	2,609	14,970	8,561	26,140
Disposals							
Cost	-	-	-	(209)	(1,797)	(21,000)	(23,006)
Accumulated depreciation	-	-	-	121	1,647	15,504	17,272
Net book value	-	-	-	(88)	(150)	(5,496)	(5,734)
Depreciation charge for the year	-	-	(2,215)	(1,875)	(12,840)	(23,267)	(40,197)
Net book value as at December 31, 2018	22,716	74	14,296	11,061	30,717	58,243	137,107
Year ended December 31, 2019							
Additions	-	-	-	7,772	10,321	3,058	21,151
Disposals (note 5.1.3)							
Cost	-	-	-	(1,077)	(4,467)	(55,963)	(61,507)
Accumulated depreciation	-	-	-	773	4,384	25,082	30,239
Net book value	-	-	-	(304)	(83)	(30,881)	(31,268)
Depreciation charge for the year	-	-	(2,215)	(2,272)	(15,740)	(15,690)	(35,917)
Net book value as at December 31, 2019	22,716	74	12,081	16,257	25,215	14,730	91,073
At December 31, 2018							
Cost	22,716	7,500	22,150	26,710	64,083	120,948	264,107
Accumulated depreciation	-	(7,426)	(7,854)	(15,649)	(33,366)	(62,705)	(127,000)
Net book value	22,716	74	14,296	11,061	30,717	58,243	137,107
At December 31, 2019							
Cost	22,716	7,500	22,150	33,405	69,937	68,043	223,751
Accumulated depreciation	-	(7,426)	(10,069)	(17,148)	(44,722)	(53,313)	(132,678)
Net book value	22,716	74	12,081	16,257	25,215	14,730	91,073
Annual rate of depreciation (%)	-	5	10	10 to 12.5	33.3 to 50	20	

5.1.1 Cost of items of property, plant and equipment that are fully depreciated as at December 31, 2019 amounts to Rs 38.015 million (2018: Rs 37.514 million).

5.1.2 The Company's leasehold land is situated at 68, Margalla Road, F-6/2, Islamabad having a total area of 2,000 square yards.

5.1.3 Details of operating fixed assets disposed of during the year are as follows:

Particulars	Mode of disposal	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / (loss)	Particulars of purchasers
		(Rupees in '000)					
Items having net book value of greater than Rs 500,000 each							
Vehicle	Negotiation	2,077	1,350	727	1,805	1,078	Mr. Nimble Bull
- do -	As per the Company policy	51,655	21,523	30,132	-	(30,132)	Mr. Abdul Samad Dawood (Key Management Personnel)
Items having net book value of less than Rs 500,000 each							
Various Items		7,775	7,366	409	1,470	1,061	various
2019		61,507	30,239	31,268	3,275	(27,993)	
2018		23,006	17,272	5,734	4,672	(1,062)	

6. RIGHT-OF-USE ASSETS

	(Rupees in '000)
Initial application of IFRS 16 as at January 1, 2019	113,207
Depreciation for the year	(37,647)
Balance as at December 31, 2019	75,560

	Note	2019	2018
		(Rupees in '000)	
7. LONG TERM INVESTMENTS			
Investment in a subsidiary - at cost	7.1	**23,308,927**	23,308,927
Government securities - Pakistan Investment Bonds - at amortised cost	7.2	**1,389,366**	-
Other investment - at fair value through profit or loss	7.3	**-**	-
		24,698,293	23,308,927

7.1 Investment in a subsidiary - at cost

	2019	2018
Engro Corporation Limited (ECL) - quoted		
214,469,810 (2018: 194,972,555) ordinary shares of Rs 10 each. Percentage of holding 37.22% (2018: 37.22%)	**23,308,927**	23,308,927

7.1.1 The market value of investment in ECL as at December 31, 2019 was Rs 74,045,702 (2018: Rs 56,752,611).

7.1.2 During the year, ECL has announced bonus shares in the proportion of 10 shares for every 100 shares held i.e. 10%.

7.1.3 The details of shares of ECL pledged as security are as follows:

	As at December 31, 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 DH Fertilizer Limited						
Meezan Bank Limited - as agent (note 16.1.1)	10,491,800	104,918	3,622,294	10,491,800	104,918	3,053,943
Pledged in favour of JS Bank Limited against the issuance of Sukuks						
JS Bank Limited (notes 13.1 and 13.2)	74,539,316	745,393	25,734,699	81,375,698	813,757	23,686,838

	Note	2019	2018
		------- (Rupees in ‘000) -------	
7.2 At amortised cost			
Government securities - Pakistan Investment Bonds	7.2.1	**1,389,366**	-

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

	2019	2018
	------- (Rupees in ‘000) -------	
7.3 Other investment - at 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)
	-	-

7.3.1 The Company had made aggregate investment amounting to Rs 238,000 during the years 2013 and 2014 in e2e Business Enterprises (Private) Limited (e2eBE) representing an equity interest of 39%. e2eBE was set up for the production, sale and marketing of Rice Bran Oil (RBO) and was planned to start commercial operations in year 2014.

However, due to certain issues it has not been able to start the commercial operations of the project till date. Further, due to financial and liquidity issues, it has not been able to service its outstanding loans and working capital requirements.

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

	Note	**2019**	2018
		------- (Rupees in '000) -------	
8. ADVANCES, DEPOSITS AND PREPAYMENTS			
Considered good - unsecured			
Advances			
- to employees	8.1	**146**	162
- associated undertakings		**3,764**	4,147
- to suppliers		**3,592**	760
		7,502	5,069
Deposits		**2,024**	5,500
Prepayments		**47,169**	7,087
		56,695	17,656

8.1 These include Rs 0.747 million (2018: Rs 0.998 million) and Rs 3.017 million (2018: Rs 3.017 million) due from Inbox Business Technologies (Private) Limited and The Dawood Foundation. The maximum amount due at the end of any month during the year was Rs 3.764 million (2018: Rs 3.017 million).

	Note	**2019**	2018
		------- (Rupees in '000) -------	
9. OTHER RECEIVABLES			
Receivable from related parties	9.1, 9.2 & 9.3	**76,391**	75,803
Interest accrued on investment		**332,881**	131,519
Amount receivable on termination of Shares Subscription Agreement		**-**	1,653,750
Others		**37,094**	68,426
		446,366	1,929,498
Provision for doubtful receivables		**(36,791)**	(36,791)
		409,575	1,892,707

		Note	2019	2018
			------- (Rupees in '000) -------	
9.1	The details of amount due from related parties are as follows:			
	Dawood Corporation (Private) Limited		**3,323**	3,350
	Dawood Lawrencepur Limited		**601**	224
	The Dawood Foundation		**1,495**	1,451
	Inbox Business Technologies (Private) Limited		**2,874**	623
	Sach International (Private) Limited		**3,563**	1,082
	Tenaga Generasi Limited		**935**	649
	Reon Energy Limited		**1,706**	975
	Engro Corporation Limited		**55,004**	65,552
	Patek (Private) Limited		**4,018**	1,897
	Reon Alpha Limited		**16**	-
	Others	9.4	**2,856**	-
			76,391	75,803

		2019	2018
9.2	The ageing analysis is as follows:		
	upto 30 days	**62,477**	72,576
	31 to 180 days	**11,058**	3,227
		73,535	75,803

9.3 The maximum aggregate amount of 'other receivables' due from related parties at the end of any month during the year was Rs 73.535 million (2018: Rs 75.803 million). Receivables upto 30 days is not considered past due and none of these are impaired.

9.4 These are due from Mr. Abdul Samad Dawood, Mr. Hussain Dawood and Mr. Inam-Ur-Rehman (i.e members of key management personnel of the Company).

		Note	2019	2018
			------- (Rupees in '000) -------	
10.	**SHORT TERM INVESTMENTS**			
	At amortised cost			
	- Term Deposit Receipts (TDRs)	10.1 & 10.2	**10,457,700**	6,018,000
			10,457,700	6,018,000
	At fair value through profit or loss			
	- Market Treasury bills (T-Bills)	10.3	**1,831,299**	15,517,319
	- Quoted shares	10.4	**4,300,382**	206,861
			16,589,381	21,742,180

10.1 These carry profit at rates ranging from 8.75% to 14.25% per annum (2018: 6.5% to 11% per annum).

10.2 As of December 31, 2019, the Company held TDR with a commercial bank carrying profit at the rate of 8.75 % per annum. The TDR is due to mature on May 8, 2020. The Bank has marked lien over this TDR against Corporate Credit Card facilities.

10.3 These carry profit at rate 13.90% per annum (2018: 10.29%) and have maturity on September 10, 2020.

10.4 Particulars regarding quoted shares are as follows:

	As at January 1, 2019	Purchased during the year	Bonus shares received during the Year	Sold during the year	As at December 31, 2019	Cost as at December 31, 2019	Fair value as at December 31, 2019	Unrealised gain as at December 31, 2019
	Number of shares					(Rupees in '000)		
Meezan Bank Limited	2,239,000	2,075,000	248,900	-	4,562,900	389,379	434,069	44,690
Habib Bank Limited	-	2,858,300	-	-	2,858,300	350,070	449,953	99,883
Standard Chartered Bank Pakistan Limited	-	5,000,000	-	-	5,000,000	111,295	118,000	6,705
United Bank Limited	-	2,383,300	-	-	2,383,300	349,178	392,053	42,875
The Hub Power Company Limited	-	6,415,000	-	1,411,000	5,004,000	373,305	467,123	93,818
Interloop Limited	-	2,447,750	-	-	2,447,750	101,982	142,092	40,110
Lucky Cement Limited	-	1,367,200	-	42,700	1,324,500	493,923	567,416	73,493
Matco Foods Limited	-	2,865,500	-	-	2,865,500	73,162	73,615	453
Oil & Gas Development Company Limited	-	4,264,800	-	-	4,264,800	549,969	606,966	56,997
Pakistan Petroleum Limited	-	2,955,500	395,840	-	3,351,340	399,313	459,603	60,290
Pakistan State Oil Company Limited	-	2,826,900	499,140	250,000	3,076,040	449,043	589,492	140,449
						3,640,619	4,300,382	659,763

11. CASH AND BANK BALANCES

	Note	2019	2018
		(Rupees in '000)	
Cash in hand		**593**	502
With banks in:			
- Current accounts		**332,618**	226,976
- Savings accounts	11.1	**3,892**	7,692
		336,510	234,668
		337,103	235,170

11.1 These carry markup at the rates ranging from 8.03% to 11.50% (2018: 5% to 8%) per annum.

12. SHARE CAPITAL

12.1 Authorised share capital

2019	2018		2019	2018
Number of shares			(Rupees in '000)	
1,000,000,000	1,000,000,000	Oridanay shars of Rs 10 each	10,000,000	10,000,000

12.2 Issued, subscribed and paid up share capital

2019	2018		2019	2018
------ Number of shares ------			------- (Rupees in '000) -------	
13,900,000	13,900,000	Oridanay shars of Rs 10 each fully paid in cash	139,000	139,000
467,387,116	467,387,116	Oridanay shars of Rs 10 each issued as fully paid bonus shares	4,673,871	4,673,871
481,287,116	481,287,116		4,812,871	4,812,871

12.3 Shares held by related parties

	2019	2018
	------- Number of shares -------	
Dawood Lawrencepur Limited Percentage of holding 16.19% (2018: 16.19%)	**77,931,896**	77,931,896
The Dawood Foundation Percentage of holding 3.95% (2018: 3.95%)	**18,991,988**	18,991,988
Cyan Limited Percentage of holding 0.17% (2018: 0.17%)	**794,380**	794,380
Sach International (Private) Limited Percentage of holding 0.001% (2018: 0.001%)	**6,996**	6,996
Directors, Chief Executive Officer and their spouse and minor children Percentage of holding 13.07% (2018: 12.85%)	**68,620,056**	61,860,244

13. LONG TERM

	Note	2019	2018
		--------- (Rupees in '000) --------	
Islamic mode			
Sukuk certificates - I	13.1	**4,131,021**	5,154,777
Sukuk certificates - II	13.2	**5,367,829**	5,951,114
		9,498,850	11,105,891
Less: Current portion			
Sukuk certificates - I		**(1,040,000)**	(1,040,000)
Sukuk certificates - II		**(1,200,000)**	(600,000)
		(2,240,000)	(1,640,000)
		7,258,850	9,465,891

13.1 These represent the amortised cost of the rated, over-the-counter listed and secured Islamic Certificates (Sukuk - I), amounting to Rs 5,200 million issued by the Company to Qualified Institutional Buyers (QIBs) through private placement by JS Bank Limited as an agent and advisor. The Sukuk - I are secured against the Company's investment in ECL shares with 50% margin as disclosed in note 7.1.3 and charge over all the assets of the Company with a 25% margin. The Sukuk - I carry mark-up at the rate of three months KIBOR plus 100 basis points per annum. The Sukuk - I are for a period of 5 years and are payable semiannually with the first principal repayment was made in May 2019.

13.2 These represent the amortised cost of the rated, over-the-counter listed and secured Islamic Certificates (Sukuk - II), amounting to Rs 6,000 million issued by the Company on March 1, 2018, to Qualified Institutional Buyers (QIBs) through private placement by JS Bank Limited as an agent and advisor. The Sukuk - II are secured against the Company's investment in ECL shares with 50% margin as disclosed in note 7.1.3 and charge over all the assets of the Company with a 25% margin. The Sukuk - II carry mark-up at the rate of three months KIBOR plus 100 basis points per annum. The Sukuk - II are for a period of 5 years and are payable semiannually with the first principal repayment was made in September 2019.

	Note	**2019**	2018
		------- Rupees in '000 -------	
Opening balance		**11,105,891**	5,139,511
Issuance of Sukuk II - net of transaction cost		**-**	5,936,033
Amortisation during the year		**32,959**	30,347
Amount repaid		**(1,640,000)**	-
		9,498,850	11,105,891

14. DEFINED BENEFIT LIABILITIES

	Note	**2019**	2018
Defined benefit plan - Funded gratuity	14.1 to 14.16	**5,666**	5,749

14.1 As stated in note 2.8.1, the Company operates a defined benefit plan i.e. an approved funded gratuity scheme for all of its permanent employees subject to attainment of minimum service of prescribed period. The latest actuarial valuation was carried out as at December 31, 2019.

14.2 The Company faces the following risks on account of the defined benefit plan:

Final salary risk - The risk that the final salary at the time of cessation of service is greater than what the Company has assumed. Since the benefit is calculated on the final salary, the benefit amount would also increase proportionately.

Asset volatility - Investments are subject to adverse fluctuations as a result of change in the market price.

Discount rate fluctuation - The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plan assets.

Investment risks - The risk of the investment underperforming and not being sufficient to meet the liabilities. This risk is mitigated by closely monitoring the performance of investment.

Risk of insufficiency of assets - This is managed by making regular contribution to the Fund as advised by the actuary.

14.3 The projected unit credit method using the following significant assumptions was used for this valuation:

	2019	2018
	----- Per annum ------	
- Discount rate used for year end obligation	**11.25%**	13.25%
- Expected rate of increase in salary levels	**10.25%**	12.25%

14.4 Mortality rate

The rates assumed were based on the SLIC 2001-2005 with 1 year setback mortality table.

14.5 The net liability carried in the statement of financial position comprise of the following:

	Note	**2019**	2018
		------- (Rupees in '000) -------	
Present value of defined benefit obligation	14.6	**28,254**	22,216
Fair value of plan assets	14.7	**(22,588)**	(16,467)
Net liability as at December 31		**5,666**	5,749

14.6 Movement in present value of defined benefit obligation

Obligation as at January 1	**22,216**	15,486
Current service cost	**7,452**	5,227
Interest cost	**2,623**	1,169
Benefits due but not paid	**(597)**	(911)
Benefits paid	**(4,265)**	(1,730)
Remeasurment loss on obligation	**825**	2,975
Obligation as at December 31	**28,254**	22,216

14.7 Movement in fair value of plan assets

Fair value as at January 1	**16,467**	14,478
Interest income	**2,445**	1,358
Contributions made	**8,232**	5,696
Benefits paid	**(4,265)**	(1,730)
Benefits due but not paid	**(597)**	(911)
Remeasurement gain / (loss) on plan assets	**306**	(2,424)
Fair value as at December 31	**22,588**	16,467

14.8 Movement in net liability

Opening balance of net liability		**5,749**	1,008
Charge for the year	14.9	**7,630**	5,038
Contributions made by the Company		**(8,232)**	(5,696)
Net remeasurement loss for the year	14.10	**519**	5,399
Closing balance of net liability		**5,666**	5,749

		2019	2018
		------- (Rupees in '000) -------	
14.9	Amounts recognised in the profit or loss		
	Current service cost	**7,452**	5,227
	Net interest income / (expense)	**178**	(189)
		7,630	5,038
14.10	Remeasurement recognised in other comprehensive income		
	Remeasurement loss on defined benefit liability due to experience adjustments	**929**	2,763
	Actuarial (gain) / loss from changes in financial assumptions	**(104)**	212
	Remeasurement (gain) / loss on plan assets	**(306)**	2,424
	Net remeasurement loss	**519**	5,399
14.11	Actual return on plan assets		
	Expected return on plan assets	**2,445**	1,358
	Remeasurement gain / (loss) on plan assets	**306**	(2,424)
	Actual gain / (loss) on plan assets	**2,751**	(1,066)

		2019	2018	2019	2018
		(Rupees in Percentage '000)		(Rupees in Percentage '000)	
14.12	Major categories / composition of plan assets				
	Cash and cash equivalents	**5,225**	23%	**3,809**	23%
	Mutual fund units	**17,363**	77%	**12,658**	77%
		22,588	100%	**16,467**	100%

14.13 Expected contribution to the funded gratuity for the year ending December 31, 2020 is Rs 7.831 million (2019: Rs 7.836 million).

14.14 The weighted average duration of the defined benefit obligation is 9 years.

14.15 The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is set forth below:

	Change in assumptions	Present value of defined benefit obligation based on: Increase	Decrease
		------------- (Rupees in '000) -------------	
Discount rate	1%	(26,046)	30,754
Salary growth rate	1%	30,787	(25,978)

14.16 The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised within the statement of financial position.

	Note	**2019**	2018
		------- (Rupees in ‘000) -------	
15. TRADE AND OTHER PAYABLES			
Creditors		**12,366**	13,915
Accrued expenses	15.1	**55,669**	357,943
Others		**5,340**	893
		73,375	372,751

15.1 These include the following amounts accrued in respect of related parties:

	2019	2018
	------- (Rupees in ‘000) -------	
The Dawood Foundation	**152**	90
Key management personnel	**-**	76,436
	152	76,526

16. CONTINGENCIES AND COMMITMENTS

16.1 Contingencies

16.1.1 The Company had pledged 15.131 million shares of ECL with Meezan Bank Limited (as agent) in favour of Fatima Fertilizer Company Limited (FFCL) as disclosed in note 7.1.3 to these unconsolidated financial statements as collateral against guarantee given in favour of DH Fertilizer Limited (DHFL) - ex subsidiary (now FFCL) against potential tax liabilities, WPPF liabilities and WWF liabilities in respect of periods ending on or prior to June 30, 2015. These pledged shares are to be released upon completion of two years from the filing date of Income Tax Return for the year ended December 31, 2015, i.e. September 30, 2016, in case no demand / notice is received from respective authorities.

During the year ended December 31, 2018 out of 15.131 million shares of ECL, 4.639 million shares were released upon expiration of the period stated in the agreement relating to the WPPF liabilities.

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

16.1.2 During the year ended December 31, 2017, the Company's ex-subsidiary was served with an order from the Additional Commissioner of Inland Revenue (CIR) – Federal Board of Revenue under Section 122(5A) of the Income Tax Ordinance, 2001 to amend the original assessment for the Tax Year 2016 being prejudicial to the revenue of the Federal Government and raised additional demand of Rs 3,380.650 million.

The issues mainly related to the levy of tax on sale of 'Bubber Sher' brand to wholly owned subsidiary, Bubber Sher (Private) Limited, non-taxation of capital gain on sale of shares of ECL and HUBCO to the Company and levy of super tax on the income claimed to be exempt from tax. The ex-subsidiary being aggrieved with the order filed an appeal with the Commissioner Inland Revenue Appeals (CIRA) and CIRA in its order dated August 7, 2017 decided the matter in favour of the ex-subsidiary. The Deputy CIR served the ex-subsidiary with an appeal effect order on January 11, 2018, under which the tax liability (primarily on account of Alternate Corporate Tax) was worked out to be Rs 1,051.140 million.

The CIR filed an appeal with the Appellate Tribunal Inland Revenue (ATIR) against the order passed by CIRA, which is currently pending. The ex-subsidiary, on the basis of advice of its tax consultant, filed an appeal with CIRA on February 12, 2018, considering the demand to be still prejudicial to its interests. CIRA in its order dated April 26, 2018 decided the matter against the ex-subsidiary. The ex-subsidiary has filed an appeal with the ATIR on May 9, 2018, against the order passed by CIRA and for grant of stay in respect thereof. The appeal against the order of CIRA is still pending. Meanwhile, the ex-subsidiary has also obtained stay from the Lahore High Court against the recovery of demand. The tax advisor of the ex-subsidiary is of the view that the appeal effect order passed on January 11, 2018 and the subsequent order of CIRA dated April 26, 2018, are either based on a misinterpretation of the provisions of law or are in violation of the directions given by CIRA in its order dated August 7, 2017. Based on these views, the management of the Company is confident that the matter will eventually be decided in favour of the ex-subsidiary. Hence, no provision has been recorded in this respect in these unconsolidated financial statements.

16.1.3 During the year ended December 31, 2017, the Company received a show cause notice dated May 11, 2017 from the Additional CIR – Federal Board of Revenue under Section 122(9) of the Income Tax Ordinance, 2001 in respect of Tax Year 2016. In the notice, the Additional CIR expressed intention to reject exemption of intercorporate dividend amounting to Rs 18,008.795 million, to make an addition to capital gain amounting to Rs 615.101 million and also to impose a super tax liability amounting to Rs 666.963 million. The Company being aggrieved, filed a Constitutional Petition before the High Court of Sindh against the proposal to reject the exemption claimed on intercorporate dividend. Further, a Constitutional Petition was filed with the High Court of Sindh against the levy of super tax. The High Court of Sindh issued stay orders. in respect of the aforementioned matters with the instruction to the taxation authorities to not finalise the proceedings until the cases were disposed of.

16.1.4 During the year, FFCL was served with a income tax demand amounting to Rs 10.470 million in relation to the tax year 2013. The demand mainly pertain to the tax impact of certain expenses disallowed by the CIR. The ex-subsidiary being aggrieved filed an appeal before CIRA, the decision of which is pending to date. The management is confident of a favourable decision. However, on a prudent basis an accrual amounting to Rs 5 million has been recorded in these unconsolidated financial statements.

	Note	**2019**	2018
		------- (Rupees in ‘000) -------	
16.2 Commitments			
Commitment in respect of operating lease not later than one year	16.2.1	**-**	9,399

16.2.1 Due to adoption of IFRS 16 (as stated in note 3), the operating lease are now part of IFRS 16 as 'Right of Use' asset. The related impacts have been recognised in these unconsolidated financial statements.

		Note	2019	2018
			------- (Rupees in '000) -------	
17.	**RETURN ON INVESTMENTS**			
	Dividend income	17.1	**5,439,805**	4,353,297
	Interest income	17.2	**2,255,305**	1,463,379
	Others	17.3	**683,115**	13,900
			8,378,225	5,830,576
17.1	**Dividend income**			
	Subsidiary - Engro Corporation Limited		**5,322,751**	4,094,424
	Held for sale investment - The Hub Power Company Limited		**-**	258,873
	Other investments on quoted shares	17.1.1	**117,054**	-
			5,439,805	4,353,297
17.1.1	**Other investments on quoted shares**			
	Meezan Bank Limited		**16,093**	-
	Habib Bank Limited		**10,686**	-
	Standard Chartered Bank Pakistan Limited		**6,250**	-
	United Bank Limited		**20,068**	-
	Interloop Limited		**6,186**	-
	Lucky Cement Limited		**8,289**	-
	Matco Foods Limited		**1,713**	-
	Oil & Gas Development Company Limited		**27,786**	-
	Pakistan Petroleum Limited		**3,958**	-
	Pakistan State Oil Company Limited		**16,025**	-
			117,054	-
17.2	**Interest income**			
	Income on T-Bills		**1,299,789**	1,263,721
	Return on Term Deposit Receipts		**795,037**	39,968
	Income on PIBs		**124,007**	-
	Profit on saving accounts		**36,472**	130,362
	Income received from Mega Conglomerate (Private) Limited upon settlement of purchase consideration relating to sale of shareholding in HUBCO shares		**-**	29,328
			2,255,305	1,463,379
17.3	**Others**			
	Gain on sale of quoted shares		**23,352**	-
	Unrealised profit on quoted shares	10.4	**659,763**	13,900
			683,115	13,900

		Note	2019	2018
			------- (Rupees in '000) -------	
18.	**ADMINISTRATIVE EXPENSES**			
	Salaries, wages and other benefits	18.1	**345,269**	565,424
	Directors' fee		**11,750**	16,250
	Rent, rates and taxes		**7,731**	39,902
	Insurance		**5,086**	4,921
	Repairs and maintenance		**32,061**	38,969
	Communication, stationery and office supplies		**13,636**	19,039
	Subscription and periodicals		**67,386**	21,369
	Travelling and conveyance		**82,651**	74,411
	Depreciation on property, plant and equipment	5.1	**35,917**	40,197
	Depreciation on right-of-use asset - note	6	**37,647**	-
	Legal and professional charges		**80,190**	134,516
	Other expenses	18.2	**109,078**	55,391
			828,402	1,010,389

18.1 Salaries, wages and other benefits include Rs 7.630 million (2018: Rs 5.038 million) charge for the year in respect of staff gratuity fund and Rs 12.332 million (2018: Rs 8.760 million) in respect of staff provident fund.

18.2 These include donation made during the year to The Dawood Foundation (an associated undertaking) amounting to Rs 85 million (2018: Rs 30.706 million) in which the Company's directors Mr. Hussain Dawood, Mr. Shahzada Dawood, Mr. Abdul Samad Dawood and Ms. Sabrina Dawood are trustees.

		Note	2019	2018
			------- (Rupees in '000) -------	
19.	**OTHER (EXPENSE) / INCOME - NET**			
	Loss on disposal of operating fixed assets		**(27,993)**	(1,062)
	Gain on disposal of held for sale investment - (net of transaction costs of Rs 430.250)		**-**	3,542,471
	Auditor's remuneration	19.1	**(3,730)**	(4,638)
	Others		**974**	652
			(30,749)	3,537,423

		2019	2018
19.1	Auditor's remuneration		
	As statutory auditors		
	Audit fee	**783**	405
	Half year review	**200**	179
	Others	**919**	627
		1,902	1,211
	Others		
	Tax and other services	**1,496**	3,181
		3,398	4,392
	Out of pocket expenses	**332**	246
		3,730	4,638

19.1.1 In addition to tax services, others mainly include non-audit assurance services in relation to the Company's sukuk certificates.

	Note	**2019**	2018
		------- (Rupees in '000) -------	
20. FINANCE COST			
Mark-up on:			
- Long term financings	20.1	**1,409,096**	870,326
- Short term running finance		**-**	11,690
- Interest on lease liabilities recognised under IFRS 16		**15,161**	-
Bank charges		**1,023**	987
		1,425,280	883,003

20.1 This includes amortisation relating to Sukuk certificates amounting to Rs 32.959 million (2018: Rs 30.347 million).

	2019	2018
21. TAXATION		
Current		
- for the year	**1,286,661**	1,247,142
- for prior years	**(113,528)**	173,515
	1,173,133	1,420,657
Deferred		
Tax charge for the year	**98,964**	-
	1,272,097	1,420,657

21.1 Relationship between tax expense and accounting profit

	2019	2018
Profit before taxation	**6,093,794**	7,474,607
Tax calculated at the rate of 29% (2018: 29%)	**1,767,200**	2,167,636
Effect of applicability of lower tax rate (Final Tax Regime)	**(381,575)**	(1,115,460)
Effect of prior year charges	**(113,528)**	173,515
Super tax	**-**	195,788
Others	**-**	(822)
	1,272,097	1,420,657

	2019	2018
22. EARNINGS PER SHARE		
Profit after taxation	**4,821,697**	6,053,950
	------- (Number of shares)-------	
Weighted average number of ordinary shares outstanding during the year	**481,287,116**	481,287,116
	------- (Rupees in '000) -------	
Earnings per share – basic and diluted	**10.02**	12.58

22.1 There were no convertible dilutive potential ordinary shares outstanding as at December 31, 2019 and 2018.

23. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

The aggregate amount of remuneration, including all benefits to chief executive, directors and executives of the Company are given below:

	2019			2018		
	Chief Executive Officer	**Non Executive Directors**	**Exectives**	Chief Executive Officer	Directors	Executives
	(Rupees in '000)					
Managerial remuneration	**15,262**	**-**	**63,263**	15,216	65,007	43,537
Remuneration to non-executive directors	**-**	**200,757**	**-**	-	119,003	-
Retirement benefits including ex-gratia	**3,533**	**-**	**12,539**	3,549	-	10,157
Rent and utilities	**8,285**	**32,591**	**27,587**	8,513	43,600	23,945
Compensated absences	**1,126**	**-**	**1,511**	1,251	417	2,902
Medical	**2,368**	**2,689**	**6,738**	1,268	6,383	2,728
Other benefits	**635**	**4,283**	**4,996**	338	8,042	1,179
	31,209	**240,320**	**116,634**	30,135	242,452	84,448
Number of persons including those who worked part of the year	**1**	**3**	**19**	1	4	21

23.1 In addition, the Chief Executive Officer (CEO), certain directors and executives are provided with Company owned and maintained cars.

23.2 Meeting fees aggregating Rs 11,750 (2018: Rs 16,250) were paid to 6 directors (2018: 7 directors).

23.3 The Company considers its Chief Executive and the Directors as its key management personnel.

23.4 In addition, the Company has made payment to CEO, director and executives amounting to Rs 11.847 million, Rs 223.443 million and Rs 4.098 million in respect of special bonus, accrual of which was recorded in the financial statements for the year ended December 31, 2018.

24 RELATED PARTY TRANSACTIONS AND BALANCES

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

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

24.2 Following are the details of associated companies, related parties and associated undertakings with whom the Company had entered into transactions or had agreements and arrangements in place during the year:

Name of relate party	**Basic of relationship**	**Percentage of shareholding in the company**	**Common directorship**
Engro Corporation Limited	Subsidiary	N/A	Common directorship
Dawood Lawrencepur Limited	Associated company	16.19%	Common directorship
Cyan Limited	Associated company	0.16%	Common directorship
Inbox Business Technologies Limited	Associated company	N/A	Common directorship
The Dawood Foundation	Associated company	3.94%	Common directorship
Dawood Corporation (Private) Limited	Associated company	N/A	Common directorship
Sach International (Private) Limited	Associated company	0.00%	Common directorship
Tenaga Generasi Limited	Associated company	N/A	Common directorship
Reon Energy Limited	Associated company	N/A	Common directorship
Patek (Private) Limited	Associated company	N/A	Common directorship
Karachi School of Business & Leadership	Associated undertaking	N/A	Common directorship
Shell Pakistan Limited	Associated company	N/A	Common directorship
Indus Motor Company Limited	Associated company	N/A	Common directorship
Reon Alpha Limited	Associated company	N/A	Common directorship
Mr. Shabbir Hussain Hashmi	Key management personnel	N/A	N/A
Mr. Muhammad Imran Sayeed	Key management personnel	N/A	N/A
Mr. Hussain Dawood	Key management personnel	N/A	N/A
Mr. Shahzada Dawood	Key management personnel	N/A	N/A
Ms. Sabrina Dawood	Key management personnel	N/A	N/A
Mr. Parvez Ghias	Key management personnel	N/A	N/A
Mr. Muneer Kamal	Key management personnel	N/A	N/A
Mr. Hasan Reza Ur Rahim	Key management personnel	N/A	N/A
Mr. Samad Dawood	Key management personnel	N/A	N/A
Mr. Inam ur Rehman	Key management personnel	N/A	N/A
Staff Provident Fund	Employees Retirement Fund	N/A	N/A
Staff Gratuity Fund	Employees Retirement Fund	N/A	N/A

	2019	2018
	------- (Rupees in '000) -------	

24.3 Transactions with related parties are as follows:

	2019	2018
Subsidiary		
Reimbursement of expenses made to the Company	**2,451**	798
Reimbursement of expenses made by the Company	**9,616**	73,257
Dividend income	**5,322,751**	4,094,424
Cost sharing of services	**110,874**	4,550
Associated companies		
Sale of services	**14,474**	10,585
Purchases of services	**33,836**	29,006
Reimbursement of expenses made to the associates	**5,040**	33,494
Reimbursement of expenses made by the Company	**52,335**	28,614
Dividend income (investment for sale)	**-**	258,873
Dividend paid	**1,661,329**	781,802
Advances and deposits	**-**	3,530
Donation	**85,000**	30,706
Other related parties		
Contribution to staff retirement gratuity fund	**5,465**	4,936
Membership fee and other subscriptions	**2,360**	851
Advances and deposits	**-**	500
Purchase of services	**2,626**	9,377
Contribution to staff provident fund	**12,332**	8,761
Other payments	**643**	-
Key management personnel		
Loss on sale of an item of operating fixed asset	**30,132**	-
Salaries, employee benefits and Director's fee	**404,495**	305,829
Post retirement benefits plans	**6,083**	5,957
Dividend paid	**1,155,075**	537,514
Payment of special bonus	**note - 23.4**	

24.4 The amounts payable to and receivable from the related parties have been disclosed in notes 8, 9 and 15 to these unconsolidated financial statements.

	Note	2019	2018
		------- (Rupees in '000) -------	
25. CASH UTILISED IN OPERATIONS			
Profit before taxation		**6,093,794**	7,474,607
Adjustment for non cash and other items:			
Depreciation		**73,564**	40,197
Finance cost		**1,425,280**	883,003
Loss on disposal of property, plant and equipment		**27,993**	1,062
Gain on disposal of investment - Held for sale		**-**	(3,972,721)
Return on investments		**(8,378,225)**	(5,830,576)
Charge in respect of defined benefit liabilities		**7,630**	5,038
Provision for doubtful other receivables		**-**	36,791
Working capital changes	25.1	**1,346,079**	222,464
		(5,497,679)	(8,614,742)
Cash utilised in operations		**596,115**	(1,140,135)

25.1 Working capital changes

		2019	2018
(Increase) / decrease in current assets:			
Advances, deposits and prepayments		**(39,039)**	26,797
Other receivables		**1,684,494**	(127,655)
		1,645,455	(100,858)
(Decrease) / increase in trade and other payables		**(299,376)**	323,322
		1,346,079	222,464

26. CASH AND CASH EQUIVALENTS

	Note	2019	2018
Cash and bank balances	11	**337,103**	235,170
Short term investments	10	**7,000,000**	21,496,496
		7,337,103	21,731,666

27. FINANCIAL INSTRUMENTS BY CATEGORY

	2019	2018
	------- (Rupees in '000) -------	
FINANCIAL ASSETS		
At amortised cost		
Advances and deposits	**7,502**	10,105
Other receivables	**409,575**	1,892,707
Short term investments	**10,457,700**	6,018,000
Cash and bank balances	**337,103**	235,170
	11,211,880	8,155,982
At fair value through profit or loss		
Short term investments - quoted shares	**4,300,382**	206,861
	15,512,262	8,362,843
FINANCIAL LIABILITIES		
Financial liabilities at amortised cost		
Long term financings	**9,498,850**	11,105,891
Lease liabilities	**91,544**	-
Trade and other payables	**73,375**	372,751
Unclaimed dividend	**135,980**	107,385
Accrued mark-up	**141,667**	120,627
	9,941,416	11,706,654

28. FINANCIAL RISK MANAGEMENT

28.1 The Company's activities expose it to a variety of financial risks: market risk (including interest rate risk, currency risk and price risk), credit risk and liquidity risk. The Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

The Board has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor adherence to limits. Risk management policies and systems are reviewed regularly to react to change in market conditions and the Company's activities.

Risks managed and measured by the Company are explained below:

28.2 Market risk

Market risk is the risk that the value of financial instruments may fluctuate as a result of changes in market interest rates or the market prices of instruments due to change in credit rating of the issuers or the instruments, changes in market sentiments, speculative activities, supply and demand of instruments and liquidity in the market. The Company manages the market risk by monitoring exposure on financial instruments and by following internal risk management policies.

Market risk comprises of three types of risks: interest rate risk, currency risk and other price risk.

28.2.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate due to changes in market interest rates.

- Fair value risk - Presently, fair value risk to the Company arises from 'balances with banks' which are based on fixed interest rates. As at December 31, 2019, the impact of increase / decrease in fixed interest rates by 100 basis points will not have a material impact on the profit after tax of the Company.

- Future cash flow risk - Presently, future cash flow risk to the Company arises from long term financings which are based on floating interest rates (i.e. KIBOR based). As at December 31, 2019, had there been increase / decrease of 100 basis points in KIBOR, with all other variables held constant, profit before taxation for the year then ended would have been lower / higher by Rs 106,091 (2018: Rs 111,781) mainly as a result of finance cost.

28.2.2 Currency risk

Currency risk arises mainly where receivables and payables exist due to transactions entered into in foreign currencies. The Company does not have any significant foreign currency exposures.

28.2.3 Price risk

Price risk is the risk that the fair value of or future cash flows from a financial instrument will fluctuate due to changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. As at December 31, 2019, the Company did not any significant financial assets exposed to price risk.

28.3 Credit risk and its concentration

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail completely to perform as contracted.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each of the parties. To manage exposure to credit risk, management reviews credit ratings, total deposit worthiness and maturities of the investments made, past experience and other factors.

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligations to be similarly affected by the changes in economic, political or other conditions.

The maximum exposure to credit risk at the reporting date is set out below:

	2019	2018
	------- (Rupees in '000) -------	
Advances and deposits	**7,502**	10,105
Other receivables	**409,575**	1,892,707
Bank balances	**336,510**	234,668
Short term investments	**16,589,381**	21,742,180
	17,342,968	23,879,660

The credit quality of the Company's balances with banks (including short term investments) can be assessed with reference to the fact that the minimum credit rating of the banks with which such financial assets are placed is 'A1', which denotes obligations supported by a strong capacity for timely repayment.

The Company believes that it is not exposed to major concentration of credit risk.

28.4 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulties in meeting obligations associated with financial liabilities. The Company's approach to manage liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its financial liabilities when due. Accordingly, the Company maintains sufficient cash and also ensures availability of funding through credit facilities.

The analysis below summarises the Company's financial liabilities (based on contractual undiscounted cash flows) into relevant maturity groups on the remaining period as at the reporting date:

	Carrying Amount	**Six months or less**	**Six to twelve months**	**One to two years**	**Two to five years**
	--------------------------- (Rupees in '000) ---------------------------				
2019					
Financial liabilities					
Long term financings	**9,560,000**	**1,120,000**	**1,120,000**	**2,240,000**	**5,080,000**
Lease liabilities	**86,183**	**-**	**-**	**-**	**-**
Trade and other payables	**73,375**	**73,375**	**-**	**-**	**-**
Unclaimed dividend	**135,980**	**135,980**	**-**	**-**	**-**
Accrued mark-up	**141,667**	**141,667**	**-**	**-**	**-**
	9,997,205	**1,471,022**	**1,120,000**	**2,240,000**	**5,080,000**
2018					
Financial liabilities					
Long term financings	11,200,000	520,000	1,120,000	4,480,000	5,080,000
Trade and other payables	372,751	372,751	-	-	-
Unclaimed dividend	107,385	107,385	-	-	-
Accrued mark-up	120,627	120,627	-	-	-
	11,800,763	1,120,763	1,120,000	4,480,000	5,080,000

28.5 Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Consequently, differences may arise between the carrying value and the fair value estimates.

The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy is as follows:

Level I: Quoted market price (unadjusted) in an active market for an identical instrument.

Level II: Valuation techniques based on observable inputs, either directly (i.e. market prices) or indirectly (i.e. derived from prices)

Level III: Valuation techniques using significant un-observable inputs.

The fair value of the Company's short term investments carried at fair value as disclosed in note 10 is based on quoted price of shares at the PSX (Level I). The estimated fair value of other financial instruments is considered not significantly different from book value due to the underlying short term / current nature of assets.

29. CAPITAL RISK MANAGEMENT

The Company’s objectives when managing capital are to safeguard the Company’s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or obtain / repay long term financing from / to financial institutions.

30. NUMBER OF EMPLOYEES

The total and average number of employees during the years ended December 31, 2018 and 2019 are as follows:

	2019	2018
Average number of employees during the year	**45**	38
Number of employees as at the end of the financial year	**39**	43

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

31. GENERAL

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

31.2 For better presentation, items in the unconsolidated statement of profit or loss have been rearranged including the corresponding figures, the impact of which is not considered material.

31.3 The investments by the Company's provident fund have been made in accordance with the provision of section 218 of the Companies Act, 2017 and the conditions specified thereunder.

31.4 These unconsolidated financial statements have been authorised for issue on February 26, 2020 by the Board of Directors of the Company.

Mohammad Shamoon Chaudry	Inam ur Rahman	Shabbir Hussain Hashmi
Chief Financial Officer	Chief Executive	Director

CONSOLIDATED FINANCIAL STATEMENT

INDEPENDENT AUDITOR'S REPORT

To the members of Dawood Hercules Corporation Limited

Opinion

We have audited the annexed consolidated financial statements of Dawood Hercules Corporation Limited and its subsidiary (the Group), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of the Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key audit matters:

S.No.	Key audit matters	How the matter was addressed in our audit
(i)	**Income tax and sales tax matters**	
	[Refer notes 30.1.3(i), 30.1.3(iii), 30.1.3(vii), 30.1.4(v) to 30.1.4(vii), 39.1 and 39.2 to the consolidated financial statements]	
	The Group's two companies namely Engro Corporation Limited and Engro Fertilizers Limited (EFert) have recognised provisions and has disclosed contingent liabilities in respect of certain income tax and sales tax matters, which	Our audit procedures included the following: • obtained and reviewed details of the pending tax matters and discussed the same with the management;

are pending adjudication before various appellate and legal forums.

Provisions and contingencies require management to make judgements and estimates in relation to the interpretation of laws, statutory rules, regulations, and the probability of outcome and financial impact, if any, on these companies in respect of such provisions and contingencies.

Due to significance of amounts involved, inherent uncertainties with respect to the outcome of these matters and use of significant management judgements and estimates to assess the same including related financial impacts, we have considered provisions and contingent liabilities relating to income tax and sales tax matters relating to these companies as a key audit matter.

- circularised confirmations to the external advisors for their views on matters being handled by them;
- involved internal tax professionals to assist us in assessing management's conclusions on contingent tax matters and evaluated the consistency of such conclusions with the views of management and external advisors engaged by these companies;
- reviewed correspondence of these companies with the relevant tax authorities including judgments or orders passed by the competent authorities in relation to the issues involved or matters which have similarities with the issues involved;
- checked mathematical accuracy of the calculations underlying the provisions, if any; and
- assessed whether the disclosures made in the consolidated financial statements adequately discloses the matters in accordance with the accounting and reporting standards.

(ii) Provision in respect of Gas Infrastructure Development Cess

(Refer note 27.1 to the consolidated financial statements)

As at December 31, 2019, the Group carries an accrual amounting to Rs 18,943.544 million in respect of Gas Infrastructure Development Cess (GIDC) relating to EFert.

EFert has obtained a stay order against the Gas Infrastructure Development Cess Act, 2015 (GIDC Act, 2015) from the High Court of Sindh which has restrained the gas supplying company from charging and / or recovering the cess under the GIDC Act, 2015 till the final decision on this matter. In a separate case, Peshawar High Court passed a judgment on May 31, 2017 validating the GIDC Act, 2015 against which has been challenged by the petitioners in the Supreme Court of Pakistan.

Our audit procedures included the following:

- Obtained an understanding of the background facts pertaining to provision recorded in respect of GIDC through meetings with the management and reviewed the minutes of the meetings of those charged with governance;
- read correspondence of EFert with the regulatory authorities and EFert's external legal counsel;
- obtained confirmation from external legal counsel in respect of the current developments in the case including their assessment of the potential outcome of the matter; and

The Group management believes that the accrual recorded as at December 31, 2019 in respect of GIDC represents its current best estimate of the potential liability. Due to significance of the amounts involved in the aforementioned matter and the legal forum at which this matter is currently pending, the ultimate outcome and the resultant accounting in the consolidated financial statements is subject to the exercise of significant judgement which may change over time as new facts emerge as the legal case progresses. We have therefore considered this to be a key audit matter.

- assessed the adequacy of provisioning and the appropriateness of related disclosures made in the consolidated financial statements in accordance with the accounting and reporting standards.

(iii) Receivables from National Transmission and Despatch Company (NTDC)

(Refer notes 15.1 and 17.3 to the consolidated financial statements)

Engro Powergen Qadirpur Limited (EPQL) has following balances receivable from NTDC as at December 31, 2019:

- Trade debts amounting to Rs 9,806.697 million which include overdue debts of Rs 7,698.404 million; and
- Delayed payment charges amounting to Rs 2,485.061 million which include overdue receivables of Rs 1,463.031 million.

In view of the significant delay in settlement, materiality of the amounts involved and consequential impact of the delay in settlement on liquidity and operations of EPQL, we have considered this to be an area of higher risk and a Key Audit Matter.

Our audit procedures included the following:

- assessed whether revenue and related receivables have been recognised in accordance with the applicable accounting policies;
- tested whether invoices raised by EPQL during the year were in accordance with the requirements of the Power Purchase Agreement (PPA);
- circularised confirmation of receivables from the Central Power Purchasing Agency (CPPA-G);
- made inquiries from the management and read minutes of the meetings of the Board of Directors and Board Audit Committee of EPQL to ascertain actions being taken by them for the recoverability of these amounts;
- reviewed Implementation Agreement and assessed whether receivables are secured against guarantee from the Government of Pakistan and whether any impairment is required to be recognised there against;
- assessed the availability of finance with EPQL to fund its business operations through committed credit lines obtained from various financial institutions; and
- assessed adequacy of the related disclosures in the consolidated financial statements in accordance with the accounting and reporting standards.

(iv) **Capitalisation of items in property, plant and equipment and capital work-in-progress**

(Refer notes 6 and 48.2 to the consolidated financial statements)

During the year ended December 31, 2019, the Group's Polymer and Power and Mining segments have incurred significant amount of capital expenditure in respect of its various expansion projects in order to enhance the efficiency and production capacity.

The incurrence of capital expenditure involves the assessment of appropriateness of costs capitalised in this respect, the determination of costs that meet the criteria for capitalisation under the accounting and reporting standards and the determination of dates on which capital work-in-progress is transferred to operating fixed assets and the respective dates from which the depreciation should commence.

As the capital expenditure incurred during the year constitutes a significant amount and involves significant judgemental areas such as the capitalisation of elements of eligible cost components as per accounting and reporting standards, we have considered this a key audit matter.

Our audit procedures amongst others, included the following:

- obtained an understanding of the Group's process with respect to capital expenditure incurred and tested controls relevant to such process;
- tested the cost capitalised with the relevant underlying documentation;
- tested, on a sample basis, the date of transferring capital work-in-progress to operating fixed assets by examining the completion certificates and/or project progress reports;
- assessed whether the nature of capitalised cost is in accordance with the recognition criteria set out in accounting and reporting standards;
- assessed the useful lives assigned by the management and tested the calculation of related depreciation;
- tested the existence of capitalised assets through physical verification on a sample basis; and
- assessed the adequacy of the related disclosures made in the consolidated financial statements in accordance with the accounting and reporting standards.

(v) **Long-term financing arrangements**

(Refer note 24 to the consolidated financial statements)

During the year ended December 31, 2019, the Group's Polymer segment has reprofiled its debt structure through the issuance of sukuk bonds to various institutional investors and has also entered into agreements with various other local and foreign lenders to finance its capital projects and other operations.

Our audit procedures included the following:

- Obtained and reviewed financing arrangements that the Polymer segment had in place during the year;
- tested the drawdowns and repayments of loans as per the contractual terms of the agreements;

These loan agreements are complex in nature and involve the use of significant judgments in determination of appropriate treatment in the consolidated financial statements in line with the applicable accounting and reporting standards.

Due to the significance of the amounts involved and the significant judgements exercised by the management in arriving at appropriate conclusions on accounting treatment with respect to complex terms of the agreement, we have considered this to be a key audit matter.

- tested the Polymer segment's status of compliance with the covenants contained in the financing agreements and ensured that appropriate waivers had been obtained for any actual breaches;

- recomputed borrowing costs incurred during the year as per the terms contained in the respective agreements with lenders and assessed whether these were eligible for capitalisation;

- obtained legal opinion from lawyer on terms of the agreements which involved significant management's judgements;

- circulated requests to lenders for confirmation of terms of the outstanding agreement including but not limited to applicable mark-up rates, repayment terms, amounts outstanding under the facilities and any breaches of covenants; and

- assessed the adequacy of the related disclosures made in the consolidated financial statements, in accordance with the accounting and reporting standards.

(vi) Application of IFRS 16

(Refer note 4 to the consolidated financial statements)

The Group has adopted IFRS 16 "Leases" with effect from January 1, 2019. IFRS 16 introduced a single on balance sheet lease accounting model for leases entered into by lessees. On adoption of IFRS 16, the Group has changed its accounting policy for leases. The Group has accordingly recognised right-of-use assets, net investment in lease and lease liabilities amounting to Rs 49,183.658 million, Rs 45,002.470 million and Rs 51,824.739 million respectively as at January 1, 2019. The comparative figures for the 2018 reporting period have not been restated, as permitted under the specific transitional provisions of IFRS 16.

Our audit procedures included the following:

- obtained an understanding of the management's process for identification of agreements which contain leasing arrangements;

- evaluated the selection of accounting policies and methodology followed by the management for determination and measurement of right-of-use assets, corresponding lease liabilities and other related impacts;

The adoption of IFRS 16 involves estimation and judgement. Because of the significance of the impact of these judgements / estimates, we considered this a key audit matter.

- on a sample basis, tested the underlying data used by the management from the lease contracts for determination of the right-of-use assets and corresponding lease liabilities. Further, performed re-computations on a test basis to assess the accuracy of computations performed by the management; and

- assessed whether the presentation and disclosures relating to the adoption of IFRS 16 in the consolidated financial statements are in compliance with the accounting and reporting standards.

Information Other than the Consolidated and Unconsolidated Financial Statements and Auditor's Reports Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated and unconsolidated financial statements and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan and Companies Act, 2017 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Afferguson & Co

A. F. Ferguson & Co
Chartered Accountants

Karachi

Date: April 15, 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2019
(Amounts in thousand)

	Note	2019	2018
		------ (Rupees in '000) ------	
ASSETS			
Non - Current Assets			
Property, plant and equipment	6	**253,465,387**	204,545,985
Right-of-use assets	7	**4,926,781**	-
Intangible assets	8	**5,461,267**	4,817,940
Long term investments	9	**37,273,516**	31,590,380
Deferred taxation	10	**228,024**	384,612
Net investment in lease	11	**45,563,942**	-
Long term loans, advances and other receivables	12	**3,305,027**	4,092,566
		350,223,944	245,431,483
Current Assets			
Stores, spares and loose tools	13	**7,637,331**	7,687,869
Stock-in-trade	14	**19,913,340**	17,228,278
Trade debts	15	**51,816,893**	18,629,468
Loans, advances, deposits and prepayments	16	**4,925,076**	3,188,326
Other receivables	17	**17,299,368**	13,273,925
Accrued income		**817,106**	524,809
Contract asset	18	**5,313,283**	-
Current portion of net investment in lease		**2,543,927**	-
Short term investments	19	**90,593,525**	103,533,500
Cash and bank balances	20	**21,229,837**	12,115,981
		222,089,686	176,182,156
Assets classified as held for sale	21	**1,325,595**	-
		223,415,281	176,182,156
TOTAL ASSETS		**573,639,225**	421,613,639

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2019

(Amounts in thousand)

	Note	2019	2018
		------ (Rupees in '000) ------	
EQUITY & LIABILITIES			
Equity			
Share capital	22	**4,812,871**	4,812,871
Revaluation reserve on business combination		**5,463**	9,261
Maintenance reserve	23	**60,117**	60,117
Exchange revaluation reserve		**226,682**	147,583
Hedging reserve		**(10,980)**	(10,980)
General reserves		**700,000**	700,000
Unappropriated profit		**58,265,869**	61,197,392
Remeasurement of post-employment benefits		**(39,077)**	(30,023)
		59,208,074	62,073,350
		64,020,945	66,886,221
Non-Controlling Interest		**144,023,629**	134,856,918
Total Equity		**208,044,574**	201,743,139
Liabilities			
Non-Current Liabilities			
Borrowings	24	**145,858,867**	130,576,362
Deferred taxation		**13,498,354**	8,428,363
Lease liabilities	25	**50,996,209**	-
Deferred liabilities	26	**2,344,875**	265,535
		212,698,305	139,270,260
Current Liabilities			
Trade and other payables	27	**103,382,190**	51,118,725
Accrued interest / mark-up	28	**3,457,429**	2,363,313
Current portion of			
- borrowings	24	**22,096,424**	11,955,924
- lease liabilities	25	**4,443,548**	-
- deferred liabilities	26	**430,358**	113,852
Taxes payable		**3,438,915**	8,299,834
Short term borrowings	29	**15,511,348**	6,641,207
Unclaimed dividend		**135,980**	107,385
Derivative financial instruments		**154**	-
		152,896,346	80,600,240
Total Liabilities		**365,594,651**	219,870,500
Contingencies and Commitments	30		
TOTAL EQUITY & LIABILITIES		**573,639,225**	421,613,639

The annexed notes from 1 to 58 form an integral part of these consolidated financial statements.

Mohammad Shamoon Chaudry	Inam ur Rahman	Shabbir Hussain Hashmi
Chief Financial Officer	Chief Executive	Director

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

As at December 31, 2019

(Amounts in thousand)

	Note	2019	2018
		------ (Rupees in '000) ------	
Revenue	31	**225,919,576**	171,568,238
Cost of revenue	32	**(157,233,488)**	(120,459,766)
Gross profit		**68,686,088**	51,108,472
Selling and distribution expenses	33	**(8,103,286)**	(8,488,256)
Administrative expenses	34	**(8,602,539)**	(6,604,715)
		51,980,263	36,015,501
Other income	35	**16,691,889**	21,984,273
Other operating expenses	36	**(6,863,538)**	(4,427,332)
Operating profit		**61,808,614**	53,572,442
Finance cost	37	**(16,175,552)**	(6,336,224)
Share of income from joint venture and associates	38	**1,147,999**	128,647
Profit before taxation		**46,781,061**	47,364,865
Taxation	39	**(16,994,024)**	(14,215,976)
Profit for the year		**29,787,037**	33,148,889
Profit attributable to:			
- Owners of the Holding Company		**5,653,098**	14,246,897
- Non Controlling Interest		**24,133,939**	18,901,992
		29,787,037	33,148,889
		------ (Rupees) ------	
Earnings per share - basic and diluted	40	**11.75**	29.60

The annexed notes from 1 to 58 form an integral part of these consolidated financial statements.

Mohammad Shamoon Chaudry	**Inam ur Rahman**	**Shabbir Hussain Hashmi**
Chief Financial Officer	Chief Executive	Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

As at December 31, 2019
(Amounts in thousand)

	2019	2018
	------ (Rupees in '000) ------	
Profit after taxation	**29,787,037**	33,148,889
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Hedging reserve - cash flow hedges		
Profit arising during the year	**-**	63,028
Reclassification adjustments for profit included in profit or loss	**-**	(874)
	-	62,154
Revaluation reserve on business combination	**(21,004)**	(21,004)
Exchange differences on translation of foreign operations	**212,495**	456,610
	191,491	497,760
Income tax relating to:		
Revaluation reserve on business combination	**6,721**	6,721
Items that will not be reclassified to profit or loss		
Remeasurement of post employment benefits obligation - Actuarial (loss) / gain	**(27,709)**	2,582
Income tax relating to remeasurement of post employment benefits obligation	**3,990**	(749)
	(23,719)	1,833
Other comprehensive income for the year, net of tax	**174,493**	506,314
Total comprehensive income for the year	**29,961,530**	33,655,203
Total comprehensive income attributable to:		
- Owners of the Holding Company	**5,719,345**	14,376,748
- Non Controlling Interest	**24,242,185**	19,278,455
	29,961,530	33,655,203

The annexed notes from 1 to 58 form an integral part of these consolidated financial statements.

Mohammad Shamoon Chaudry	Inam ur Rahman	Shabbir Hussain Hashmi
Chief Financial Officer	Chief Executive	Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2019

(Amounts in thousand)

	ATTRIBUTABLE TO OWNERS OF THE HOLDING COMPANY										
		RESERVES									
		CAPITAL RESERVES				REVENUE RESERVES					
	Share capital	Revaluation reserve on business combination	Maintenance reserve (note 23)	Exchange revaluation reserve	Hedging reserve	General reserve	Unappro-priated Profit	Remeasurement of post employment benefits - Actuarial (loss) / income	Sub total	Non-Controlling Interest	Total
	(Rupees in '000)										
Balance as at January 1, 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 for the year ended December 31, 2018											
Profit for the year	-	-	-	-	-	-	14,246,897	-	14,246,897	18,901,992	33,148,889
Other comprehensive income	-	(3,798)	-	116,695	16,361	-	(345)	938	129,851	376,463	506,314
	-	(3,798)	-	116,695	16,361	-	14,246,552	938	14,376,748	19,278,455	33,655,203
Transactions with owners											
Issuance of right shares of Group Company of subsidiary Company	-	-	-	-	-	-	-	-	-	2,331,153	2,331,153
Shares issuance cost of Group Company	-	-	-	-	-	-	(4,904)	-	(4,904)	(8,270)	(13,174)
Advance against issue of share capital of Group Company	-	-	-	-	-	-	-	-	-	1,997,646	1,997,646
Reclassification of actuarial gain on withdrawal of gratuity scheme	-	-	-	-	-	-	1,696	(1,696)	-	-	-
Disposal of subsidiary company of ECL	-	-	-	-	-	-	1,048,062	-	1,048,062	3,287,721	4,335,783
Dividend by ECL's subsidiaries allocable to Non-Controlling interest	-	-	-	-	-	-	-	-	-	(14,178,062)	(14,178,062)
Final cash dividend for the year ended December 31, 2017 @ Rs 2.00 per share	-	-	-	-	-	-	(962,574)	-	(962,574)	-	(962,574)
Interim cash dividend for the year ended December 31, 2018 @ Rs 3 per share	-	-	-	-	-	-	(1,443,862)	-	(1,443,862)	-	(1,443,862)
Second interim cash dividend for the year ended December 31, 2018 @ Rs 3 per share	-	-	-	-	-	-	(1,443,862)	-	(1,443,862)	-	(1,443,862)
	-	-	-	-	-	-	(2,805,444)	(1,696)	(2,807,140)	(6,569,812)	(9,376,952)
Balance as at December 31, 2018	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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2019

(Amounts in thousand)

	ATTRIBUTABLE TO OWNERS OF THE HOLDING COMPANY										
		RESERVES									
		CAPITAL RESERVES				REVENUE RESERVES					
	Share capital	Revaluation reserve on business combination	Maintenance reserve (note 23)	Exchange revaluation reserve	Hedging reserve	General reserve	Unappro-priated Profit	Remeasurement of post employment benefits - Actuarial (loss) / income	Sub total	Non-Controlling Interest	Total
	(Rupees in '000)										
Total comprehensive income for the year ended December 31, 2019											
Profit for the year	-	-	-	-	-	-	5,653,098	-	5,653,098	24,133,939	29,787,037
Other comprehensive income	-	(3,798)	-	79,099	-	-	-	(9,054)	66,247	108,246	174,493
	-	(3,798)	-	79,099	-	-	5,653,098	(9,054)	5,719,345	24,242,185	29,961,530
Transactions with owners											
Effect of change in accounting policy - net of deferred tax	-	-	-	-	-	-	(396,994)	-	(396,994)	(1,501,039)	(1,898,033)
Shares issued during the year - net of transaction cost	-	-	-	-	-	-	(5,746)	-	(5,746)	2,532,804	2,527,058
Preference shares issued during the period - net of transaction cost	-	-	-	-	-	-	-	-	-	2,256,015	2,256,015
Shares issued during the year and share issuance cost accounted for as deduction from equity	-	-	-	-	-	-	-	-	-	-	-
Bonus shares issued during the period in the ratio of - Preference shares issued	-	-	-	-	-	-	-	-	-	-	-
Dividend by ECL's subsidiaries allocable to Non-Controlling interest	-	-	-	-	-	-	-	-	-	(18,363,254)	(18,363,254)
Final cash dividend for the year ended December 31, 2018 @ Rs 4.00 per share	-	-	-	-	-	-	(1,925,148)	-	(1,925,148)	-	(1,925,148)
First interim cash dividend for the year ended December 31, 2019 @ Rs 5.00 per share	-	-	-	-	-	-	(2,406,436)	-	(2,406,436)	-	(2,406,436)
Second interim cash dividend for the year ended December 31, 2019 @ Rs 3.00 per share	-	-	-	-	-	-	(1,443,861)	-	(1,443,861)	-	(1,443,861)
Third interim cash dividend for the year ended December 31, 2019 @ Rs 5.00 per share	-	-	-	-	-	-	(2,406,436)	-	(2,406,436)	-	(2,406,436)
	-	-	-	-	-	-	(8,584,621)	-	(8,584,621)	(15,075,474)	(23,660,095)
Balance as at December 31, 2019	4,812,871	5,463	60,117	226,682	(10,980)	700,000	58,265,869	(39,077)	64,020,945	144,023,629	208,044,574

The annexed notes from 1 to 58 form an integral part of these consolidated financial statements.

Mohammad Shamoon Chaudry	Inam ur Rahman	Shabbir Hussain Hashmi
Chief Financial Officer	Chief Executive	Director

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2019

(Amounts in thousand)

	Note	2019	2018
		------ (Rupees in '000) ------	
Cash flows from operating activities			
Cash generated from operations	43	**44,775,429**	32,049,916
Retirement and other service benefits paid		**(235,832)**	(267,724)
Proceeds from net investment in lease		**1,721,772**	-
Finance income received on net investment in lease		**5,290,427**	-
Deferred income		**888,732**	-
Finance cost paid		**(17,942,804)**	(9,411,803)
Taxes paid		**(16,235,121)**	(10,776,479)
Long term loans and advances - net		**68,996**	(99,207)
Net cash generated from operating activities		**18,331,599**	11,494,703
Cash flows from investing activities			
Purchases of property, plant & equipment and intangible assets		**(46,996,281)**	(36,605,685)
Sale proceeds on disposal of property, plant & equipment		**97,513**	45,501
Sale proceeds from sale of shares of an associate		**-**	18,141,819
Investment in associated company		**(788,726)**	(226,640)
Investment made during the year - net		**(53,103,370)**	14,831,117
Income on deposits / other financial assets		**11,804,542**	10,590,024
Subordinated Loan to Joint Venture Company		**(200,000)**	-
Deposit in respect of bank guarantees		**(418,470)**	(1,223,401)
Dividends received		**1,422,054**	1,292,430
Net cash (utilised in) / generated from investing activities		**(88,182,738)**	6,845,165
Cash flows from financing activities			
Proceeds / repayments of borrowings - net		**20,311,625**	34,676,394
Issuance of right shares to Non-controlling interest, net of share issuance cost		**4,783,073**	4,315,625
Finance cost paid on lease liability		**(3,847,684)**	-
Rentals paid during the year		**(3,711,922)**	-
Repayments of short term finance		**(1,000,000)**	-
Dividends paid		**(8,153,286)**	(3,832,206)
Net cash (utilised in) / generated from financing activities		**8,381,806**	35,159,813
Net (decrease) / increase in cash and cash equivalents		**(61,469,333)**	53,499,681
Cash and cash equivalents at the beginning of the year	44	**92,054,562**	37,839,339
Effects of exchange rate changes on cash and cash equivalents		**935,765**	715,542
Cash and cash equivalents at the end of the year		**31,520,994**	92,054,562

The annexed notes from 1 to 58 form an integral part of these consolidated financial statements.

Mohammad Shamoon Chaudry	Inam ur Rahman	Shabbir Hussain Hashmi
Chief Financial Officer	Chief Executive	Director

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019
(Amounts in thousand)

1. LEGAL STATUS AND OPERATIONS

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

1.2 Based on the concept of 'control' as stipulated in the International Financial Reporting Standard (IFRS) -10 'Consolidated Financial Statements', the Holding Company continues to conclude that although the Holding Company has less than 50% voting rights in Engro Corporation Limited (ECL), yet, based on the absolute size of the Holding Company's shareholdings, the relative size of other shareholdings and the number of representation on ECL's Board of Directors, the Holding Company has the ability to exercise control over ECL. Accordingly, the Holding Company is deemed to be the Holding Company of ECL.

1.3 The business units of the Holding Company and its subsidiaries include the following:

Business Unit **Head / Registered offices**	**Geographical Location**
- The Holding Company	Dawood Center, M.T. Khan Road, Karachi. Further, liasion offices are in Islamabad and Lahore.
- Engro Corporation Limited	7th and 8th Floors, The Harbour Front Building, Plot Number HC-3, Block 4, Scheme No. 5, Clifton, Karachi
- Engro Fertilizers Limited	7th and 8th Floors, The Harbour Front Building, Plot No. HC-3, Block 4, Scheme No. 5, Clifton, Karachi
- Engro Polymer and Chemicals Limited	12th Floor, Ocean Tower, G-3, Block 9, Clifton, Khayaban-e-Iqbal, Karachi
- Elengy Terminal Pakistan Limited	4th Floor, Corporate Offices Block, Dolmen City, Plot Number HC-3, Block 4, Clifton, Karachi
- Engro Energy Limited	16th Floor, Harbour Front Building, Plot Number HC-3, Block 4, Scheme No. 5, Clifton, Karachi
- Engro Eximp Agriproducts (Private) Limited	8th Floor, The Harbour Front Building, Plot Number HC-3, Block 4, Scheme No. 5, Clifton, Karachi
- Engro Eximp FZE	BCW JAFZA 18 & 19, Office No 110 Dubai, United Arab Emirates
- Engro Infiniti (Private) Limited	8th Floor, The Harbour Front Building, Plot Number HC-3, Block 4, Scheme No. 5, Clifton, Karachi

(Amounts in thousand)

Regional offices

- ECL	22nd Floor, Ufone Tower Jinnah Avenue, Blue Area, Islamabad
- Engro Polymer and Chemicals Limited	1st Floor, 38 Z Block, Commercial Area, Phase III, DHA, Lahore

Manufacturing plants

- Engro Fertilizers Limited	- District Ghotki, Sindh - EZ/ 1 / P - 1 - II Eastern Zone, Port Qasim, Karachi
- Engro Polymer and Chemicals Limited	EZ/I/P-II-I Eastern Zone, Port Bin Qasim Industrial Area, Karachi
- Engro Eximp Agriproducts (Private) Limited	13-Km Muridke Sheikhupura Road Muridke, Muridke, 54800

Power Plants

- Engro Powergen Thar (Private) Limited	Thar Block II, Islamkot District, Sindh
- Engro Powergen Qadirpur Limited	Deh Belo Sanghari, Ghotki, Sindh

Terminal

- Elengy Terminal Pakistan Limited	Plot # OZ-I-P-81, South Western Zone, Berth no. 13, Port Qasim Karachi

2. The "Group" consists of:

Holding Company: Dawood Hercules Corporation Limited.

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

	Percentage of shareholding of the Holding Company	
	2019	2018
Engro Corporation Limited (note 2.1)	**37.22**	37.22

(Amounts in thousand)

2.1 Subsidiary - Engro Corporation Limited

Engro Corporation Limited (ECL), is a public listed company incorporated in Pakistan and its shares are quoted on PSX. The principal activity of ECL, is to manage investments in its subsidiary companies, associated companies and joint venture, engaged in fertilizers, PVC resin manufacturing and marketing, food, energy, LNG and chemical terminal and storage businesses.

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

	Percentage of shareholding of ECL	
	2019	2018
- Engro Energy Limited (note 2.1.1)	**100**	100
- Engro Eximp Agriproducts (Private) Limited (note 2.1.2)	**100**	100
- Engro Infiniti (Private) Limited (note 2.1.3)	**100**	100
- Engro Eximp FZE (note 2.1.4)	**100**	-
- Elengy Terminal Pakistan Limited (note 2.1.5)	**56**	56
- Engro Fertilizers Limited (note 2.1.6)	**56.27**	56.27
- Engro Polymer and Chemicals Limited (note 2.1.7)	**56.19**	56.19
Joint Venture Company:		
- Engro Vopak Terminal Limited (note 2.1.8)	**50**	50
Associated Company:		
- FrieslandCampina Engro Pakistan Limited (previously Engro Foods Limited) (note 2.1.9)	**39.9**	39.9

2.1.1 Engro Energy Limited

Engro Energy Limited (EEL), a wholly owned subsidiary of ECL, is a public unlisted company incorporated in Pakistan. It is established with the primary objective to analyse potential opportunities in the power sector and undertake supply and service related contracts and Independent Power Projects (IPPs) based on feasibilities of new ventures.

Following are the companies in which EEL owns 50% or more of the voting rights or are directly controlled by EEL:

	Percentage of shareholding	
	2019	2018
- Kolachi Portgen (Private) Limited (note 2.1.1.1)	**100**	100
- Engro Power International Holding B.V. (note 2.1.1.2)	**100**	100
- Engro Power Services Limited (note 2.1.1.3)	**100**	100
- Engro Energy Services Limited (note 2.1.1.4)	**100**	100
- Engro Powergen Qadirpur Limited (note 2.1.1.5)	**68.89**	68.89
- Engro Powergen Thar (Private) Limited (note 2.1.1.6)	**50.10**	50.10

Following are associated companies of EEL in which it holds direct shareholding:

	Percentage of direct holding	
	2019	2018
- GEL Utility Limited (note 2.1.1.7)	**45**	45
- Sindh Engro Coal Mining Company Limited (note 2.1.1.8)	**11.91**	11.91
- Pakistan Energy Gateway Limited (note 2.1.1.9)	**33.33**	33.33
- Siddiqsons Energy Limited (note 2.1.1.10)	**19**	19

2.1.1.1 Kolachi Portgen (Private) Limited has been established and incorporated in Pakistan with the objective to operate and own a Regasified Liquefied Natural Gas (RLNG) based power generation plant.

2.1.1.2 Engro Power International Holding B.V. (EPIH), a private limited company, has been established in Rotterdam, the Netherlands with the objective to incorporate, participate, manage and supervise businesses and companies. EPIH has two wholly owned subsidiaries namely Engro Power Services Holding B.V. (EPSH) and Engro Power Investments International B.V. (EPII) both based in the Netherlands.

2.1.1.3 Engro Power Services Limited (EPSL), a private limited company, has been established in Nigeria with the objective to carry on business as power generating, transmission, distribution and servicing company. EPSL is currently providing Operations and Maintenance (O&M) services to a Captive Power Plant located in a refinery within Nigeria. The agreement of providing O&M services was entered into by EEL. EPSL is acting as an agent of EEL to discharge its obligations under the agreement.

2.1.1.4 Engro Energy Services Limited (EESL) was established as a wholly owned subsidiary of EEL on June 1, 2018 with the primary objective of analyzing potential opportunities in the power sector and undertaking service related contracts for Independent Power Projects (IPPs) based on feasibility of new ventures and to provide operations and maintenance services to IPPs.

2.1.1.5 Engro Powergen Qadirpur Limited (EPQL) is a public listed company incorporated in Pakistan with the primary objective to undertake the business of power generation, distribution, transmission and sale. EPQL completed construction and testing of its 217.3 MW combined cycle power plant and has commenced commercial operation on March 27, 2010. The electricity generated is transmitted to the National Transmission and Dispatch Company (NTDC) under the Power Purchase Agreement (PPA) dated October 26, 2007, valid for a period of 25 years.

2.1.1.6 Engro Powergen Thar (Private) Limited (EPTL) was established on September 23, 2014 with the primary objective to develop 2 x 330 MW mine mouth power plants at Thar Block II, Sindh. During the year, additional 256,812,202 (2018: 219,589,305) ordinary shares were acquired by EEL in EPTL. As at December 31, 2019, EEL held 50.10% (2018: 50.10%) of the issued capital of EPTL while the balance shares are held by CMEC Thar Power Investment Limited (35%), Habib Bank Limited (9.5%) and Liberty Mills Limited (5.4%). EPTL has achieved its commercial operation date (CoD) on July 10, 2019.

2.1.1.7 GEL Utility Limited (GEL) is a private limited company in Nigeria with the objective of generation and distribution of energy, power and other related services and has undertaken a project of 72 MW triple redundancy captive power plant, which commenced commercial operations from November 21, 2014. EEL holds 12,272,727 ordinary shares of Naira 1 each in GEL representing a 45% (2018: 45%) equity stake. During the year, EEL has classified this investment as held for sale.

2.1.1.8 Sindh Engro Coal Mining Company Limited (SECMC) was formed under a Joint Venture Agreement (JVA), dated September 8, 2009, between the Government of Sindh (GoS), EEL and the ECL. The aforementioned JVA is consequent to the selection of SECMC as GoS's joint venture partner, through an International Competitive Bidding process, for the development, construction and operations of an open cast lignite mine in Block-II of Thar Coal Field, Sindh (the Project). During the year, EEL subscribed to an additional 48,348,460 (2018: 40,829,133) ordinary shares of SECMC, at a premium of Rs 4.82 per share while maintaining its percentage shareholding as at December 31, 2019 at 11.91% (2018: 11.91%). SECMC has achieved its CoD on July 10, 2019.

(Amounts in thousand)

2.1.1.9 Pakistan Energy Gateway Limited is a special purpose vehicle incorporated jointly with Shell Gas B.V. and Pakarab Fertilizers Limited for the purpose of developing a private integrated LNG terminal, with each of the three subscribers/shareholders having a 33.3% shareholding.

2.1.1.10 EEL entered into a Joint Venture Agreement (JVA), dated May 4, 2018 with Siddiqsons Limited (SL) and Arif Habib Equity (Private) Limited (AHEPL) for the joint development of approximately 330 MW of coal-fired power generation facility in Block - II, District Tharparkar, Sindh through a joint venture company, namely Siddiqsons Energy Limited (SEL). The JVA became effective from May 26, 2018 as per the terms of which EEL, AHEPL and SL, were initially required to have shareholding proportions equal to 19%, 19% and 62% respectively in their mutual capacity as the members of SEL. Accordingly, EEL advanced an amount of Rs 262 million against the issuance of 26,267,639 ordinary shares constituting the required 19% of the share capital of SEL to be subscribed into by EEL. During the year, EEL subscribed to an additional 7,220,000 (2018: 26,267,639) ordinary shares of SEL while maintaining its percentage shareholding at 19% (2018: 19%).

2.1.2 Engro Eximp Agriproducts (Private) Limited

Engro Eximp Agriproducts (Private) Limited (EEAPL) is a private limited company, incorporated in Pakistan. The principal activity of EEAPL is to produce, manufacture and trade all kinds of raw, processed and prepared food products including agriculture, dairy and farming products. EEAPL has set up a rice processing plant in District Shaikhupura, which commenced commercial production in year 2011.

2.1.3 Engro Infiniti (Private) Limited

Engro Infiniti (Private) Limited, (EInfiniti) was incorporated as a wholly owned subsidiary of ECL. The primary objective of EInfiniti is to analyze potential opportunities inside and outside Pakistan and to make available digital assets and ventures related to intellectual capital, data collection and analytics of every kind and any activities relating to or ancillary thereto. During the year, ECL has made investment in EInfiniti, through subscription of 18,460,000 ordinary shares of Rs 10 each at par. Further, during the year, EInfiniti has issued 40,000,000 shares of Rs 10 each in respect of the advance against subscription of shares paid by ECL for investments made during the year ended December 31, 2018.

Following are the subsidiaries of EInfiniti:

	Percentage of direct shareholding	
	2019	2018
- Engro Digital Limited (note 2.1.3.1)	**100**	100
- Enfrashare (Private) Limited (note 2.1.3.2)	**100**	100

2.1.3.1 Engro Digital Limited (EDL) is a public unlisted company, incorporated in Pakistan on October 19, 2017 under the Companies Act, 2017. EDL has its registered office at 6th Floor, Dawood Center, M.T Khan Road, Civil Lines, Karachi. EDL is established with primary objective of analyzing potential opportunities and making available digital and technology services and products inside and outside Pakistan.

2.1.3.2 Enfrashare (Private) Limited was incorporated in Pakistan as a private limited company under the Companies Act, 2017 on November 13, 2018. The registered office of Enfrashare is situated at 15-E, Rehmat Centre, Jinnah Avenue, Blue area, Islamabad. Enfrashare is principally engaged in buying, building, maintaining and operating telecommunication infrastructure and any products and by products and any activities relating to or ancillary thereto. During the year, Enfrashare became a subsidiary of EInfiniti upon issuance of 45,000,000 shares of Rs 10 each.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019
(Amounts in thousand)

2.1.4 Engro Eximp FZE

Engro Eximp FZE (EEF) was incorporated in the Jebel Ali Free Zone, Emirate of Dubai, on August 4, 2011 as a wholly owned subsidiary of Engro Eximp (Private) Limited (EEPL). It is engaged in the business of trading fertilizers.

During the year, the shareholders of 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, a subsidiary company of ECL, against an amount of Rs 1,757.280 million (subject to adjustments at the date of closing of the transaction). On July 17, 2019, ECL acquired Engro Eximp FZE for a consideration of Rs 1,972.505 million.

2.1.5 Elengy Terminal Pakistan Limited

Elengy Terminal Pakistan Limited (ETPL), is a public unlisted company, incorporated in Pakistan. The principal business of ETPL is to establish and operate a terminal for handling, re-gasification, storage, treatment and processing, along with import, export and trading, of Liquefied Natural Gas (LNG), Re-gasified Liquefied Natural Gas (RLNG), Liquid Petroleum Gas (LPG), Natural Gas Liquid (NGL) and all other related liquids, gases and chemical and petroleum products. Engro Elengy Terminal (Private) Limited (EETPL) is a wholly owned subsidiary of ETPL.

2.1.6 Engro Fertilizers Limited

Engro Fertilizers Limited (EFert), is a public listed company, incorporated in Pakistan. The principal activity of EFert is manufacturing, purchasing and marketing of fertilizers, seeds and pesticides and providing logistics services.

Following are the subsidiaries of EFert:

	Percentage of shareholding	
	2019	2018
- Engro Eximp FZE (note 2.1.4)	**-**	100
- EFERT Agritrade (Private) Limited (note 2.1.6.1)	**100**	100

2.1.6.1 In year 2017, EFert Agritrade (Private) Limited (EAPL) was incorporated as a wholly owned subsidiary of EFert to carry out trading and distribution of imported fertilizers as part of the business reorganisation. EFert has transferred its business of trading and distribution of imported fertilizers to EAPL, and holds 10,000 ordinary shares of Rs 10 each in EAPL.

2.1.7 Engro Polymer and Chemicals Limited

Engro Polymer and Chemicals Limited (EPCL), is a public listed company, incorporated in Pakistan. The principal activity of EPCL is to manufacture, market and sell Poly Vinyl Chloride (PVC), Vinyl Chloride Monomer (VCM), caustic soda and other related chemicals. It is also engaged in supply of surplus power generated from its power plants to EFert (NPK Plant).

Following are the subsidiaries of EPCL:

	Percentage of shareholding	
	2019	2018
- Engro Polymer Trading (Private) Limited - (note 2.1.7.1)	**100**	100
- Engro Peroxide (Private) Limited - (note 2.1.7.2)	**100**	-
- Engro Plasticizer (Private) Limited - (note 2.1.7.3)	**100**	-

2.1.7.1 Engro Polymer Trading (Private) Limited (EPTPL) was incorporated in Pakistan on November 6, 1999, as a wholly owned subsidiary of the EPCL. EPTPL's principal activity is to purchase, market and sell Poly Vinyl Chloride (PVC), PVC compounds, Caustic soda and other related chemicals. During the year, EPTPL has taken steps to develop market for PVC downstream products. Subsequent to the year end, the SECP has approved the application filed for change in its name to "Think PVC (Private) Limited".

2.1.7.2 Engro Peroxide (Private) Limited was incorporated in Pakistan on July 22, 2019 under the Companies Act, 2017 as a wholly owned subsidiary of EPCL. The main objective of Engro Peroxide (Private) Limited is to manufacture and market Hydrogen Peroxide and related chemicals.

2.1.7.3 Engro Plasticizer (Private) Limited was incorporated in Pakistan on July 22, 2019 under the Companies Act, 2017 as a wholly owned subsidiary of EPCL. The main objective of Engro Plasticizer (Private) Limited is to manufacture and market Chlorinated Paraffin Wax and other related chemicals.

2.1.8 Engro Vopak Terminal Limited

Engro Vopak Terminal Limited (EVTL), a 50% share joint venture of ECL, is a public unlisted company incorporated in Pakistan. EVTL is a joint venture of ECL and Royal Vopak Netherlands B.V. EVTL has been granted the exclusive concession, right and license to design, finance, insure, construct, test, commission, complete, operate, manage and maintain an Integrated Liquid Chemical Terminal and Storage Farm at the south western zone of Port Qasim on Build, Operate and Transfer (BOT) basis.

2.1.9 FrieslandCampina Engro Pakistan Limited

FrieslandCampina Engro Pakistan Limited (FCEPL), formerly Engro Foods Limited, is a public listed company, incorporated in Pakistan. FCEPL is a subsidiary of FrieslandCampina Pakistan Holdings B.V., which is a subsidiary of Zuivelcoöperatie FrieslandCampina UA.

The principal activity of FCEPL is to manufacture, process and sell dairy products, beverages, ice cream and frozen desserts. FCEPL also owns and operates a dairy farm.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all periods presented, except for the changes due to adoption of new standards and an interpretation as disclosed in note 4.

3.1 Basis of preparation

3.1.1 These consolidated financial statements have been prepared under the historical cost convention unless otherwise stated.

3.2 Statement of compliance

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

- International Financial Reporting Standards (IFRSs) 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 provisions of and directives issued under the Companies Act, 2017 differ from the IFRSs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

3.2.2 Initial application of new standards; amendments and interpretations to the existing standards

a) New standards, amendments to the accounting and reporting standards and interpretations effective during the year and are relevant to the Group

The following new standards and interpretation became effective for the Group during the year:
- IFRS 9 - 'Financial instruments';
- IFRS 15 - 'Revenue from Contracts with Customers';
- IFRS 16 - 'Leases'; and
- IFRIC 23, ' Uncertainty over tax treatments'.

The changes laid down by these standards and interpretation and the related impacts have been disclosed in note 4.

The amendments to accounting and reporting standards that became applicable during the year are considered not to be relevant or did not have any significant effect on the Group's financial reporting and operations and, therefore, have not been disclosed in these consolidated financial statements.

b) New standard, amendments to the accounting and reporting standards that are not yet effective and have not been early adopted by the Group

There is a new standard and certain amendments to the accounting and reporting standards that are not yet effective and have not been early adopted by the Group and, therefore, have not been presented in these consolidated financial statements.

3.2.3 Basis of consolidation

i) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Further, the Group also considers whether:

- it has power to direct the relevant activities of the subsidiaries;
- it is exposed to variable returns from the subsidiaries; and
- decision making power allows the Group to affect its variable returns from the subsidiaries.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. These are de-recognised from the date the control ceases. These consolidated financial statements include Dawood Hercules Corporation Limited (the Holding Company) and all companies in which it directly or indirectly controls, beneficially owns or holds more than 50% of the voting securities or otherwise has power to elect and appoint more than 50% of its directors (the Subsidiaries).

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities (including contingent liabilities) assumed in a business combination are measured initially at the fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised in profit or loss.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses (unrealised) are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

ii) Transactions and non-controlling interests

The Group treats transactions with non-controlling interests that do not result in loss of control as transactions with equity owners of the Group. The difference between fair value of any consideration paid / received and the relevant share acquired / disposed of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses to non-controlling interests are also recorded in equity.

iii) Disposal of subsidiaries

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset depending on the level of influence retained. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

3.2.4 These consolidated financial statements have been prepared on the basis of unconsolidated financial statements of the Holding Company and the consolidated financial statements of ECL (the subsidiary).

3.3 Exploration and evaluation assets

Exploration and evaluation assets in respect of area of interest includes license fee, detailed feasibility study and all other related studies to ensure bankability of the project including ancillary (operating and administrative) cost related thereto.

The aforementioned expenditure supporting the technical feasibility and economic / commercial viability, are capitalised as exploration and evaluation assets, where:

- such costs are expected to be recouped through successful development and exploration of the area of interest or alternatively, by its sale; or

- exploration and/or evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence, or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area are continuing.

Capitalised exploration and evaluation expenditure is recorded at cost less impairment charges. As asset is not available for use, it is not depreciated, however, an estimate of recoverable amount of asset is made for possible impairment on an annual basis.

Cash flows associated with exploration and evaluation expenditure are classified as investing activities in the consolidated statement of cash flows.

3.4 Development properties

Development expenditure represents expenditure incurred in area in which economically recoverable resources have been identified. Such expenditure comprises costs directly attributable to the construction of a mine and related infrastructure.

Once a development decision has been taken the carrying amount of the exploration and evaluation asset is transferred to development expenditure and classified under non-current assets as 'development properties'.

Capitalised development properties expenditure is recorded at cost less impairment, if any. As asset is not available for use, it is not depreciated; however, an estimate of recoverable amount of asset is made for possible impairment on an annual basis.

Cash flows associated with development properties are classified as investing activities in the consolidated statement of cash flows.

3.5 Property, plant and equipment

3.5.1 Owned assets

These are stated at historical cost less accumulated depreciation and impairment losses, if any, except free-hold land and capital work in progress which are stated at cost. Historical cost includes expenditure that is directly attributable to the acquisition of the items including borrowing costs. The cost of self constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which those assets are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Where major components of an item of property, plant and equipment have different useful lives, such are accounted for as separate items of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

All repairs and maintenance are charged to profit or loss during the financial period in which such are incurred. Major renewals and improvements, if any, are capitalised in accordance with IAS 16 'Property, Plant and Equipment' and depreciated in a manner that best represents the consumption pattern.

Disposal of asset is recognised when significant risk and rewards incidental to ownership have been transferred to buyers. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss for the year.

Depreciation is charged to profit or loss applying the straight line method, except for catalyst whose depreciation is charged on the basis of number of production days, whereby the cost of an operating asset less its estimated residual value is written off over its estimated useful life. Depreciation on addition is charged from the month following month in which the asset is available for use and on disposals up to the month the asset is no longer in use. The assets' residual values and useful lives are reviewed annually, and adjusted, if material.

The Group reviews appropriateness of the rate of depreciation, useful life and residual value used in the calculation of depreciation on a regular basis.

3.5.2 Dredging expenditure

Dredging expenditure is categorised into capital dredging and major maintenance dredging. Capital dredging is expenditure, which creates new harbour and deepens or extends the basin in front of jetty in order to allow access to larger ships. This expenditure is capitalised and is being depreciated over a period of 15 years.

Major maintenance dredging is expenditure incurred to restore the depth to its previous condition. The management estimates that maintenance dredging has an average service potential of 5 years. Maintenance dredging is regarded as a separate component and is capitalised and depreciated over a period of 5 years on straight line basis.

3.6 Capital spares

Spare parts and servicing equipment are classified as property, plant and equipment rather than stores, spares and loose tools when such meet the definition of property, plant and equipment. These are valued at weighted average cost less impairment except for items in transit which are stated at invoice value plus other charges paid thereon till the reporting date. For items which are slow moving and / or identified as surplus to the Group's requirements, adequate provision is made for any excess book value over estimated realizable value. Upon utilization, the capital spares and servicing equipment are depreciated over their useful life, or the remaining life of principal asset, whichever is lower.

3.7 Intangible assets

a) Computer software and licenses

i) Acquired

Costs associated with maintaining computer software programmes are recognised as an expense when incurred. However, costs that are directly attributable to identifiable software and have probable economic benefits exceeding the cost beyond one year, are recognised as an intangible asset. Direct costs include the purchase cost of software (license fee) and related overhead cost.

Expenditure which enhances or extends the performance of computer software beyond its original specification and useful life is recognised as a capital improvement and added to the original cost of the software.

Computer software cost treated as intangible assets are amortised from the date the software is put to use on a straight-line basis over their respective useful lives.

ii) Internally generated

The cost of an internally generated intangible asset comprises all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended by the management. After initial recognition, internally generated intangible assets are carried at cost less accumulated amortisation and impairment losses. These are amortised using straight-line basis over a period of 5 years. Amortisation on additions is charged from the month following the month in which the asset is available for use and on disposals up to the month preceding the month of disposal.

Expenditure on research (or the research phase of an internal project) is recognised as an expense in the period in which it is incurred.

Development costs incurred on specific projects are capitalised when all the following conditions are satisfied:

- Completion of the intangible asset is technically feasible so that it will be available for use or sale;

- The Group intends to complete the intangible asset and use or sell it;

- The Group has the ability to use or sell the intangible asset;

- The intangible asset will generate probable future economic benefits. Among other things this requires that there is a market for the output from the intangible asset or for the intangible asset itself, or if it is to be used internally, the asset will be used in generating such benefits;

- There are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

- The expenditure attributable to the intangible asset during its development can be measured reliably.

b) Rights for future gas utilization

Rights for future gas utilization represents premium paid to the Government of Pakistan for allocation of 100 MMCFD natural gas for a period of 20 years for EFert's Enven plant network. The rights are being amortised from the date of commercial production on a straight-line basis over the remaining allocation period.

3.8 Impairment of non-financial assets

Assets that are subject to depreciation/amortization are reviewed at each reporting date to identify circumstances indicating occurrence of impairment loss or reversal of previous impairment losses. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sale and value in use. Reversal of impairment loss is restricted to the original cost of the asset.

3.9 Investments in Joint Ventures and Associates

Investment in Joint ventures / associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the investors share of profit or loss of the investee after the date of acquisition. The Group's investment in Joint ventures / associates includes goodwill identified on acquisition. The Group determines at each reporting date whether there is any objective evidence that the investment in joint venture/ associate is impaired. If this is the case, the Group calculates the impairment loss as the difference between the recoverable amount of Joint ventures / associates and its carrying value and recognises it in profit or loss.

3.10 Non current assets (or disposal groups) held-for-sale

Non-current assets (or disposal groups) are classified as assets held-for-sale when the carrying amount is to be recovered principally through a sale transaction rather than continuing use and a sale is considered highly probable. These are stated at the lower of carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss.

Non-current assets classified as held for sale are presented separately from the other assets in the consolidated statement of financial position.

3.11 Financial instruments

3.11.1 Financial assets

Classification, initial recognition and measurement

Upto December 31, 2018, the Group classified its financial assets into four categories namely at fair value through profit or loss, loans and receivables, held to maturity and available for sale.

Effective January 1, 2019, financial assets are classified, at initial recognition and subsequently measured at amortised cost, at Fair Value through Other Comprehensive Income (FVOCI) or at Fair Value through Profit or Loss (FVPL). The management determines the classification of financial assets at initial recognition based on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

A financial asset is measured at amortised cost if both of the following conditions are met:

a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at fair value through profit or loss if it is not measured at amortised cost or at fair value through other comprehensive income.

All financial assets are recognised at the time when the Group becomes a party to the contractual provisions of the instrument. Financial assets at amortised cost are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses, if any. Interest income and impairment losses are recognised in profit or loss. Financial assets carried at FVOCI are initially and subsequently measured at fair value, with gains and losses arising from changes in fair value recognised in other comprehensive income. Financial assets carried at FVPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realised and unrealised gains and losses arising from changes in the fair values of the financial assets and liabilities held at FVPL are included in profit or loss in the period in which these arise.

3.11.2 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. On derecognition of a financial asset, in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

3.11.3 Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade debts, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables except for debts due from the Government of Pakistan which have been exempted from the application of Expected Credit Loss model under IFRS 9 for a limited period of three years up to June 30, 2021 by the Securities and Exchange Commission of Pakistan (SECP) through its S.R.O 985(I) / 2019 dated September 2, 2019.

3.11.4 Financial liabilities

The Group recognises a financial liability in its consolidated statement of financial position when, and only when, it becomes party to the contractual provisions of the instrument. At initial recognition, the Group measures a financial liability at its fair value minus, in the case of a financial liability not at FVPL, transaction costs that are directly attributable to the acquisition or issue of the financial liability. Subsequently, financial liabilities are stated at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in profit or loss.

3.11.5 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle either on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

3.12 Hedging relationships

The Group currently accounts for two types of hedging relationships:

Fair value hedge

Fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or a component of any such item, that is attributable to a particular risk and could affect profit or loss.

The Group accounts for fair value hedging relationships as follows:

(a) the gain or loss on the hedging instrument is recognised in profit or loss (or other comprehensive income, if the hedging instrument hedges an equity instrument for which the Group has elected to present changes in fair value in other comprehensive income).

(b) the hedging gain or loss on the hedged item adjusts the carrying amount of the hedged item (if applicable) and is recognised in profit or loss. If the hedged item is a financial asset (or a component thereof) that is measured at FVOCI, the hedging gain or loss on the hedged item is recognised in profit or loss. However, if the hedged item is an equity instrument for which the Group has elected to present changes in fair value in other comprehensive income, those amounts remain in other comprehensive income. When a hedged item is an unrecognised firm commitment (or a component thereof), the cumulative change in the fair value of the hedged item subsequent to its designation is recognised as an asset or a liability with a corresponding gain or loss recognised in the profit or loss.

Cash flow hedge

Cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with all, or a component of, a recognised asset or liability (such as all or some future interest payments on variable-rate debt) or a highly probable forecast transaction, and could affect profit or loss.

The Group accounts for cash flow hedging relationships as follows:

(a) the separate component of equity associated with the hedged item (cash flow hedge reserve) is adjusted to the lower of the following (in absolute amounts):

  (i) the cumulative gain or loss on the hedging instrument from inception of the hedge; and

  (ii) the cumulative change in fair value (present value) of the hedged item (i.e. the present value of the cumulative change in the hedged expected future cash flows) from inception of the hedge.

(b) the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge [i.e. the portion that is offset by the change in the cash flow hedge reserve calculated in accordance with (a)] is recognised in other comprehensive income.

(c) any remaining gain or loss on the hedging instrument [or any gain or loss required to balance the change in the cash flow hedge reserve calculated in accordance with (a)] is hedge ineffectiveness that is recognised in profit or loss.

(d) the amount that has been accumulated in the cash flow hedge reserve in accordance with (a) is accounted for as follows:

  (i) if a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or a hedged forecast transaction for a non-financial asset or a non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the Group removes that amount from the cash flow hedge reserve and includes it directly in the initial cost or other carrying amount of the asset or the liability.

  (ii) for cash flow hedges other than those covered by (i), that amount is reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment in the same period or periods during which the hedged expected future cash flows affect profit or loss.

  (iii) however, if that amount is a loss and the Group expects that all or a portion of that loss will not be recovered in one or more future periods, it immediately reclassifies the amount that is not expected to be recovered into profit or loss as a reclassification adjustment.

3.13 Stores, spares and loose tools

These are valued at weighted average cost except for items in transit which are stated at invoice value plus other charges paid thereon till the reporting date. For items which are slow moving and / or identified as surplus to the Group's requirements, adequate provision is made for any excess book value over estimated realizable value. The Group reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence, if any.

3.14 Stock-in-trade

These are valued at the lower of cost and net realizable value. Cost is determined using weighted average method except for raw material and certain purchased products in transit which are stated at cost (invoice value) plus other charges incurred thereon till the reporting date. Cost in relation to finished goods includes applicable purchase cost and manufacturing expenses. The cost of work in process includes material and proportionate conversion costs.

Net realizable value signifies the estimated selling price in the ordinary course of business less all estimated costs of completion and costs necessarily to be incurred in order to make the sales.

3.15 Trade debts, contract assets and other receivables

Trade debts and other receivables are recognised initially at the amount of consideration that is unconditional unless these contain significant financing components, in which case these are recognised at fair value. The Group holds the trade debts and other receivables with the objective to collect contractual cash flows and, therefore, measures them subsequently at amortised cost using effective interest method. A provision for impairment is established under the simplified model stipulated in IFRS 9. Under this model expected credit losses are measured based on lifetime expected loss allowance for all trade debts and other receivables. The Group measures expected credit losses on trade debts and other receivables in a way that reflects:

a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

b) the time value of money; and

c) reasonableness and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The amount of the provision is charged to profit or loss. Trade debts and other receivables considered irrecoverable are written-off.

A contract asset is recognised for the Group's right to consideration in exchange for goods or services that it has transferred to a customer. If the Group performs its obligation by transferring goods or services to a customer before the customer pays consideration or before payment is due, the Group presents the amount as a contract asset, excluding any amounts presented as a receivable.

3.16 Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of cash flows include cash in hand and in transit, cheques in hand, balances with banks on current, deposit and saving account, other short term highly liquid investments with original maturities of three months or less and short term borrowings other than term finance.

3.17 Share capital

Ordinary shares are classified as equity and recognised at their face value. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.18 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Exchange gains and losses arising in respect of borrowings in foreign currency are added to the carrying amount of the borrowing.

3.19 Leasing activities as a lessee

Lease liabilities and right-of-use assets

Effective 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 Group's incremental borrowing rate.

Lease payments include fixed payments less any lease incentives received, variable lease payments that are based on an index or a rate which are initially measured using the index or a rate as at the commencement date, amounts expected to be payable by the Group under residual value guarantees, the exercise price of a purchase option, if any, and if the Group is reasonably certain to exercise that option and 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 liability is subsequently measured at amortised cost using the effective interest rate method. It is 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 right-to-use asset, and is recorded in profit or loss if the carrying amount of right-to-use asset has been reduced to zero.

A change in scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease is accounted for as a lease modification. The lease modification is accounted for as a separate lease if modification increases the scope of lease by adding the right to use one or more underlying assets and the consideration for lease increases by an amount that is commensurate with the stand-alone price for the increase in scope adjusted to reflect the circumstances of the particular contracts, if any. When the lease modification is not accounted for as a separate lease, the lease liability is remeasured and corresponding adjustment is made to right-of-use asset.

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.

3.20 Leasing activities as a lessor

The Group enters into lease arrangements with respect to its LNG infrastructure for receipt, storage and regasification of LNG.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

When a contract includes lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component.

3.21 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

These are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, these are presented as non-current liability.

Exchange gains and losses arising in respect of liabilities in foreign currency are added to the carrying amount of the respective liabilities.

3.22 Deferred income

Amount received on account of operating lease rental income as lessor is recognised as deferred income where not earned and credited to profit or loss in the relevant period of provision of services for recognition of rentals on straight line basis.

3.23 Contract liability

A contract liability is recognised for the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration, or the Group has a right to an amount of consideration that is unconditional (i.e. a receivable), before the Group transfers a good or service to the customer, the Group presents the contract as a contract liability when the payment is made or the payment is due (whichever is earlier).

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

(Amounts in thousand)

3.24 Provisions

Provisions are recognised when the Group has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect current best estimate.

3.25 Income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in OCI or directly in equity. In which case, the tax is also recognised in OCI or directly in equity.

- **Current**

  Provision for current taxation is based on the taxable income for the year calculated on the basis of the tax laws enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

- **Deferred**

  Deferred tax is recognised using the balance sheet method, providing for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when these reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

  A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.26 Contingent liabilities

Contingent liabilities are disclosed when:

- there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Group; or

- there is a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured reliably.

3.27 Staff retirement and other benefits

3.27.1 Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than the defined contribution plan. The Group's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in current and prior periods; that benefit is discounted to determine its present value. The calculation is performed annually by a qualified actuary using the Projected Unit Credit method.

Remeasurements (actuarial gains / losses) in respect of defined benefit plan are recognised in other comprehensive income.

Contributions require assumptions to be made of future outcomes which mainly include increase in remuneration, expected long-term return on plan assets and the discount rate used to convert future cash flows to current values. Calculations are sensitive to changes in the underlying assumptions.

Contributions require assumptions to be made of future outcomes which mainly include increase in remuneration, expected long-term return on plan assets and the discount rate used to convert future cash flows to current values. Calculations are sensitive to changes in the underlying assumptions.

he Group operates defined benefit funded gratuity schemes for its management employees and non-management employees of Engro Fertilizers Limited (EFert).

The Group also operates defined benefit funded pension scheme for EFert's management employees; the pension scheme provides life time pension to retired employees or to their spouses. Contributions are made annually to these funds on the basis of actuarial recommendations. The pension scheme has been curtailed and effective from July 1, 2005, no new members are inducted in this scheme.

Annual provision is also made under a service incentive plan for certain category of experienced employees to continue in the Group’s employment.

In June 2011, the Group gave a one time irrevocable option to selected members of MPT Employees' Defined Benefit Gratuity Fund and Defined Contribution Pension Fund to join a new MPT Employee's Defined Contribution Gratuity Fund (the Fund), a defined contribution plan. The present value, as at June 30, 2011, of the defined benefit obligation of those employees, who accepted this offer, were transferred to this Fund. Further, from July 2011 onwards, the monthly contributions to Defined Contribution Pension Fund of such employees were discontinued.

3.27.2 Defined contribution plans

A defined contribution plan is a post - employment benefit plan under which the Group pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss when these are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

The Group operates:

- defined contribution provident funds for its permanent employees. Monthly contributions are made both by the Group and employees to the fund at the rate of 10% of basic salary;

- defined contribution pension funds for the benefit of management employees. Monthly contributions are made by the Group to the fund at the rate ranging from 12.5% to 13.75% of basic salary; and

- defined contribution gratuity funds for the benefit of management employees. Monthly contributions are made by the Group to the fund at the rate of 8.33% of basic salary.

3.27.3 Employee's compensated absences

The Group accounts for compensated absences on the basis of unavailed leave balance of each employee at the end of the year.

3.27.4 Other benefits - Service Incentive Plan

Provision is made under a service incentive plan for certain category of experienced employees to continue in the Group's employment. The provision is made on the basis of management's estimates of incentives to be paid to employees on fulfillment of criteria given in the incentive plan.

3.28 Revenue / income recognition

Upto December 31, 2018 revenue was recognised when the risks and rewards were transferred.

Effective January 1, 2019 revenue is recognised when or as performance obligations are satisfied by transferring control of a promised goods or service to a customer at a point in time. Revenue is measured at fair value of the consideration received or receivable, excluding discounts, rebates and government levies. The details are as follows:

- The Group recognises revenue at a point in time when control of product is transferred to customer. Control, depending on contractual terms, is considered to be transferred either when the product is directly uplifted by customer from the Group's premises or when it is delivered by the Group at customer premises.

- Revenue from contracts and long term service agreements is recognised when or as performance obligations are satisfied by transferring control of promised services to a customer, and control either transfers over time or at a point in time. Where, revenue over the time is recognised based on the percentage of completion method, the stage of completion is assessed by milestones which ascertain the completion of the proportion of contract work or the performance of services provided in the agreement.

- Dividend income is recognised when the Group's right to receive dividend is established, i.e. on the date of book closure of the investee company declaring the dividend.

- Returns on bank deposits are accrued on a time proportion basis by reference to the outstanding principal amounts and the applicable rates of return.

- Income on Market Treasury Bills, Pakistan Investment Bonds (PIBs) and Term Deposit Receipts is accrued using the effective interest rate method.

- Gains and losses arising on disposal of investments are included in income in the year in which these are disposed of.

- Unrealised gains and losses arising on revaluation of securities classified as at FVPL are included in profit or loss in the period in which these arise respectively.

- Operation and maintenance fee under various contracts is measured at fair value of the consideration received or receivable and is recognised on accrual basis when services are rendered i.e. performance obligations are fulfilled in accordance with the terms of agreements.

- Revenue from supply of electricity to National Transmission and Dispatch Company (NTDC), the sole customer of Engro Powergen Qadirpur Limited (EPQL) and Engro Powergen Thar (Private) Limited (EPTL), is recognised when the following performance obligations are satisfied:

• Capacity revenue is recognised based on the capacity made available to NTDC; and

• Energy revenue is recognised based on the Net Electrical Output (NEO) delivered to NTDC.

Capacity and Energy revenue is recognised based on the rates determined under the mechanism laid down in the Power Purchase Agreements (PPAs).

- Consultancy fee is recognised at the time the services are rendered.

- Delayed payment charges on overdue trade receivables are recognised on an accrual basis.

- Revenue from re-gasification and transportation of Liquefied Natural Gas (LNG) to Sui Southern Gas Company Limited (SSGCL) under LNG operations and Services Agreement (LSA) is recognised on the following basis:

  - Utilisation revenue on the basis of Re-gasified LNG throughput to SSGCL over time.

  - Operations and maintenance revenue over time.

- Revenue from tower infrastructure provisioning is recognised on straight line basis over the non-cancellable agreement period, regardless of whether the payments from customers are received, in equal monthly amounts during the contract term. The Group considers all fixed elements of the relevant contractual escalation provisions in calculating the straight-line revenue. Whereas revenue for cancellable agreements are recorded at the amounts invoiced to the customers, as per the agreement.

- Revenue from operations and maintenance services for telecommunication infrastructure is recognised when services are rendered as the performance obligations are generally met over time as customer simultaneously receives and consumes benefits of services as and when the services are performed by the Group. The Group generally uses output method to measure progress towards satisfying a performance obligation. The Group recognises revenue at the amount of the Group's right to invoice as per the agreements with the customers if the Group’s right to invoice the customers is based on the value of services transferred and the amount invoiced represents the value transferred to the customers.

- Deferred incentive revenue is recognised based on the present value of discount provided by the Group in its bundled contracts with the customers. The unwinding of discount on deferred incentive revenue is recognised as finance cost in profit or loss. Subsequent amortisation of deferred incentive revenue is credited to revenue on a systematic basis.

- Revenue from energy support services is recognised by the Group through bills on a pass through basis as the Group does not consider it controls the specific services before its delivery to customers. Accordingly, the Group recognises revenue arising from pass through billings on a net basis.

3.29 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred except where such costs are directly attributable to the acquisition, construction or production of a qualifying asset in which such costs are capitalised as part of the cost of that asset. Borrowing costs includes exchange differences arising from foreign currency borrowings to the extent these are regarded as an adjustment to borrowing costs and net gain / loss on the settlement of derivatives hedging instruments.

3.30 Research and development costs

Research and development costs are charged to income as and when incurred, except for certain development costs which are recognised as intangible assets when it is probable that the developed project will be a success and certain criteria, including commercial and technical feasibility have been met.

3.31 Government grant

Government grant that compensates the Group for expenses incurred is recognised in profit or loss on a systematic basis in the same period in which the expenses are recognised. Government grants are deducted in reporting the related expenses.

3.32 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Holding Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.33 Dividend and appropriation to reserves

Dividends and appropriations to reserves are recognised in the period in which these are approved.

3.34 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Holding Company that makes strategic decisions.

3.35 Foreign currency transactions and translation

3.35.1 These consolidated financial statements are presented in Pakistan (Rupees in '000), which is the Group's functional currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates 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 recognised in profit or loss.

3.35.2 The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the date of that consolidated statement of financial position;

- income and expenses for each profit or loss item are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

- all resulting exchange differences are recognised as a separate component of equity.

4. CHANGES IN ACCOUNTING POLICIES

The Group has applied the following standards and interpretation for the first time with effect from January 1, 2019:

i) IFRS 9 - 'Financial Instruments'

IFRS 9 has replaced the provisions of IAS 39 "Financial Instruments: Recognition and Measurement" 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.

The adoption of IFRS 9 from January 1, 2019 by the Group has resulted in change in accounting policies which are detailed in notes 3.11 and 3.12. The Group has elected not to restate comparative information as permitted under the transitional provisions of IFRS 9. The adjustments arising from the new impairment rules are not reflected in these consolidated financial statements as the effects were not material.

On January 1, 2019, the management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories. As a result of this, financial assets previously classified as "loans and receivables" and "held-to-maturity" have now been classified as "at amortised cost". Financial liabilities continue to be classified as at amortised cost. The reclassifications of the financial instruments also did not result in any changes to measurements.

ii) IFRS 15 - 'Revenue from contracts with customers'

IFRS 15 'Revenue from Contracts with Customers' superseded 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. IFRS 15 introduces a single five-step model for revenue recognition with a comprehensive framework based on the 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 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 there is no significant financial impact of IFRS 15 on these consolidated financial statements. However, the related changes to the accounting polives have been made in note 3.28.

iii) IFRS 16 - 'Leases'

IFRS 16, "Leases" has replaced the 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 has introduced a single, on-balance sheet lease accounting model for lessees. A lessee recognises 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. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The accounting policies relating to the Group's right-of-use assets and lease liabilities have been disclosed in note 3.20.

The Group has adopted IFRS 16 from January 1, 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in IFRS 16.

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 Group's incremental borrowing rate as of January 1, 2019.

For all segments other than Polymer, the right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of prepaid lease payments recognised in the consolidated 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. However, the right of use assets for Group's "Polymer segment" were measured on a retrospect basis as if IFRS 16 had been applied since the commencement date of respective leases. These were discounted using the Group's incremental borrowing rate at the date of initial application.

The right of use assets of the group relates to:

- office space acquired on rental bases;

- storage tanks of EPCL operation

- Floating Storage and Regasification Unit (FSRU) arrangement under Time Charter Party (TCP) agreement entered by EETPL; and

- lease agreements entered into by the Group with landlords in respect of tenanted sites.

Under IFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17).

At the date of initial application, Group has reassessed its operating sublease on the basis of remaining contractual terms and conditions of the head lease and the sublease. Based on the assessment, the Group has reclassified its operating sublease arrangement relating to FSRU as a finance lease and has accounted for the sublease as a new finance lease entered into at the date of initial application as per requirements of the IFRS 16.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by IFRS 16:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics,

- 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.

The change in accounting policy due to adoption of IFRS 16 has affected the following items in the consolidated statement of financial position.

	January 1, 2019
	------ (Rupees in '000) ------
Right of use assets - increased by	**49,183,658**
Derecognition of right of use asset on account of sub-lease	**(45,002,470)**
	4,181,188
Increase in net investment in lease	**45,002,470**
Lease liabilities:	
- Current liabilities - increased by	**2,775,870**
- Non current liabilities - increased by	**49,048,869**
	51,824,739
Increase in deferred tax asset	**743,048**
Decrease in unappropriated profit	**1,898,033**

iv) IFRIC 23, ' Uncertainty over tax treatments'

IFRIC 23 'Uncertainty over tax treatments' - clarified how the recognition and measurement requirements of IAS 12 ‘Income taxes’, are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that IAS 12, not IAS 37 ‘Provisions, contingent liabilities and contingent assets’, applied to accounting for uncertain income tax treatments. IFRIC 23 explained how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applied to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. The impact of the above interpretation is not material on these consolidated financial statements.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of these consolidated financial statements in conformity with accounting and reporting standards requires the use of certain significant accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. Estimates and judgements 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. In the process of applying the Group's accounting policies, the management has made the following estimates and judgements which are significant to these consolidated financial statements:

a) Property, plant and equipment and intangibles

The Group annually reviews appropriateness of the method of depreciation and amortisation, useful life and residual value used in the calculation of depreciation and amortisation. Further, where applicable, an estimate of the recoverable amount of asset is made for possible impairment on an annual basis. These calculations require the use of estimates. Any change in these estimates in the future, might affect the carrying amount of the respective item of property and equipment and intangible assets, with a corresponding effect on the depreciation, amortisation charge, and impairment.

In case of acquisition of group of assets and liabilities, the Group allocates the purchase consideration to individual assets and liabilities on basis of the relative fair value at the date of purchase. For determination of fair value, the Group takes into account its principle ability to generate economic benefits by either using the asset in its highest and best use or by selling it to another customer. Estimation of highest and best use is made on basis of estimated net cash in flows associated with the assets or group of assets. The consideration for selling it to another customer is based on the fair market value after adjusting the impacts of obsolescence.

b) Investments at fair value through profit or loss / other comprehensive income

The Group determines fair value of certain investments by using quotations from active market and conditions and information about the financial instruments. These estimates are subjective in nature and involve some uncertainties and matters of judgment.

c) Derivatives

The Group reviews the changes in fair values of the derivative hedging financial instruments at each reporting date based on the valuations received from the contracting banks. These valuations represent estimated fluctuations in the relevant currencies/interest rates over the reporting period and other relevant variables signifying currency and interest rate risks.

d) Stock-in-trade

The Group reviews the net realizable value of stock-in-trade to assess any diminution in the respective carrying values. Net realizable value is determined with reference to estimated selling price less estimated expenditures to make the sales.

e) Income taxes

In making the estimates for current income taxes payable by the Group, the management considers the applicable laws and the decisions / judgments of appellate authorities on certain issues in the past. Accordingly, the recognition of deferred tax is also made taking into account these judgments and the best estimates of future results of operations of the Group.

f) Provision for retirement and other service benefits obligations

The present value of these obligations depend on a number of factors that are determined on actuarial basis using certain of assumptions. Any changes in these assumptions will impact the carrying amount of these obligations.

g) Impairment of financial assets

In making an estimate of recoverable amount of the Group’s financial assets including investment in joint ventures and associates, the management makes certain estimates including those based on market observable data. Any change in these assumptions will impact the amount of impairment of financial assets.

h) Stores and spares

The Group regularly reviews the provision for slow moving stores and spares to assess the consumption of stores and spares, thereby ensuring that slow moving items are provided for.

i) Un-billed revenue in respect of COD tariff adjustment

As per the applicable tariff regime, EPTL has applied to NEPRA for COD tariff adjustment. EPTL is currently billing its revenue based on the provisional tariff for Capacity Purchase Price, previously notified by NEPRA. Meanwhile, the differential un-billed revenue has been recognised based on management's best estimate of final tariff to be approved by NEPRA, which will be invoiced as and when notified by NEPRA.

j) Contingencies and Provisions

Significant estimates and judgements are being used by the management in accounting for contingencies and provisions relating to legal and taxation matters being contested at various forums based on applicable laws and the decisions / judgements.

k) Right of use asset and corresponding lease liability

IFRS 16 requires the Group to assess the lease term as the non-cancelable lease term in line with the lease contract together with the period for which the Group has extension options which the Group is reasonably certain to exercise and the periods for which the Group has termination options for which the Group is not reasonably certain to exercise those termination options.

The rate used on transition to discount future lease payments represents the Group's incremental borrowing rate.

With specific reference to Engro Elengy Terminal (Private) Limited's arrangement under Time Charter Party and LNG operations and Services Agreement (LSA), significant estimates further included:

i) Evaluation and separation of lease and non-lease components

The LSA has been determined to have an operating lease component with respect to terminal, a sublease of right-of-use asset [Floating Storage and Regasification Unit (FSRU)] and certain non-lease components including utilization / regassification and operations and maintenance services. The assessment required significant judgement and interpretation of the requirements of IFRS 16 with respect to separation of lease components of terminal and the right-of-use asset. Accordingly, the right-of-use asset and terminal were determined not to be highly dependent or interrelated to each other and the lessee having the ability to use the underlying asset on its own or together with other resources readily available to it.

ii) Classification of lease

The classification of lease of terminal required use of estimates of cash flows during the contract period, margins, residual values and allocation of amounts under daily capacity charges to lease and non-lease components and determine minimum lease payments at the inception of lease from terminal and sublease of right-of-use asset. As a result the lease of terminal has been determined as an operating lease as significant risk and rewards relating to the same remain with the EETPL at the end of the lease term, taking into account the useful life and fair value of terminal assets, minimum lease payments, residual value and the assessment that customer is not likely to exercise purchase option.

iii) Non-lease components

The non-lease components include utilization / regassification and operations and maintenance services relating to terminal and right-of-use asset, recovery of SSGC Branch pipeline and other recurring costs which have been determined and excluded from daily capacity charges based on actual cost incurred and estimates of future costs. This recovery was estimated with reference to cost plus estimated margin, where applicable, as standalone prices were not observable.

iv) Discount rate

The rate used on transition to discount future lease payments under TCP represent the EETPL's incremental borrowing rate. The rate has been estimated using LIBOR rates available in the lease currency and adjusted to reflect the underlying lease term based on observable inputs.

v) Provision for decommissioning costs

The timing of recognition of provision for decommissioning requires the application of judgement of existing facts and circumstances, which can be subject to change. In determining the present value of the provision for decommissioning, assumptions and estimates are made in relation to discount rates, the expected cost to decommission and remove the equipment from the site and the expected timing of those costs.

vi) Revenue recognition

Revenue on long-term service agreements / construction contracts is recognised based on the percentage of completion method. The Group reviews the appropriateness of the stage of completion through milestones / cost incurred which ascertain the completion of a proportion of the contract work or the performance of services provided.

	2019	2018
	------ (Rupees in '000) ------	
6. PROPERTY, PLANT AND EQUIPMENT		
Operating fixed assets (note 6.1)	**233,566,594**	105,275,905
Capital work in progress (note 6.5)	**17,508,521**	98,326,481
Capital spares and standby equipment	**2,390,272**	943,599
	253,465,387	204,545,985

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

(Amounts in thousand)

6.1 Operating fixed assets

	Land		Building		Lease hold improvements	Pipelines	Plant and machinery	Catalyst	Furniture fixture and equipments		Vehicles	Data processing equipment	Jetty	Dredging	Total
	Freehold	Leasehold	Freehold	Leasehold			Owned		Owned	Leased	Owned				
	(Rupees in '000)														
As at January 1, 2018															
Cost	312,254	475,326	5,630,598	1,822,306	22,150	3,024,105	141,425,408	1,397,152	2,043,408	21,723	930,131	50,910	5,304,592	2,864,149	**165,324,212**
Accumulated depreciation	-	(134,281)	(1,727,892)	(605,815)	(5,638)	(1,038,461)	(50,359,664)	(1,173,896)	(1,376,566)	(21,002)	(480,284)	(22,173)	(613,249)	(569,876)	**(58,128,797)**
Accumulated impairment	-	(134,921)	-	(750,646)	-	-	(2,484,357)	-	(87,300)	-	-	-	-	-	**(3,457,224)**
Net book value	312,254	206,124	3,902,706	465,845	16,512	1,985,644	88,581,387	223,256	579,542	721	449,847	28,737	4,691,343	2,294,273	**103,738,191**
Year ended December 31, 2018															
Opening net book value	312,254	206,124	3,902,706	465,845	16,512	1,985,644	88,581,387	223,256	579,542	721	449,847	28,737	4,691,343	2,294,273	**103,738,191**
Amortisation of revaluation surplus	-	(2,572)	-	(1,140)	-	3,355	(33,649)	-	-	-	-	-	-	-	**(34,006)**
Additions including transfers (note 6.5)	26,938	-	148,822	4,926	-	-	6,284,288	213,900	622,721	-	259,665	14,970	6,133	116,758	**7,699,121**
Transfer to capital spares	-	-	-	-	-	-	-	-	13,320	-	-	-	-	-	**13,320**
Capitalisation of exchange loss (note 6.2)	-	-	-	-	-	-	1,106,522	-	-	-	-	-	-	-	**1,106,522**
Adjustments / reclassifications															
Cost	2,488	-	-	-	-	-	(32,581)	-	-	-	-	-	-	-	**(30,093)**
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Accumulated impairment - reversal	-	13,304	-	155,889	-	-	233,701	-	622	-	-	-	-	-	**403,516**
Adjustments	2,488	13,304	-	155,889	-	-	201,120	-	622	-	-	-	-	-	**373,423**
Disposals / Write offs (note 6.4)															
Cost	-	-	-	-	-	-	(23,870)	-	(26,611)	-	(73,561)	(1,797)	-	-	**(125,839)**
Accumulated depreciation	-	-	-	-	-	-	4,004	-	16,083	-	61,084	1,647	-	-	**82,818**
Accumulated impairment	-	-	-	-	-	-	15,832	-	3,272	-	-	-	-	-	**19,104**
	-	-	-	-	-	-	(4,034)	-	(7,256)	-	(12,477)	(150)	-	-	**(23,917)**
Depreciation charge (note 6.3)	-	(14,641)	(194,757)	(37,183)	(2,215)	(147,202)	(6,358,558)	(88,085)	(232,071)	-	(130,099)	(12,840)	(140,577)	(238,521)	**(7,596,749)**
Net book value	341,680	202,215	3,856,771	588,337	14,297	1,841,797	89,777,076	349,071	976,878	721	566,936	30,717	4,556,899	2,172,510	**105,275,905**
As at December 31, 2018															
Cost	341,680	472,754	5,779,420	1,826,092	22,150	3,027,460	148,726,118	1,611,052	2,652,838	21,723	1,116,235	64,083	5,310,725	2,980,907	**173,953,237**
Accumulated depreciation	-	(148,922)	(1,922,649)	(642,998)	(7,853)	(1,185,663)	(56,714,218)	(1,261,981)	(1,592,554)	(21,002)	(549,299)	(33,366)	(753,826)	(808,397)	**(65,642,728)**
Accumulated impairment	-	(121,617)	-	(594,757)	-	-	(2,234,824)	-	(83,406)	-	-	-	-	-	**(3,034,604)**
Net book value	341,680	202,215	3,856,771	588,337	14,297	1,841,797	89,777,076	349,071	976,878	721	566,936	30,717	4,556,899	2,172,510	**105,275,905**

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

(Amounts in thousand)

6.1 Operating fixed assets - continued

	Land		Building		Lease hold improvements	Pipelines	Plant and machinery	Catalyst	Furniture fixture and equipments		Vehicles	Data processing equipment	Jetty	Dredging	Total
	Freehold	Leasehold	Freehold	Leasehold			Owned		Owned	Leased	Owned				
	(Rupees in '000)														
Year ended December 31, 2019															
Opening net book value	341,680	202,215	3,856,771	588,337	14,297	1,841,797	89,777,076	349,071	976,878	721	566,936	30,717	4,556,899	2,172,510	**105,275,905**
Amortisation of revaluation surplus	-	(2,572)	-	(1,140)	-	3,355	(33,649)	-	-	-	-	-	-	-	**(34,006)**
Additions including transfers (note 6.5)	-	283,342	1,812,853	1,980	-	98,288	134,424,582	371,195	1,434,690	-	1,407,990	10,321	-	67,617	**139,912,858**
Capitalisation of net exchange loss (note 6.2)	-	-	-	-	-	-	(986,415)	-	-	-	-	-	-	-	**(986,415)**
Adjustments / reclassifications															
Cost	2,488	-	(764)	301	-	(10,850)	22,915	-	(31,977)	-	17,589	-	-	-	**(298)**
Accumulated depreciation	-	5	20	1,101	-	-	(29,798)	-	3,057	-	(738)	-	-	-	**(26,353)**
Accumulated impairment	-	(5)	-	(1,101)	-	-	(1,880)	-	(2,685)	-	-	-	-	-	**(5,671)**
	2,488	-	(744)	301		(10,850)	(8,763)	-	(31,605)	-	16,851		-	-	**(32,322)**
Disposals / Write offs (note 6.4)															
Cost	-	(47,616)	-	(3,379)	-	-	(655,375)	-	(340,560)	-	(111,450)	(4,467)	(1,443)	-	**(1,164,290)**
Accumulated depreciation	-	19,378	-	596	-	-	568,275	-	333,868	-	71,311	4,384	173	-	**997,985**
Accumulated impairment	-	-	-	-	-	-	60,724	-	-	-	-	-	-	-	**60,724**
	-	(28,238)	-	(2,783)	-	-	(26,376)	-	(6,692)	-	(40,139)	(83)	(1,270)	-	**(105,581)**
Depreciation charge (note 6.3)	-	(39,742)	(220,067)	(57,945)	(2,215)	(127,962)	(8,956,798)	(151,847)	(410,361)	-	(175,615)	(15,740)	(155,276)	(150,277)	**(10,463,845)**
Net book value	344,168	415,005	5,448,813	528,750	12,082	1,804,628	214,189,657	568,419	1,962,910	721	1,776,023	25,215	4,400,353	2,089,850	**233,566,594**
As at December 31, 2019															
Cost	344,168	705,908	7,591,509	1,823,854	22,150	3,118,253	281,498,176	1,982,247	3,714,991	21,723	2,430,364	69,937	5,309,282	3,048,524	**311,681,086**
Accumulated depreciation	-	(169,281)	(2,142,696)	(699,246)	(10,068)	(1,313,625)	(65,132,539)	(1,413,828)	(1,665,990)	(21,002)	(654,341)	(44,722)	(908,929)	(958,674)	**(75,134,941)**
Accumulated impairment	-	(121,622)	-	(595,858)	-	-	(2,175,980)	-	(86,091)	-	-	-	-	-	**(2,979,551)**
Net book value	344,168	415,005	5,448,813	528,750	12,082	1,804,628	214,189,657	568,419	1,962,910	721	1,776,023	25,215	4,400,353	2,089,850	**233,566,594**
Annual rate of depreciation (%)	-	1 to 8	2.5 to 33	2.5 to 10	10	5	2.5 to 25	No. of production days	3 to 33	20	5 to 25	33.3 to 50	6.7	6.7 to 20	

6.1.1 The details of immovable fixed assets (i.e. land and buildings) are as follows:

Description of assets	Address	Total area of land in Acres
Dharki plant & colony	Dharki, Sindh	726.00
Zarkhez plant	Port Qasim, Karachi	112.50
Rice plant	13-KM Sheikhupura Road, Lahore	62.95
LNG terminal	South Western Industrial Zone, Port Qasim, Karachi	13.18
Power plant and associated buildings	Deh Belo Sanghari, Ghotki, Sindh	41.50
Colony land	Colony Road, Dharki, Ghotki, Sindh	16.40
Leasehold land	Thar Block II, Islamkot District, Sindh	215.00
Leasehold land	EZ/I/P-II-I Eastern Zone, Bin Qasim, Karachi	121.92
Leasehold land	68, Margalla Road, F-6/2, Islamabad	0.41
Production facilities	EZ/I/P-II-I Eastern Zone, Bin Qasim, Karachi	3.26
Storage facilities	EZ/I/P-II-I Eastern Zone, Bin Qasim, Karachi	2.21
Administration facilities	EZ/I/P-II-I Eastern Zone, Bin Qasim, Karachi	0.60

6.2 The SECP, through S.R.O. 986(1)/2019 dated September 2, 2019 partially modified its previously issued S.R.O. 24/(1)/2012 dated January 16, 2012 and granted exemption to all companies that have executed their power purchase agreements before January 1, 2019, from the application of IAS 21 'The Effects of Changes in Foreign Exchange Rates' to the extent of capitalization of exchange differences. Accordingly, during the year, the Group has capitalized exchange gain of Rs 986.415 million (2018: exchange loss of Rs 1,106.522 million) arising on foreign currency borrowings to the cost of the related property, plant and equipment.

	2019	2018
	------ (Rupees in '000) ------	
6.3 Depreciation charge for the year has been allocated as follows:		
Cost of goods sold (note 32.1)	**9,623,651**	6,905,789
Capital work-in-progress	**55,657**	-
Cost of services rendered (note 32.2)	**469,139**	478,016
Selling and distribution expenses (note 33)	**116,222**	71,384
Administrative expenses (note 34)	**199,176**	141,560
	10,463,845	7,596,749

6.3.1 During the year, as required under EPCL's accounting policy, EPCL engaged an independent expert / valuer to carry out a reassessment of scrap values of certain items of plant and machinery and pipelines. Based on the valuation report of the expert, the scrap values of these assets have been increased from 0% - 5% to 5% - 17% of the cost of these assets with effect from January 1, 2019. This change in accounting estimate of scrap values has been accounted for prospectively in accordance with the requirements of IAS 8 “Accounting Policies, Change in Accounting Estimates and Errors” and has resulted in a decrease in depreciation charge for the year by Rs 147.265 million. Further, based on the same report the useful lives of some of the major items of plant and machinery have also been increased by 4 years with effect from January 1, 2019, resulting in a decrease in depreciation charge for the year by Rs 61.841 million. This has also been accounted for prospectively as a change in accounting estimate in accordance with IAS 8.

Furthermore, during the year, EETPL re-estimated useful lives of capital dredging, leasehold land, jetty, plant and machinery which were revised. This change in accounting estimate has also been applied prospectively and the net effect of the change in current financial year was decrease in depreciation expense of Rs 100.838 million in capital dredging, Rs 3.171 million in leasehold land, Rs 30.800 million in plant and machinery and increase in depreciation of Rs 31.140 million in jetty. Assuming the assets are held until the end of their estimated useful lives, depreciation in future years in relation to these assets will be decreased by the same amount each year as stated above.

6.4 The details of operating fixed assets disposed of / written off during the year are as follows:

Description and method of disposal	**Sold to**	**Relationship**	**Cost**	**Accumulated depreciation & impairment**	**Net book value**	**Sale proceeds**	**Gain \ (Loss)**
			(Rupees in '000)				
Plant and machinery							
By Group policy							
- Diesel Generator 500 KVA	Power Control Sales & Services	-	3,500	205	3,295	1,321	(1,974)
- Cooling Towers	Mr. Muhammad Kamran	-	97,375	78,268	19,107	15,000	(4,107)
- Distribution transformer 1000 KVA	Mr. Muhammad Arshad	-	5,065	4,032	1,033	700	(333)
Items having net book value of more than Rs 500,000 each	N.R.S & Roshan Traders	-	4,230	3,262	968	791	(177)
			110,170	85,767	24,403	17,812	(6,591)
Furniture, fixture and equipment							
By Group policy to existing / resigned / retired executives			1,441	7	1,434	4,314	2,880
Write-off							
Items having net book value of more than Rs 500,000 each			314,329	313,799	530	3,669	3,139
			315,770	313,806	1,964	7,983	6,019
Vehicles							
Negotiation	Mr. Nimble Bull	-	2,077	1,350	727	1,805	1,078
As per the Holding Company's policy	Mr. Abdul Samad Dawood	(Key Management Personnel)	51,655	21,523	30,132	-	(30,132)
By Group policy to existing / resigned / retired executives	Mr. M. Asif Sultan Tajik	Ex Employee	15,061	9,712	5,349	9,325	3,976
			68,793	32,585	36,208	11,130	(25,078)
Items having net book value of less than Rs 500,000 each							
Various items			669,557	626,551	43,006	60,588	17,582
Year ended December 31, 2019			1,164,290	1,058,709	105,581	97,513	(8,068)
Year ended December 31, 2018			125,839	101,922	23,917	46,564	22,647

		2019	2018
		------ (Rupees in '000) ------	
6.5	**Capital work in progress**		
	Leasehold land	**32,000**	153,769
	Plant and machinery	**14,617,340**	97,041,079
	Building and civil works including pipelines	**217,917**	388,289
	Furniture, fixture and equipments	**1,925,012**	39,272
	Advances to suppliers	**449,902**	96,734
	Internally generated intangible asset	**62,530**	428,949
	Dredging maintanence	**-**	10,093
	Other ancillary costs	**203,820**	168,296
		17,508,521	98,326,481
	Balance as at January 1	**98,326,481**	52,994,469
	Additions during the year (notes 6.5.2 & 6.5.3)	**58,596,637**	53,072,911
	Transferred to:		
	- operating fixed assets (note 6.1)	**(138,134,214)**	(7,603,696)
	- intangible assets (note 8)	**(829,259)**	(134,505)
	- capital spares	**(1,062)**	(2,698)
	Impairment (note 6.5.1)	**(450,062)**	-
	Balance as at December 31	**17,508,521**	98,326,481

6.5.1 During the year, Engro Digital incurred a loss after taxation of Rs 299.787 million which includes an impairment loss of Rs 272.787 million on its internally generated intangible assets relating to development of digital and other related solutions/products for various industries. Further, the Group has also recognised an impairment loss of Rs 177.275 million relating to the development of digital and other related solutions for various industries appearing in its books.

6.5.2 Include, additions in civil works, infrastructure and electrical equipment acquired by Enfrashare under the asset sale and purchase agreements entered by it. The fair value of the assets acquired under the respective agreements amounted to Rs 1,779.800 million.

6.5.3 Included cost incurred in respect of PVC-III and VCM debottlenecking and other efficiency and reliability projects.

Further, these include payments made by Engro Peroxide (Private) Limited to Chematur Engineering AB amounting to Rs 317.292 million against import of equipment for hydrogen peroxide plant. The plant is intended for construction on the land to be sub-let by Engro Peroxide (Private) Limited at Port Bin Qasim Industrial Area subject to the approval of Port Qasim Authority.

7. RIGHT-OF-USE-ASSETS

	Office space / rented premises	Storage tanks	Buildings	FSRU	Total
	(Rupees in '000)				
Year ended December 31, 2019					
Recognition of right-of-use assets due to fiirst time application of IFRS 16 (note 4)					
- Cost	1,335,745	2,778,739	66,704	45,002,470	49,183,658
- Accumulated depreciation	-	-	-	-	-
	1,335,745	2,778,739	66,704	45,002,470	49,183,658
Additions - net	1,216,400	318,319	-	-	1,534,719
Derecognition of right-of-use-asset on account of sub-lease					
- Cost	-	-	-	(45,002,470)	(45,002,470)
- Accumulated depreciation	-	-	-	-	-
	-	-	-	(45,002,470)	(45,002,470)
Depreciation charge for the year (note 7.1)	(373,165)	(399,190)	(16,771)	-	(789,126)
Closing net book value	2,178,980	2,697,868	49,933	-	4,926,781
As at December 31, 2019					
Cost	2,552,145	3,097,058	66,704	-	5,715,907
Accumulated depreciation	(373,165)	(399,190)	(16,771)	-	(789,126)
Net book value	2,178,980	2,697,868	49,933	-	4,926,781

	2019
	--- (Rupees in '000) ---
7.1 Depreciation charge for the year has been allocated as follows:	
Capitalised	**23,632**
Cost of goods sold	**399,190**
Cost of services rendered	**32,837**
Administrative expenses	**333,467**
	789,126

8. INTANGIBLE ASSETS

	Software and licenses	Rights for future gas utilisation	Goodwill (note 8.3)	Total
	----------------- (Rupees in '000)			-----------------
As at January 1, 2018				
Cost	635,219	102,312	4,500,401	5,237,932
Accumulated amortisation and impairment	(449,669)	(35,010)	-	(484,679)
Net book value	185,550	67,302	4,500,401	4,753,253
Year ended December 31, 2018				
Opening net book value	185,550	67,302	4,500,401	4,753,253
Transfers from CWIP (note 6.5)	134,505	-	-	134,505
Amortisation charge (note 8.1)	(64,707)	(5,111)	-	(69,818)
Closing net book value	255,348	62,191	4,500,401	4,817,940
As at January 1, 2019				
Cost	769,724	102,312	4,500,401	5,372,437
Accumulated amortisation and impairment	(514,376)	(40,121)	-	(554,497)
Net book value	255,348	62,191	4,500,401	4,817,940
Year ended December 31, 2019				
Opening net book value	255,348	62,191	4,500,401	4,817,940
Transfers from CWIP (notes 6.5 & 8.2)	829,259	-	-	829,259
Reclassification				
Cost	20,757	-	-	20,757
Accumulated amortisation	(18,528)	-	-	(18,528)
	2,229	-	-	2,229
Amortisation charge (note 8.1)	(183,050)	(5,111)	-	(188,161)
Closing net book value	903,786	57,080	4,500,401	5,461,267
As at December 31, 2019				
Cost	1,619,740	102,312	4,500,401	6,222,453
Accumulated amortisation and impairment	(715,954)	(45,232)	-	(761,186)
Net book value	903,786	57,080	4,500,401	5,461,267

8.1 Amortisation charge for the year has been allocated as follows:

	2019	2018
	------ (Rupees in '000)	------
Cost of goods sold (note 32.1)	**79,236**	2 4,248
Capital work-in-progress	**4,634**	-
Selling and distribution expenses (note 33)	**15,290**	11,530
Administrative expenses (note 34)	**89,001**	34,040
	188,161	69,818

8.2 These include cost in respect of One SAP project of ECL which is being amortised over a period of 8 years.

8.3 This represents goodwill (which pertains to fertilizer business), arising on acquisition of control of ECL, mainly on account of expected synergies, efficient business management, high standards of policies, compliances with relevant regulatory framework, integrity, experience and other strength of the work force and management. Goodwill represents excess of the fair value of the previously held equity interest over the proportionate share acquired in identifiable net assets at the date when the control was deemed to be acquired in year 2005. For impairment testing, the recoverable amount of the proportionate share in the said fertilizer business has been determined based on fair value less cost of disposal. The management has used the 'Market Approach' to determine the fair value less cost of disposal. Based on the valuation, no impairment was considered necessary to be recorded.

9. LONG TERM INVESTMENTS

	2019	2018
	------ (Rupees in '000) ------	
Joint venture company -		
Engro Vopak Terminal Limited (EVTL) - (notes 9.1 to 9.5)	**-**	-
Investment in associates (notes 9.4 to 9.9)		
- FrieslandCampina Engro Pakistan (FECPL) 306,075,948 (2018: 306,075,948) ordinary shares of Rs 10 each	**27,793,485**	28,174,476
Less: Provision for impairment (note 9.4)	**(1,224,304)**	-
	26,569,181	28,174,476
- Sindh Engro Coal Mining Company (SECMC) 111,254,177 (2018: 111,254,177) ordinary shares of Rs 10 each	**3,056,865**	1,655,241
- Siddique Sons Energy Limited (SEL) 111,254,177 (2018: 26,267,639) ordinary shares of Rs 10 each	**331,854**	258,981
- Pakistan Energy Gateway Limited (PEGL) advance against 10,000 ordinary share of Rs 10 each	**100**	100
	29,958,000	30,088,798
Others, at cost		
- Arabian Sea Country Club Limited 500,000 ordinary shares of Rs 10 each	**5,000**	5,000
- GEL Utility Limited (GEL) 12,272,727 (2018: 12,272,727) ordinary shares of Naira 1 each	**1,325,595**	1,496,582
Less: Asset classified as held for sale (note 21)	**(1,325,595)**	-
	-	1,496,582
- Magboro Power Company		
Investment	**154,560**	154,560
Less: Provision for impairment	**(154,560)**	(154,560)
	-	-
	29,963,000	31,590,380
At amortised cost		
Investment in Term Deposit Receipts (note 9.10)	**5,421,150**	-
Investment in Term Finance Certificates (note 9.11)	**500,000**	-
Investment in Pakistan Investment Bonds (note 9.12)	**1,389,366**	-
	7,310,516	-
	37,273,516	31,590,380

	2019	2018
	-------- (Rupees in '000) --------	
9.1 Details of investment in EVTL is as follows:		
At the beginning of the year	**-**	1,337,772
Add: Share of profit for the year including reversal of WWF (note 38)	**1,014,206**	1,187,907
Add: Provision adjustment in respect of tax contingency	**290,794**	
Less: Dividend received during the year	**(1,305,000)**	(1,170,000)
Less: Provision against tax contingency	**-**	(1,355,679)
At the end of the year	**-**	-

9.1.1 As a result of distribution of current year dividend by EVTL, the provision for tax contingency amounting to Rs 1,355.679 million previously set off against the carrying value of the Group's investment in EVTL has been reduced by Rs 290.794 million representing the difference between the share of profit and dividend received by the Group. Accordingly, the net provision set off against the carrying value of the Group's investment in EVTL now amounts to Rs 1,064.885 million (2018: Rs 1,355.679 million).

9.2 As at December 31, 2019, ECL held 45,000,000 ordinary shares (2018: 45,000,000 ordinary shares) of EVTL representing 50% of issued, subscribed & paid-up capital of EVTL.

9.3 Cases for the tax year 2003 to tax year 2011 of EVTL to determine as to whether the income of EVTL is liable to be taxed under the Normal Tax Regime (NTR) or the Final Tax Regime (FTR) are pending in the Supreme Court of Pakistan (SCP) and the High Court of Sindh. In this respect, EVTL has disclosed a contingent liability amounting to Rs 4,921.167 million in its financial statements representing potential taxation liability that EVTL may have to these cases are decided against EVTL.

On the basis of prudence, the Group has recognised its proportionate share of the aforementioned potential taxation liability amounting to Rs 229.530 million this year bringing the total provision to Rs 2,460.584 million (2018: Rs 2,231.054 million). This potential tax liability has been adjusted against the carrying value of its investment in EVTL to the extent of it being 'Nil' and the balance amount has been recognised as a provision (note 26) depicting the Group's constructive obligation to bear the potential exposure.

9.4 The summary of financial information of EVTL as of December 31, 2019 is as follows:

Statement of financial position

Particulars	2019	2018
	-------- (Rupees in '000) --------	
Cash and cash equivalent	**121,854**	11,665
Current financial liabilties (excluding trade and other payables)	**200,000**	-
Non-current financial liabilities (excluding trade and other payables)	**-**	-
Non-current assets	**2,650,315**	2,485,147
Current assets	**758,093**	650,025
Non-current liabilities	**(507,045)**	(9,095)
Current liabilities	**(736,800)**	(558,485)
	2,164,563	2,567,592
The Group's share at 50%% (2018: 50%)	**1,082,282**	1,283,796
Provision against tax contingency (note 9.3)	**(1,064,885)**	(1,355,679)
Reversal of WWF	**-**	89,280
Others	**(17,397)**	(17,397)
Carrying amount	**-**	-

Statement of profit or loss and other comprehensive income

Particulars	2019	2018
	-------- (Rupees in '000) --------	
Revenue	**3,991,594**	3,277,133
Depreciation and amortization	**237,356**	225,511
Interest income	**50,074**	17,529
Income tax expense	**1,199,799**	313,594
Total comprehensive income for the year	**2,206,971**	2,197,255

9.5 FrieslandCampina Engro Pakistan Limited (FCEPL), formerly Engro Foods Limited, is a public listed company, incorporated in Pakistan. The ECL holds 39.9% shareholding in FCEPL. The principal activity of FCEPL is to manufacture, process and sell dairy products, beverages, ice cream and frozen desserts. Earlier in year 2016, the ECL partially disposed of its investment in FCEPL resulting in it being recognised as an associate and the retained interest in FCEPL was valued at the fair value on the date of disposal in accordance with the IFRSs. As per the accounting policy of the Group, investment in associate is carried at cost in the consolidated financial statements which is adjusted for post-acquisition change in net assets. Accordingly, as at December 31, 2019, the carrying value of the ECL's investment in FCEPL was Rs 90.81 per share, whereas the quoted price was Rs 79.30 per share.

During the year, FCEPL incurred a loss after taxation of Rs 954.865 million against a profit after taxation of Rs 63.783 million for the financial year ended December 31, 2018. The weak financial performance is primarily impacted by macro-economic instability, impact of currency devaluations and high interest rates which resulted in significant reduction of margins. The ECL's management taking cognizance of the above as well as quoted price of FCEPL, as indicators of impairment, has conducted an impairment test for its long-term investment in FCEPL to determine the recoverable amount of the investment as required under International Accounting Standard 36 ""Impairment of Assets"". The recoverable amount has been determined by estimating the fair value of the shares and based on this estimation, provision for impairment of Rs 1,224.304 million has been recognized.

Despite challenging macroeconomic environment, FCEPL has shown considerable improvement in its volumes and market share during the year coupled with recent price increase of its products. Keeping this in view, the management is confident of improvement in financial performance of FCEPL in future periods.

9.6 Details of material investments in Associated Companies are as follows:

	2019				2018			
Particulars	**FCEPL**	**GEL (note 21)**	**SECMC**	**SEL**	FCEPL	GEL	SECMC	SEL
	---------------- (Rupees in '000) ----------------				---------------- (Rupees in '000) ----------------			
At beginning of the year	**28,174,476**	**1,496,582**	**1,655,241**	**258,981**	28,271,457	1,218,689	1,208,203	-
Add:								
- Investment in associates	**-**	**-**	**716,523**	**72,203**	-	-	450,270	262,672
- Share of profit / (loss) for the year (note 38)	**(380,991)**	**(170,987)**	**685,101**	**670**	25,449	277,893	(3,232)	(3,691)
Dividend received during the year	**-**	**-**	**-**	**-**	(122,430)	-	-	-
Provision for impairment	**(1,224,304)**	**-**	**-**	**-**	-	-	-	-
	26,569,181	**1,325,595**	**3,056,865**	**331,854**	28,174,476	1,496,582	1,655,241	258,981

9.7 The summary of financial information / reconciliations of associates in which the Group held material investments as of December 31, 2019 / 2018 is as follows:

	FCEPL		GEL (note 21)		SECMC		PEGL		SEL	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	----- (Rupees in '000) ----		----- (Rupees in '000) ----		----- (Rupees in '000) ----		----- (Rupees in '000) ----		----- (Rupees in '000) ----	
Revenue	**38,857,336**	32,439,451	**2,518,661**	2,042,270	**17,010,726**	35,411	**-**	-	**-**	-
Profit / (loss) after tax	**(954,865)**	63,783	**(379,972)**	617,542	**5,681,404**	(27,132)	**-**	-	**3,525**	(19,431)
Other comprehensive income / (loss)	**5,341**	(57,183)	**-**	-	**-**	-	**-**	-	**-**	-
Total comprehensive income / (loss)	**(949,524)**	6,600	**(379,972)**							
				617,542	**5,681,404**	(27,132)	**-**	-	**3,525**	(19,431)
Non-current assets	**12,975,543**	13,190,947	**9,820,958**	9,159,657	**72,802,841**	62,532,381	**-**	-	**1,508,895**	1,051,082
Current assets	**10,590,554**	9,577,519	**5,207,386**	3,392,106	**30,180,490**	2,257,014	**300**	300	**40,294**	336,061
Total assets	**23,566,097**	22,768,466	**15,028,344**	12,551,763	**102,983,331**	64,789,395	**300**	300	**1,549,189**	1,387,143
Less:										
Non-current liabilities	**3,613,752**	4,616,413	**6,285,797**	3,506,240	**55,944,604**	43,451,571	**-**	-	**-**	-
Current liabilities	**11,567,680**	8,810,993	**4,484,212**	4,876,829	**20,081,609**	7,352,969	**-**	-	**63,237**	311,518
Total liabilities	**15,181,432**	13,427,406	**10,770,009**	8,383,069	**76,026,213**	50,804,540	**-**	-	**63,237**	311,518
Net assets	**8,384,665**	9,341,060	**4,258,335**	4,168,694	**26,957,118**	13,984,855	**300**	300	**1,485,952**	1,075,625
Group's share in %	**39.9%**	39.9%	**45%**	45%	**11.91%**	11.91%	**33.33%**	33.33%	**19.00%**	19.00%
Share of net assets	**3,345,481**	3,727,083	**1,916,251**	1,875,912	**3,210,593**	1,665,596	**100**	100	**282,331**	204,369
Recognition of investment at fair value	**24,337,818**	24,337,818	**-**	-	**-**	-	**-**	-	**-**	-
Others	**110,186**	109,575	**(590,656)**	(379,330)	**(153,728)**	(10,355)	**-**	-	**49,523**	54,612
Provision for impairment	**(1,224,304)**	-	**-**	-	**-**	-	**-**	-	**-**	-
Carrying amount	**26,569,181**	28,174,476	**1,325,595**	1,496,582	**3,056,865**	1,655,241	**100**	100	**331,854**	258,981

* This primarily represents impact of exchange rate movement on net assets of foreign associate (GEL).

9.8 The comparison between quoted fair value and carrying amount of listed associate is given below:

Name of entity	Place of business	Measurement method	Quoted Fair value		Carrying amount	
			2019	2018	**2019**	2018
			----- (Rupees in '000) ----		----- (Rupees in '000) ----	
FrieslandCampina Engro Pakistan Limited	5th Floor, The Harbour Front Building, Plot No. HC-3, Block-4, Scheme No.5, Clifton, Karachi.	Equity Method	**24,042,266**	24,400,375	**26,569,181**	28,174,476

	2019	2018
	------ (Rupees in '000) ------	
9.9 Other investment - at 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%)	**116,646**	116,646
Less: Accumulated impairment	**(116,646)**	(116,646)
	-	-

9.9.1 The Holding Company had made aggregate investment amounting to Rs 238 million during the years 2013 and 2014 in e2e Business Enterprises (Private) Limited (e2eBE) representing an equity interest of 39%. e2eBE was set up for the production, sale and marketing of Rice Bran Oil (RBO) and was planned to start commercial operations in year 2014. However, due to certain issues it has not been able to start the commercial operations of the project till date. Further, due to financial and liquidity issues, it has not been able to service its outstanding loans and working capital requirements.

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

9.10 These represent term deposits aggregating USD 35 million maintained with Dubai Islamic Bank Pakistan Limited by EPCL. These carry profit at the rate of 2.79% per annum and are due to mature in six equal annual installments of USD 5.833 million starting from July 15, 2021 and ending on January 15, 2024.

9.11 These represent investment in Term Finance Certificates amounting to Rs 500 million carrying markup at the rate of 3 months KIBOR with a margin of 1.6%.

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

10. DEFERRED TAXATION

	2019		2018	
	Assets	**Liabilities**	Assets	Liabilities
	----------------- (Rupees in '000) -----------------			
Engro Corporation Limited	**14,344**	**-**	-	249
Engro Fertilizers Limited	**-**	**12,182,426**	-	7,100,022
Engro Energy Limited	**95,227**	**307,868**	381,981	151,986
Engro Polymer and Chemicals Limited	**115,822**	**-**	-	390,146
Engro Elengy Terminal (Private) Limited	**-**	**995,643**	-	801,678
Engro Infiniti (Private) Limited	**-**	**1,476**	-	1,424
Dawood Hercules Corporation Limited	**-**	**98,964**	-	-
Net effect of consolidation adjustments	**2,631**	**(88,023)**	2,631	(17,142)
	228,024	**13,498,354**	384,612	8,428,363

	2019	2018
	------- (Rupees in '000) -------	
10.1 Credit / (debit) balances arising on account of:		
- Accelerated depreciation allowance	**16,736,497**	14,846,654
- Recoupable carried forward tax losses (note 10.2)	**(1,267)**	(431,194)
- Recoupable minimum turnover tax (note 10.3)	**(559,037)**	(537,505)
- Recoupable Alternative Corporate Tax (note 10.4)	**(369,179)**	(4,432,116)
- Provisions	**(1,451,279)**	(1,220,638)
- Net investment in lease	**13,951,282**	-
- Lease liability	**(14,634,143)**	-
- Others	**(402,544)**	(181,450)
	13,270,330	8,043,751

10.2 Relates to aggregate tax losses of Engro Polymer and Chemicals Limited available for carry forward amounting to Rs 4.370 million (2018: Rs 1.540 million).

10.3 EPCL has recognised net deferred tax asset on recoupable minimum turnover tax in respect of current year amounting to Rs 21.486 million (2018: Rs 27.374 million) as EPCL, based on its financial projections, expects to recoup it in the ensuing years. In year 2013, the High Court of Sindh, in respect of another company, overturned the interpretation of the Appellate Tribunal on Section 113 (2) (c) of the Income Tax Ordinance, 2001 and decided that minimum turnover tax cannot be carried forward where there is no tax paid on account of loss for the year or carried forward losses. EPCL's management is however of the view, duly supported by the legal advisor, that the above order would not be maintained by the Supreme Court, which EPCL intends to approach if required. Accordingly, EPCL has recognized deferred tax asset on recoupable minimum turnover tax.

10.4 Relates to Alternative Corporate Tax (ACT) adjustable upto 10 years.

11. NET INVESTMENT IN LEASE

	2019	2018
	------- (Rupees in '000) -------	
Undiscounted lease payments analysed as:		
Recoverable after 12 months	**72,653,572**	-
Recoverable within 12 months	**7,697,045**	-
	80,350,617	-
Less: unearned finance income	**(32,242,748)**	-
Net investment in lease	**48,107,869**	-
Net investment in lease analysed as:		
Recoverable after 12 months	**45,563,942**	-
Recoverable within 12 months	**2,543,927**	-
	48,107,869	-
Maturity analysis of net investment in lease:		
within 1 year	**2,543,927**	-
between 1 and 2 years	**3,015,124**	-
between 2 and 3 years	**3,362,498**	-
between 3 and 4 years	**3,749,894**	-
between 4 and 5 years	**4,205,503**	-
later than 5 years	**31,230,923**	-
	48,107,869	-

11.1 Net investment in lease relates to sublease under LSA, as more fully explained in (note 4). The Group's implicit rate of return on net investment in lease is 11.52% per annum. Lease rentals received during the year aggregate Rs 1,721.772 million.

	2019	2018
	------- (Rupees in '000) -------	
12. LONG TERM LOANS, ADVANCES AND OTHER RECEIVABLES - Considered good		
Loans and advances to:		
Executives (notes 12.1 to 12.3)	**571,757**	593,082
Other employees (note 12.2)	**41,373**	71,509
	613,130	664,591
Less: Current portion shown under current assets (note 16)	**224,818**	260,476
	388,312	404,115
Receivable from Sui Southern Gas Company Limited (SSGCL) (note 12.5)	**1,006,086**	1,037,487
Less: Current portion shown under current assets (note 16)	**(37,544)**	(31,401)
	968,542	1,006,086
Direct cost of Floating Storage & Regasification Unit (FSRU) (note 12.6)	**879,577**	966,093
Prepaid insurance and loan arrangement fee (note 12.7)	**9,042,789**	9,042,789
Less: Transaction cost netted off from related borrowings	**(7,996,840)**	(7,335,346)
	1,045,949	1,707,443
Other receivables	**22,647**	8,829
	3,305,027	4,092,566

12.1 Reconciliation of the carrying amount of loans and advances to executives:		
Balance as at January 1	**593,082**	480,566
Add: Disbursements	**395,646**	424,153
Less: Repayments / amortisation	**(416,971)**	(311,637)
Balance as at December 31	**571,757**	593,082

12.2 Long term loans include:

- interest free services incentive loans to executives repayable in equal monthly installments over a four years period or in one lump sum payment at the end of such period;

- interest free loans given to workers pursuant to Collective Labour Agreement; and

- advances to employees for car earn out assistance, long term incentive and house rent advance.

12.3 The maximum amount outstanding at the end of any month from the executives of the Group aggregated Rs 630.340 million (2018: Rs 593.082 million).

12.4 The carrying values of these financial assets are neither past due nor impaired. The credit quality of these financial assets can be assessed with reference to no defaults in recent history.

12.5 In year 2014, Engro Elengy Terminal (Private) Limited (EETPL) entered into LNG Operation and Services Agreement (LSA) with SSGCL. As per the terms of the LSA, EETPL was required to construct a pipeline (SSGCL Branch Pipeline) and transfer it to SSGCL upon commissioning of the LNG Project and recover the cost of construction through recovery of capacity charges to be billed to SSGCL on a monthly basis. EETPL constructed and transferred the SSGCL Branch Pipeline to SSGCL on March 29, 2015, for which the Certificate of Acceptance has been received from SSGCL. The receivable represents construction costs incurred in this respect net of recoveries.

12.6 On June 19, 2015, EETPL received a notice from Model Customs Collectorate (the ‘Customs Authorities’) seeking information on import of FSRU and contending that the import attracts all leviable duties and taxes i.e. customs duty and advance income tax. EETPL was of the view that the FSRU had been classified as plant, machinery and equipment vide SRO 337(I)/2015 dated April 22, 2015 and accordingly, along with sales tax, custom duty is also exempt under SRO 678(I)/2004 dated August 7, 2004, read with condition (vii) relating to the clause 2(a), being of the nature of import-cum-export or temporary import of plant, machinery and equipment.

Further, since the EETPL’s profits and gains are exempt from income tax for 5 years from the date of commercial operations, EETPL is also entitled to exemption from collection of advance income tax. The customs authorities were not in agreement with EETPL’s views on the same and to treat import of FSRU for 15 years as a temporary import. EETPL in response filed a suit before the High Court of Sindh which through its order dated June 29, 2015 had restrained the customs authorities from collection of customs duty and advance income tax.

The High Court of Sindh, in judgement passed on May 26, 2016, held EETPL liable to custom duty and remanded the matter related to advance tax to the customs authorities with directions. EETPL in response to the aforementioned judgement and demand raised by the customs authorities has paid an amount of Rs 1,325.103 million in respect of custom duty. This is being amortised over the term of 15 years.

12.7 These primarily represent payments made to China Export and Credit Insurance Bank (Sinosure) by Engro Powergen Thar (Private) Limited (EPTPL) amounting to Rs 9,042.789 million, in connection with insurance cover obtained over financing arrangements relating to Chinese lenders and payments to various financial institutions in respect of transaction and related cost for loan arrangements. The portion of the above costs, Rs 7,996.840 million (2018: Rs 7,335.346 million), which relate to facilities actually utilized has been adjusted against related borrowings and is being amortized over the term of the loan. The balance amount of Rs 1,045.949 million (2018: Rs 1,707.443 million), will be recognized as transaction cost over the term of financing upon draw down of facilities.

13. STORES, SPARES AND LOOSE TOOLS

	2019	2018
	------- (Rupees in '000) -------	
Consumable stores	**7,931,345**	2,539,343
Spares and loose tools including in-transit of Rs 9.422 million (2018: Rs 135.955 million)	**744,115**	5,995,597
	8,675,460	8,534,940
Less: Provision for surplus and slow moving items (note 13.1)	**1,038,129**	847,071
	7,637,331	7,687,869

13.1 Provision for surplus and slow moving items

	2019	2018
Balance as at January 1	**847,071**	581,966
Charge for the year, net	**191,058**	265,105
Balance as at December 31	**1,038,129**	847,071

14. STOCK-IN-TRADE

	2019	2018
Raw and packing materials (notes 14.1)	**3,972,227**	4,145,072
Unprocessed rice	**1,417,114**	1,110,699
Fuel stock	**474,106**	379,474
Work-in-process	**73,289**	43,373
Finished goods:		
- own manufactured products (note 14.1)	**4,900,819**	2,596,777
- purchased products (note 14.1)	**9,075,785**	8,952,883
	13,976,604	11,549,660
	19,913,340	17,228,278

14.1 Includes:

- materials in transit amounting to Rs 632.450 million (2018: Rs 1,406.643 million);
- provision in respect of net realizable value amounting to Rs 28.785 million (2018: Rs 30 million); and
- inventories held at storage facilities of third parties amounting to Rs 1,444.124 million (2018: Rs 557.703 million).

15. TRADE DEBTS

	2019	2018
	------- (Rupees in '000) -------	
Considered good		
- secured (notes 15.1 to 15.4)	**50,475,120**	18,374,458
- unsecured	**1,341,773**	255,010
	51,816,893	18,629,468
Considered doubtful	**66,249**	56,269
	51,883,142	18,685,737
Less: Provision for impairment (note 12.5)	**66,249**	56,269
	51,816,893	18,629,468

15.1 Include trade debts of EQPL amounting to Rs 9,806.697 million (2018: Rs 7,601.705 million), which alongwith delayed payment charges are secured by a guarantee from the Government of Pakistan under the implementation agreement and as such are considered good. This is inclusive of overdue debt of Rs 7,698.404 million (2018: Rs 4,964.826 million).

15.2 Include Rs 1,423.608 million (2018: Rs 1,257.583 million) due from SSGCL, in respect of finance income on net investment in lease, lease rentals, utilisation / regassification services and operations and maintenance services.

15.3 Include trade debts of EPTL amounting to Rs 14,372.385 million (2018: Nil) due from from Central Power Purchasing Authority (CPPA). Trade debts, including delayed payment charges are secured by guarantee under the implementation agreement and as such are not considered impaired.

15.4 As at December 31, 2019, trade debts aggregating Rs 24,956.501 million (2018: Rs 13,536.854 million) were neither past due nor impaired.

15.5 As at December 31, 2019, trade debts aggregating Rs 66,249 (2018: Rs 56.269 million) were past due and impaired and have been provided for.

15.6 The movement in provision during the year is as follows:

	2019	2018
	------- (Rupees in '000) -------	
Balance as at January 1	**56,269**	39,039
Add: Provision for impairment	**39,009**	17,230
Trade debts written off as uncollectible	**(29,029)**	-
Balance as at December 31	**66,249**	56,269

15.7 As at December 31, 2019, trade debts aggregating Rs 27,154.143 million (2018: Rs 5,092.614 million) were past due but not impaired. These relate to various customers for which there is no recent history of default. The aging analysis of these trade debts is as follows:

	2019	2018
	------- (Rupees in '000) -------	
Upto 3 months	**21,891,463**	5,003,380
3 to 6 months	**3,598,878**	89,234
More than six months	**1,370,051**	-
	26,860,392	5,092,614

15.8 Details of amounts due from associates / related parties are as follows:

	2019	2018
	------- (Rupees in '000) -------	
- FrieslandCampina Engro Pakistan Limited	**-**	340
- GEL Utility Limited	**187,045**	154,172
- Tenaga Generasi Limited	**160,555**	57,534
- Siddiqsons Energy Limited	**-**	7,931
	347,600	219,977

15.9 The ageing analysis of past due receivables from associates / related parties are as follows:

	2019	2018
	------- (Rupees in '000) -------	
- Upto 3 months	**237,132**	137,525
- 3 to 6 months	**90,077**	47,008
- More than 6 months	**20,391**	35,444
	347,600	219,977

15.10 The maximum amount due from related parties at the end of any month during the year amounts to Rs 368.753 million (2018: Rs 427.938 million)

16. LOANS, ADVANCES, DEPOSITS AND PREPAYMENTS

	2019	2018
	------- (Rupees in '000) -------	
Current portion of long term loans and advances to executives and other employees (notes 12 and 16.4)	**224,818**	260,476
Advances to executives and other employees (note 16.1)	**15,738**	21,968
Advance to associated undertakings (note 16.5)	**3,764**	4,147
Advance to suppliers	**3,592**	760
Current portion of receivable from SSGCL (note 12)	**37,544**	31,401
Advances and deposits	**1,817,591**	1,341,379
Loan to Engro Vopak Terminal Limited	**200,153**	-
Prepayments:		
- insurance	**429,067**	308,323
- others	**2,192,809**	1,219,872
	4,925,076	3,188,326

16.1 Represents interest free advances to executives and employees for house rent, given in accordance with the Group's policy.

16.2 This represents subordinated loan extended during the year to Engro Vopak Terminal Limited, a joint venture, by ECL, pursuant to agreement entered into on December 30, 2019. The loan carries mark-up at the rate of 6 months KIBOR plus 0.50% per annum payable in one lump sump payment at the time of repayment of loan. The loan is repayable on June 30, 2020.

16.3 The carrying values of the loan and advances are neither past due nor impaired. The credit quality of these financial assets can be assessed with reference to no defaults ever.

16.4 The maximum amount due at the end of any month during the year amounts to Rs 440.410 million (2018: Rs 282.282 million).

16.5 These represent Rs 0.747 million (2018: Rs 1.130 million) and Rs 3.017 million (2018: Rs 3.017 million) due from Inbox Business Technologies (Private) Limited and The Dawood Foundation. The maximum amount due at the end of any month during the year was Rs 3.764 million (2018: Rs 4.147 million).

	2019	2018
	------- (Rupees in '000) -------	
17. OTHER RECEIVABLES		
Receivable from Government of Pakistan against:		
- Sales tax refundable	**4,246,249**	2,731,011
- Subsidy (notes 17.1 and 17.2)	**6,368,366**	6,368,366
	10,614,615	9,099,377
- Others	**54,730**	54,730
Less: Provision for impairment (note 17.7)	**(54,730)**	(54,730)
	-	-
	10,614,615	9,099,377
Delayed payment charges (note 17.3)	**2,873,966**	1,353,411
Reimbursable cost from NTDC in respect of:		
- Workers' profits participation fund	**608,116**	272,260
Receivable from:		
Engro Vopak Terminal Limited	**26,393**	7,140
GEL Utility Limited	**39,087**	34,992
Dawood Corporation (Private) Limited	**3,323**	3,350
Dawood Lawrencepur Limited	**601**	224
The Dawood Foundation	**1,495**	1,451
Inbox Business Technologies (Private) Limited	**2,874**	623
Sach International (Private) Limited	**3,563**	1,082
Tenaga Generasi Limited	**935**	649
Reon Energy Limited	**1,706**	975
Patek (Private) Limited	**4,018**	1,897
Reon Alpha Limited	**16**	-
Engro Foundation	**24,415**	1,152
Thar Foundation	**3,022**	-
Sindh Engro Coal Mining Company Limited	**31,593**	45,128
Thar Power Company Limited	**643,461**	2,428
FrieslandCampina Engro (Pakistan) Limited	**2,202**	49,229
China East Resources Import and Export Corporation (note 17.4)	**1,908,181**	12,354
Insurance claim receivable	**99,546**	483,131
Amount receivable on termination of SSA	**-**	1,653,750
Others	**443,031**	286,113
Less: Provision for doubtful receivables	**(36,791)**	(36,791)
	17,299,368	13,273,925

17.1 During year 2015, the Government of Pakistan (GoP) had notified payment of subsidy on sold product at the rate of Rs 500 per 50 kg bag of Di-Ammonia Phosphate (DAP), Rs 217 per 50 kg bag of Nitrophos (N) and Nitrogen, Phosphorous and Potassium (NPK) fertilizers (based on phosphorous content). This subsidy scheme was effective till May 27, 2016.

During year 2016, another subsidy scheme was announced by the GoP effective June 25, 2016 whereby subsidy was payable on sold product at the rate of Rs 156 per 50 kg bag of Urea, Rs 300 per 50 kg bag of DAP and for Nitrophos 22:20 & 18:18 grade (based on phosphorus content) and Nitrogen, Phosphorus and Potassium (NPK) fertilizers (based on phosphorus content).

During year 2017, another subsidy scheme was announed by the GoP, effective July 1, 2017. Under this scheme, aforementioned rates were replaced with Rs 100 per 50kg bag for Urea only. This subsidy scheme was effective till June 30, 2018. In line with the notification issued for the said scheme, Ministry of National Food Security and Research has appointed third party auditors for verification of subsidy claims which is underway.

17.2 As at December 31, 2019, the aggregate provision in respect of receivable from GoP amounts to Rs 155.127 million (2018: Rs 155.127 million).

17.3 These include mark-up on overdue trade debts of EPQL amounting to Rs 2,485.061 million (2018: 1,353.411 million) of which Rs 1,463.031 million (2018: Rs 1,078.469 million) is overdue.

17.4 This includes receivable of Rs 1,866.499 million in respect of fuel cost incurred by EPTL during commissioning of its power plant. The amount is net of Pre-COD sales amounting to Rs 3,781.437 million.

17.5 The ageing analysis of past due receivables from associates / related parties are as follows:

	2019	2018
	------- (Rupees in '000) -------	
Upto 3 months	**363,252**	127,254
3 to 6 months	**47,875**	27,291
More than 6 months	**-**	8,129
	411,127	162,674

17.6 The maximum amount due from related parties at the end of any month during the year amounts to Rs 2,697.038 million (2018: Rs 153.221 million).

17.7 As at December 31, 2019, receivables aggregating Rs 54.730 million (2018: Rs 54.730 million) were deemed to be impaired being outstanding for more than six months and provided for.

18. CONTRACT ASSET

	2019	2018
	------- (Rupees in '000) -------	
Capacity Purchase Price component of tariff - EPTL (note 18.1)	**4,896,901**	-
Monthly Energy Shortfall - EPQL (note18.2)	**416,382**	-
	5,313,283	-

18.1 This includes unbilled revenue in respect of Capacity Purchase Price (CPP) component of tariff included in the Power Purchase Agreement (PPA) for the period July 10, 2019 to December 31, 2019. EPTL expects to raise the invoice for billing and recovery of the amount once the decision of NEPRA in the matter is received.

18.2 This represents receivable on account of take-or-pay cost in accordance with section 3.3 of the Gas Supply Agreement, associated with the "Monthly Energy Shortfall" for the months of November and December 2019.

	2019	2018
	------- (Rupees in '000) -------	
19. SHORT TERM INVESTMENTS		
At fair value through profit or loss		
Investment in units of mutual funds (note 19.1)	**27,372,021**	200,000
Market Treasury Bills (note 19.2)	**1,831,299**	15,517,319
Quoted shares (note 19.3)	**4,300,382**	206,861
	33,503,702	15,924,180
At fair value through other comprehensive income		
Pakistan Investments Bonds (note 19.4)	**1,795,904**	7,699,778
Treasury bills (note 19.5)	**35,532,891**	58,642,472
	37,328,795	66,342,250
At amortised cost		
Fixed income placements (note 19.6)	**4,677,644**	4,587,031
Treasury bills (note 19.7)	**4,625,684**	2,497,835
Pakistan Investment Bonds	**-**	8,164,204
Term Deposit Receipts (TDRs)	**10,457,700**	6,018,000
	90,593,525	103,533,500

19.1 The details of investment in units of mutual funds are as follows:

	Number of units	(Rupees in '000)
NBP Money Market Fund	1,678,960,126	1,678,960
UBL Liquidity Plus Fund	200,000,000	200,000
UBL Special Savings Plan - V	6,514,697,526	6,514,698
NIT Money Market Fund	1,054,911,868	1,054,912
ABL Special Savings Plan - II	3,547,335,915	3,547,336
ABL Special Savings Plan - III	4,113,840,000	4,113,840
MCB Cash Management Optimizer	3,922,513,575	3,922,514
Meezan Rozana Amdani Fund	205,182,881	205,183
Alfalah GHP Cash Fund	6,137,663,043	6,134,578
	27,375,104,934	27,372,021

19.2 These carry profit at rate 13.90% per annum (2018: 10.29%) and have maturity on September 10, 2020.

19.3 Particulars regarding quoted shares are as follows:

	As at January 1, 2019	Purchased during the year	Bonus shares received during the year	Sold during the year	As at December 31, 2019	Cost as at December 31, 2019	Fair value as at December 31, 2019	Unrealised gain as at December 31, 2019
	-------------------- Number of shares --------------------					------------------Rupees in 000------------------		
Meezan Bank Limited	2,239,000	2,075,000	248,900	-	4,562,900	389,379	434,069	44,690
Habib Bank Limited	-	2,858,300	-	-	2,858,300	350,070	449,953	99,883
Standard Chartered Bank Pakistan Limited	-	5,000,000	-	-	5,000,000	111,295	118,000	6,705
United Bank Limited	-	2,383,300	-	-	2,383,300	349,178	392,053	42,875
The Hub Power Company Limited	-	6,415,000	-	1,411,000	5,004,000	373,305	467,123	93,818
Interloop Limited	-	2,447,750	-	-	2,447,750	101,982	142,092	40,110
Lucky Cement Limited	-	1,367,200	-	42,700	1,324,500	493,923	567,416	73,493
Matco Foods Limited	-	2,865,500	-	-	2,865,500	73,162	73,615	453
Oil & Gas Development Company Limited	-	4,264,800	-	-	4,264,800	549,969	606,966	56,997
Pakistan Petroleum Limited	-	2,955,500	395,840	-	3,351,340	399,313	459,603	60,290
Pakistan State Oil Company Limited	-	2,826,900	499,140	250,000	3,076,040	449,043	589,492	140,449
						3,640,619	4,300,382	659,763

19.4 These bonds carry interest at rates ranging upto 13.36% per annum.

19.5 These represent treasury bills carrying interest at the rate ranging upto 13.91% per annum. These have maturity dates of upto one year from the reporting date.

19.6 These represent placements with banks and carry interest ranging upto 17% per annum.

19.7 These carry profit at rates ranging from 8.75% to 14.25% per annum (2018: 6.5% to 11% per annum).

19.8 As of December 31, 2019, the Holding Company held TDRs with a commercial bank carrying profit at the rate of 8.75% per annum. The TDRs are due to mature on May 8, 2020. The bank has marked lien over these TDRs against Corporate Credit Card facilities.

	2019	2018
	------- (Rupees in '000) -------	
20. CASH AND BANK BALANCES		
Balances with banks in:		
- deposit accounts (notes 20.1 and 20.2)	**18,384,944**	8,372,579
- deposit accounts - islamic	**546,843**	948,160
- current accounts	**2,293,095**	2,760,104
Cheques / demand drafts in hand	**100**	32,653
Cash in hand	**4,855**	2,485
	21,229,837	12,115,981

20.1 Local currency conventional deposits carry return up to the rate of 11.5 (2018: upto 9%) per annum.

20.2 These include Rs 3,776.536 million (2018: Rs 4,253.965 million) held in foreign currency bank accounts carry return at the rate of 1.00% (2018: 1.00%) per annum.

20.3 These are shariah compliant bank balances and carry profit at rates ranging from 6% to 8.5% (2018: 4.5% to 6.0%) per annum.

21. ASSETS CLASSIFIED AS HELD FOR SALE

As noted in note 9, carrying value of EEL's investment in GEL Utility Limited (GEL) amounting to Rs 1,325.595 million (Cost as at December 31, 2019: Rs 536.400 million) has been classified as Held-for-Sale. The management is committed in its plan to dispose of this investment and expects the sale to be executed within 12 months from the reporting date.

22. SHARE CAPITAL

22.1 Authorised share capital

2019	2018		2019	2018
-----(Number of shares) -----			------ (Rupees in '000) ------	
1,000,000,000	1,000,000,000	Ordinary shares of Rs 10 each	**10,000,000**	10,000,000

22.2 Issued, subscribed and paid-up share capital

2019	2018		2019	2018
-----(Number of shares) -----			------ (Rupees in '000) ------	
13,900,000	13,900,000	Ordinary shares of Rs 10 each fully paid in cash	**139,000**	139,000
467,387,116	467,387,116	Ordinary shares of Rs 10 each issued as fully paid bonus shares	**4,673,871**	4,673,871
481,287,116	481,287,116		**4,812,871**	4,812,871

	2019	2018
	----- (Number of shares) -----	
22.3 Shares held by related parties		
Dawood Lawrencepur Limited Percentage of holding 16.19% (2018: 16.19%)	**77,931,896**	77,931,896
The Dawood Foundation Percentage of holding 3.95% (2018: 3.95%)	**18,991,988**	18,991,988
Cyan Limited Percentage of holding 0.17% (2018: 0.17%)	**794,380**	794,380
Sach International (Private) Limited Percentage of holding 0.001% (2018: 0.001%)	**6,996**	6,996
Directors and Chief Executive Officer of the Holding Company (including their spouse and minor children) Percentage of holding 13.07% (2018: 12.85%)	**68,620,056**	61,860,244

23. MAINTENANCE RESERVE

In accordance with the Power Purchase Agreement (PPA), Engro Powergen Qadirpur Limited (EPQL) is required to establish and maintain a separate reserve fund (the Fund) with a depository institution for payment of major maintenance expenses. Any interest income resulting from the depository arrangements of the Fund is to remain in the Fund to the extent of any shortfall from the contractual limit.

Under the PPA, 1/24th of the annual operating and maintenance budget of the Power Plant less fuel expenses is required to be deposited into the Fund on each capacity payment date until such reserve equals to nine such deposits. After the second agreement year and thereafter the Fund may be re-established at such other level that EPQL and NTDC mutually agree.

In year 2012 EPQL, due to uncertain cash flows resulting from delayed payments by NTDC has, as per flexibility available under the PPA, reduced the amount deposited in a schedule bank, which has been invested in Treasury Bills having a face value of Rs 56.200 million (2018: Rs 50.004 million) as at December 31, 2019 (note 19). Till such time the amount is deposited again to the required level, EQPL has unutilized short term financing available to meet any unexpected maintenance requirement that may arise in the foreseeable future.

	2019	2018
	------ (Rupees in '000) ------	
24. BORROWINGS - Secured (Non-participatory)		
Engro Rupiya Certificates (note 24.1)	**-**	998,164
Islamic Finances (note 24.2)	**27,744,241**	16,145,694
Conventional Finances (note 24.3)	**50,992,449**	52,117,423
Foreign currency borrowings and others (note 24.4)	**89,218,601**	73,271,005
	167,955,291	142,532,286
Less: Current portion shown under current liabilities	**(22,096,424)**	(11,955,924)
	145,858,867	130,576,362

		Note	Mark-up	Installments Number	Installments Commenced/ Commencing from	2019	2018
						------ (Rupees in '000) ------	
24.1	**Engro Rupiya Certificates**						
	Engro Islamic Rupiya Certificates - II	24.5.	13.5%	Lump sum	JJuly 10, 2019	-	998,164
						-	998,164
24.2	**Islamic Finances**						
	Dubai Islamic Bank Limited		6 months KIBOR + 0.4%	4 half yearly	November 28, 2018	200,000	600,000
	Privately Placed Subordinated Sukuk Certificates	24.6.1	6 months KIBOR + 1.75%	10 half yearly	January 9, 2015	-	1,118,527
	Standard Chartered Bank (Pakistan) Limited		6 Months KIBOR + 0.8%	1 bullet payment	March 18, 2018	-	199,687
	Islamic Facility Agreements	24.6.2	3 months KIBOR + 3.5%	20 half yearly		4,000,000	3,121,589
	Sukuks	24.6.3	3 months KIBOR + 0.9%	5 half yearly	July 10, 2024	8,623,541	-
	Bilateral Loan	24.6.4	6 months KIBOR + 0%	6 half yearly	July 15, 2021	5,421,850	-
	Sukuks Certificates - I	24.6.5	3 months KIBOR + 1%	10 half yearly	May 16, 2019	4,131,021	5,154,777
	Sukuks Certificates - II	24.6.6	3 months KIBOR + 1%	10 half yearly	September 16, 2019	5,367,829	5,951,114
						27,744,241	16,145,694
24.3	**Conventional Finances**						
	Bilateral - IV	24.7.1	6 months KIBOR + 0.8%	10 half yearly	July 1, 2019	-	1,500,000
	Bilateral - V	24.7.1	6 months KIBOR + 0.8%	10 half yearly	July 1, 2019	-	1,500,000
	Bilateral - VI	24.7.1	6 months KIBOR + 0.8%	10 half yearly	June 28, 2019	-	750,000
	Bilateral - VIII	24.7.1	6 months KIBOR + 0.8%	6 half yearly	June 1, 2019	-	1,000,000
	Bilateral - IX	24.7.1	6 months KIBOR + 0.4%	6 half yearly	June 30, 2020	-	750,000
	Bilateral - X	24.7.1	6 months KIBOR + 0.4%	6 half yearly	June 26, 2020	-	2,000,000
	Allied Bank Limited		6 months KIBOR + 0.15%	4 half yearly	March 29, 2020	2,000,000	2,000,000
	National Bank of Pakistan		6 Months KIBOR + 0.2%	4 half yearly	June 28, 2022	1,000,000	1,000,000
	Deutsche Investitions und Entwicklungsgesellschaft		6 Months LIBOR + 3.75%	9 half yearly	December 15, 2019	2,071,917	2,082,897
	Allied Bank Limited		6 Months KIBOR + 0.2%	4 half yearly	June 28, 2022	2,100,000	2,100,000
	Samba Bank Limited		6 Months KIBOR + 1.2%	14 half yearly	April 1, 2013	-	99,852
	Allied Bank Limited	24.7.2	3 months KIBOR + 0.35%	6 half yearly	June 30, 2022	2,500,000	-
	Syndicated finance		6 months KIBOR + 0.4%	6 half yearly	June 26, 2019	6,080,532	9,109,666
	United Bank Limited		6 months KIBOR + 0.15%	4 half yearly	March, 29 2020	4,000,000	4,000,000
	MCB Bank Limited		6 months KIBOR + 0.15%	4 half yearly	March, 29 2020	4,000,000	4,000,000
	MCB Bank Limited		6 Months KIBOR + 0.05%	4 half yearly	March 28, 2021	1,500,000	1,500,000
	MCB Bank Limited	24.7.2	3 months KIBOR + 0.25%	12 quarterly	June 30, 2022	2,500,000	-
	MCB Bank Limited		6 Months KIBOR + 0.20%	4 half yearly	December 29, 2021	3,000,000	3,000,000
	JS Bank Limited		SBP Rate + 2%	20 Quarterly	June 27, 2019	90,000	-
	National Bank of Pakistan	24.6.2	3 months KIBOR + 3.5%	20 half yearly	-	3,134,000	2,954,007
	HBL-led consortium	24.6.2	3 months KIBOR + 3.5%	20 half yearly	-	17,016,000	12,771,001
						50,992,449	52,117,423
24.4	**Foreign Borrowings and Others**						
	International Financial Institutions		6 months LIBOR + 3%	24 half yearly	December 15, 2010	861,800	3,563,099
	China Development Bank Corporation (CDBC), China Construction Bank Corporation (CCBC) and Industiral and Commercial Bank of China Limited (ICBCL)	24.8.1	6 months LIBOR + 4.2%	20 half yearly	December 21, 2015	77,844,158	63,498,057
	International Finance Corporation		6 month LIBOR + 5%	16 half yearly	June 15, 2016	1,369,774	1,579,326
	International Finance Corporation	24.8.2	6 months LIBOR + 3.25%	6 half yearly	July 15, 2021	5,343,489	-
	Asian Development Bank		6 month LIBOR + 5%	16 half yearly	June 15, 2016	2,055,951	2,370,604
	Local Syndicate Loan		6 month KIBOR + 1.8%	16 half yearly	June 15, 2016	1,743,429	2,259,919
						89,218,601	73,271,005

24.5 During the year, the entire amount raised from general public against the issuance of Engro Islamic Rupiya (EIR) Certificates - II was repaid to the certificate holders on maturity along with the markup thereon.

24.6.1 Privately Placed Subordinated Sukuk (PPSS) has been completely paid off during the year by EFert.

24.6.2 EPTPL has entered into following loan agreements:

- Rupee Facility Agreement with an HBL-led consortium (comprising HBL, United Bank Limited, Bank Alfalah Limited, Askari Bank Limited, Soneri Bank Limited, Sindh Bank Limited, Bank of Punjab, MCB Bank Limited, Faysal bank Limited, Pak Oman Investment Company Limited (pursuant to sell down of a portion of loan by United Bank Limited), Industrial and Commercial Bank of China, National Bank of Pakistan and Pak Brunei Investment Company Limited for an aggregate amount of Rs17,016 million. As at December 31, 2019, EPTL has made a draw down of the entire amount (2018: Rs 13,279.243 million) against this facility.

- Bilateral Facility Agreement with National Bank of Pakistan for an aggregate amount of Rs 3,134 million. As at December 31, 2019, EPTL has made a draw down of the entire amount (2018: Rs 2,445.765 million) against this facility.

- Islamic Facility Agreements with three banks namely Meezan Bank Limited, Faysal Bank Limited and Habib Bank Limited for an aggregate amount of Rs 4,000 million. As at December 31, 2019, EPTL has made draw down of the entire amount (2018: Rs 3,121.589 million) against this facility.

These loans are repayable in 20 semi-annual installments commencing from the earlier of (i) First fixed date falling after 48 months since facility effective date and (ii) Second fixed date falling after Commercial Operations Date; where fixed dates are defined as First June or First December of any year and carries profit at the rate of 3 months KIBOR plus 3.5%. Further, the Shareholders of EPTPL have committed to provide cost overrun support for 10% of entire debt and pledge shares in favor of the Security Trustee. Additionally, shareholders other than Habib Bank Limited (HBL) have also provided SBLCs as coverage for their equity commitments in the project.

24.6.3 During the year, EPCL has issued sukuk bonds of Rs 8,750 million to eligible institutional and other investors by way of private placement. These are repayable over a period of 7.5 years in five equal semi annual installments of Rs 1,750 million each with the first repayment commencing in July 2024.

24.6.4 During the year, EPCL has entered into a musharaka agreement with Dubai Islamic Bank Pakistan Limited (DIBPL). Rental payments are to be made in nine semi-annual installments commencing from January 15, 2020 and ending on January 15, 2024 and are calculated at the rate of six months KIBOR plus 0% per annum.

24.6.5 These represent the amortised cost of the rated, over-the-counter listed and secured Islamic Certificates (Sukuk - I), amounting to Rs 5,200 million issued by the Company to Qualified Institutional Buyers (QIBs) through private placement by JS Bank Limited as an agent and advisor. The Sukuk - I are secured against the Company's investment in ECL shares with 50% margin as disclosed in note 7.1.3 and charge over all the assets of the Company with a 25% margin. The Sukuk - I carry mark-up at the rate of three months KIBOR plus 100 basis points per annum. The Sukuk - I are for a period of 5 years and are payable semiannually with the first principal repayment was made in May 2019.

24.6.6 These represent the amortised cost of the rated, over-the-counter listed and secured Islamic Certificates (Sukuk - II), amounting to Rs 6,000 million issued by the Holding Company on March 1, 2018, to Qualified Institutional Buyers (QIBs) through private placement by JS Bank Limited as an agent and advisor. The Sukuk - II are secured against the Holding Company's investment in ECL shares with 50% margin as disclosed in note 7.1.3 and charge over all the assets of the Company with a 25% margin. The Sukuk - II carry mark-up at the rate of three months KIBOR plus 100 basis points per annum. The Sukuk - II are for a period of 5 years and are payable semiannually with the first principal repayment was made in September 2019.

24.7.1. During the year, EPCL has made early repayment of the long-term loans outstanding as at December 31, 2018.

24.7.2 During the year, EFert obtained long term finances from MCB Bank Limited and Allied Bank Limited of Rs 2,500 million each, to finance the capital expenditure. These borrowings have the same charge as on the borrowings from other existing Senior Lenders.

24.8.1 EPTPL entered into a USD Facility Agreement on December 21, 2015 with three commercial banks namely China Development Bank Corporation, China Construction Bank Corporation and Industrial and Commercial Bank of China Limited for an aggregate amount of USD 621 million for a period of 14 years. The amount is repayable in 20 semi-annual installments commencing from the earlier of (i) First fixed date falling after 48 months since facility effective date and (ii) Second fixed date falling after Commercial Operations Date; where fixed dates are defined as First June or First December of any year. This loan carries mark-up at the rate of 6 month Libor plus 4.2%. The facility is secured primarily through First ranking hypothecation charge over the project assets of the EPTPL. Further, the shareholders of EPTPL have committed to provide cost overrun support for 10% of entire debt and pledge shares in favor of the Security Trustee. Additionally, shareholders other than Habib Bank Limited (HBL) have also provided Stand By Letter of Credits (SBLCs) as coverage for their equity commitments in the project. As at December 31, 2019, EPTPL has made draw down of USD 545.462 million (December 31, 2018: USD 504.731 million) against this facility.

24.8.2 In year 2018, EPCL had entered into an Ijarah Agreement with International Finance Corporation for a total of US Dollars 35 million the draw down of which has been made in December 2019. The principal is repayable in six semi-annual instalments commencing from July 2021 and carries markup at the rate of six months LIBOR plus 3.25% payable semi annually.

24.9 These finances are (unless specified otherwise) secured primarily through hypothecation charge over the present and future assets.

24.10 In view of the substance of the transactions, the sale and repurchase of assets under long term finance have not been recorded in these financial statements.

24.11 Following are the changes in the long term borrowings for which cash flows have been classified as financing activities in the statement of cash flows:

	2019	2018
	-------- (Rupees in '000) --------	
Balance as at January 1	**142,532,286**	95,882,634
Add:		
Borrowings availed during the year	**36,301,402**	47,999,556
Exchange loss	**8,989,721**	14,155,523
Amortisation of transaction cost	**114,460**	592,705
Less:		
Repayment of borrowings	**(19,965,942)**	(13,387,841)
Transaction costs	**(16,636)**	(2,710,291)
	25,423,005	46,649,652
Less: Current portion shown under current liabilities	**(22,096,424)**	-
Balance as at December 31	**145,858,867**	142,532,286

25. LEASE LIABILITIES

	2019	2018
Total lease liabilities	**55,439,757**	-
Less: Current portion	**4,443,548**	-
	50,996,209	

25.1 These represent lease liabilities recognised upon recognition of right-of-use assets as explained in note 3.19.

26. DEFERRED LIABILITIES

	2019	2018
	-------- (Rupees in '000) --------	
Retirement and other service benefits obligations	**369,346**	379,387
Deferred incentive revenue (note 26.1)	**1,248,868**	-
Deferred liability on FSRU (note 26.2)	**901,439**	-
Deferred income	**57,654**	-
Provision for dismantling & restoration cost (note 26.3)	**197,926**	-
	2,775,233	379,387
Less: Current portion shown under current liabilities	**(430,358)**	(113,852)
	2,344,875	265,535

26.1 Deferred incentive revenue has been recorded in respect of the following agreements entered into by Enfrashare during the year with its customers for construction, maintenance and operation of telecommunication infrastructure and allied equipment, provision of energy solutions and energy management services whereby Enfrashare provided a discount:

- in respect of service fee charged to it for an initial period of three years from the respective site commencement date. The related discount was provided against the discounted cash consideration under the asset sale and purchase agreements. Present value of the discount amounted to Rs 696 million. The said amount has been recognised as part of the total consideration against assets acquired under the asset sale and purchase agreements and a corresponding deferred incentive revenue has been recognised in this respect which is amortised over a three years period from the site commencement date on the basis of monthly service fee accrued under the agreement.

- against total amount of consideration to be charged to the customers for provision of energy solutions and energy management services. Present value of the discount amounted to Rs 475 million. The said amount has been recognised as part of the total consideration against assets acquired under the asset sale and purchase agreements and a corresponding deferred incentive revenue has been recognised in this respect which is amortised over a period of four and a half years from the date after six months of the project completion date.

26.2 This represent excess of billing over lease income in respect of Elengy Terminal. Income is recognised over a straight line basis.

26.3 This represents provision recognised for cost of dismantling of infrastructure and allied equipment for tenanted sites acquired from Pakistan Mobile Communication Limited and Deodar under sale and purchase agreement.

27. TRADE AND OTHER PAYABLES

	2019	2018
	-------- (Rupees in '000) --------	
Creditors	**17,785,030**	14,022,660
Accrued liabilities (notes 27.1 to 27.4)	**57,790,240**	27,966,919
Provision against tax contingency of EVTL (note 27.6)	**1,395,698**	875,375
Advances from customers	**2,047,196**	4,833,749
Contractors'/ suppliers' deposits and retention money (note 27.7)	**298,709**	126,874
Workers' welfare fund (note 27.5)	**1,338,155**	1,856,394
Workers' profits participation fund	**461,475**	380,185
Sales tax payable	**135,432**	139,882
Payable to retirement benefit funds	**278,551**	22,668
Contract Liability	**416,382**	-
Withholding tax payable	**531,622**	220,298
Payable to:		
- Dawood Hercules Corporation Limited	**-**	1,562
- FrieslandCampina Engro Pakistan Ltd	**-**	178,137
- FrieslandCampina Pakistan Holdings B.V.	**173,308**	-
- Sindh Engro Coal Mining Company	**19,434,879**	-
- Engro Vopak Terminal Limited	**92,358**	-
Others	**1,203,155**	494,022
	103,382,190	51,118,725

27.1 These include accrual for Gas Infrastructure Development Cess (GIDC) relating to EFert amounting to Rs 18,943.544 million (2018: Rs 12,576.404 million). The Federal Government challenged the decision of the High Court of Sindh, which declared the GIDC as ultra vires and unconstitutional in case of another company, and obtained a direction from a Larger Bench of the High Court of Sindh suspending the order. However, EFert obtained an injunction / stay order based on the fact that since EFert is not a party to the case, hence, the suspension is not applicable to the EFert's case. The Government preferred an appeal before the High Court of Sindh for suspension of the injunction / stay order, hearing of which is underway. In a separate case, Peshawar High Court passed a judgment on May 31, 2017 validating the Gas Infrastructure Development Cess Act, 2015 and the same has been challenged by the petitioners in the Supreme Court of Pakistan.

During the current year, the Gas Infrasturcture Development Cess Act, 2015 (Amendment) Ordinance 2019 was promulgated by the Federal Government which provided for 50% waiver of outstanding liability as at December 31, 2018 and 50% reduction in prospective GIDC on feed and fuel gas. Subsequently, the said Ordinance was withdrawn by the Federal Government and the matter is now pending decision of the Supreme Court of Pakistan.

Subsequent to year end, the Federal Government through notification dated January 28, 2020, has reduced GIDC on gas consumed by fertilizer manufactures to Rs 5/MMBTU with effect from January 28, 2020.

27.2 These include accrual in respect of gas charges amounting to Rs 414.492 million (2018: Rs 786.118 million).

27.3 These include Sindh Infrastructure Development Cess amounting to Rs 751.951 million (2018: Rs 595.500 million).

27.4 These include accruals recorded in respect of the following related parties:

	2019	2018
	-------- (Rupees in '000) --------	
China Machinery Engineering Corporation	**10,656,411**	-
China East Resources Import and Export Corporation	**645,134**	-
Thar Power Company Limited	**255,433**	-
Mitsubishi Corporation	**-**	344,807
Engro Vopak Terminal Limited	**-**	119,241
The Dawood Foundation	**152**	90
Key Management Personnel	**-**	76,436
	11,557,130	540,574

27.5 During the year provision recorded for Workers Welfare Fund under the Sindh Worker's Welfare Fund Act, 2014 for tax years 2013 to 2015 amounting to Rs 999.423 million has been reversed, based on a legal advice.

27.6 The movement in provision is as follows:

	2019	2018
	-------- (Rupees in '000) --------	
Balance at the beginning of the year	**875,375**	-
Provision recognised for the year	**229,529**	875,375
	1,104,904	875,375
Provision adjustment in respect of tax contingency (note 9)	**290,794**	-
	1,395,698	875,375

27.7 This includes deposits amounting to Rs 252.357 million (2018: Rs 98.188 million) which have been kept in a separate bank account. This also include deposits amounting to Rs 34.120 million (2018: Rs 24.710 million) which are fully utilised in business in accordance with the requirements of written agreements and in terms of section 217 of the Companies Act, 2017.

	2019	2018
	-------- (Rupees in '000) --------	

28. ACCRUED INTEREST / MARK-UP

	2019	2018
Accrued interest / mark-up on secured:		
- long term borrowings	**2,814,041**	2,266,379
- short term borrowings	**643,388**	96,934
	3,457,429	2,363,313

29. SHORT TERM BORROWINGS

	2019	2018
Running finances utilised under mark-up arrangements (note 29.1)	**10,574,339**	5,973,142
Shariah compliant short term finance (note 29.2)	**3,075,009**	668,065
Money market loan (note 29.3)	**1,662,000**	-
Export refinance facility (note 29.4)	**200,000**	-
	15,511,348	6,641,207

29.1 The short-term running finances available to the Group from various banks under mark-up arrangements amounts to Rs 46,602 million (2018: Rs 41,867 million). The rates of mark-up on these finances are KIBOR based and range from 0.2% to 0.5% per annum over the relevant period KIBOR (2018: 0.2% to 1.5% over the relevant period KIBOR). The aggregate running finances are secured by way of hypothecation of ranking floating charge over present and future loans, advances, receivables, stocks, book debts, and other current assets and pledge over shares.

29.2 The shariah compliant finances available to the Group from various banks carry profit rate of 3-Month KIBOR plus 1.10 % per annum (2018: 3% to 11.9%). These facilities are secured by way of floating charge on all present and future current assets of the respective companies of the Group.

29.3 These represent money market loans obtained from commercial banks carrying mark-up ranging from 13.65% to 14.41% per annum. These loans were obtained for a period ranging from 9 to 90 days and were secured by a joint parri passu floating charge over stocks and book debts of EPCL.

29.4 This represents export refinancing facility carrying mark-up at the rate of 3% (2018: Nil) on a rollover basis for six months. This facility is secured by a joint pari passu floating charge over stocks and book debts of the relevant company.

30. CONTINGENCIES AND COMMITMENTS

30.1 Contingencies

30.1.1 Following bank guarantees have been extended:

- Corporate guarantee amounting to USD 10 million has been issued by ECL to to open Debt Service Reserve Account (DSRA) letter of credit in favour of senior long term lenders of Engro Powergen Qadirpur Limited (EPQL).

- EFert has issued bank guarantees amounting to Rs 3,440.747 million (2018: Rs 2,982.754 million) in favour of third parties.

- On February 9, 2018, EEL furnished 7 bank guarantees amounting to Rs 5.530 million each, expiring on February 8, 2020, to Baluchistan Power Development Board (BPDB). These were issued to acquire Letter of Intents / development rights for 50MW x 7 project sites located in Kuchlak, Khuzdar and Punjgur areas of Baluchistan.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

(Amounts in thousand)

- Bank guarantees amounting to Rs 2,496.126 million (2018: Rs 2,496.126 million), have been issued by EPQL in favour of Sui Nothern Gas Pipeline Limited (SNGPL), representing an amount equivalent to three months contractual quantities of gas in accordance with the terms of Gas Supply Agreement (GSA) between EPQL and SNGPL.

- On February 1, 2019, EEL furnished 10 bank guarantees amounting to USD 0.05 million (in Pakistan Rupee equivalent) each, expiring on January 31, 2021, to Baluchistan Power Development Board (BPDB). These, were issued to acquire Letter of Intents / development rights for 50MW x 10 project sites located in Chagai corridor, Baluchistan.

- On June 27, 2019, EEL furnished a bank guarantee amounting to Rs 100 million which expired 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. The management is of the opinion that JDA will be signed with FWO for 2 years and subsequently the guarantee will be extended for the same period as well.

- During the year, Engro Peroxide (Private) Limited issued bank guarantee in favor of Excise and Taxation Department, amounting to Rs 3.5 million. The aggregate facilities amounting to Rs 50 million have been issued collectively in favor of Engro Peroxide (Private) Limited , EPCL and Engro Plasticizer (Private) Limited.

- EPTL has outstanding bank guarantees in favour of Collector of Customs amounting to Rs 234.210 million in respect of income tax on import of plant and machinery. The guarantees were issued under the order of the High Court of Sindh where the Court had allowed the imports to be cleared without the payment of income tax till EPTL's exemption application is decided by the Chief Commissioner, Income tax. During the year, the Commissioner Income tax has granted exemption and based on such exemption order, the Collector of Customs has been releasing bank guarantees after completion of legal formalities.

- Further, EPTL has outstanding bank guarantees of various expiry dates in favour of the Collector of Customs amounting to Rs 184.260 million in respect of custom duties and sales tax on import of certain items of plant and machinery. The Collector of Customs had requested the Federal Board of Revenue (FBR) for a clarity on allowing concessionary rates of duties on these items. FBR has clarified the matter in favour of EPTL and the bank guarantees are being released after the completion of legal formalities.

- On October 18, 2019, EEL furnished a bank guarantee amounting to Rs 5.100 million expiring on April 14, 2020, to K-Electric as tender security for hiring of consultancy engineering services for Design Review and EPC Contract Supervision, Monitoring and Control of 700 MW coal power plant project.

30.1.2 The Holding Company

- The Holding Company had pledged 15.131 million shares of ECL with Meezan Bank Limited (as agent) in favour of Fatima Fertilizer Company Limited (FFCL) as collateral against guarantee given in favour of DH Fertilizer Limited (DHFL) - ex subsidiary (now FFCL) against potential tax liabilities, WPPF liabilities and WWF liabilities in respect of periods ending on or prior to June 30, 2015. These pledged shares are to be released upon completion of two years from the filing date of Income Tax Return for the year ended December 31, 2015, i.e. September 30, 2016, in case no demand / notice is received from respective authorities.

During the year ended December 31, 2018 out of 15.131 million shares of ECL, 4.639 million shares were released upon expiration of the period stated in the agreement relating to the WPPF liabilities.

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

- During the year ended December 31, 2017, the Holding Company's ex-subsidiary was served with an order from the Additional Commissioner of Inland Revenue (CIR) – Federal Board of Revenue under Section 122(5A) of the Income Tax Ordinance, 2001 to amend the original assessment for the Tax Year 2016 being prejudicial to the revenue of the Federal Government and raised additional demand of Rs 3,380.650 million.

  The issues mainly related to the levy of tax on sale of 'Bubber Sher' brand to then wholly owned subsidiary, Bubber Sher (Private) Limited, non-taxation of capital gain on sale of shares of ECL and Hub Power Company Limited to the Holding Company and levy of super tax on the income claimed to be exempt from tax. The ex-subsidiary being aggrieved with the order filed an appeal with the Commissioner Inland Revenue Appeals (CIRA) and CIRA in its order dated August 7, 2017 decided the matter in favour of the ex-subsidiary. The Deputy CIR served the ex-subsidiary with an appeal effect order on January 11, 2018, under which the tax liability (primarily on account of Alternate Corporate Tax) was worked out to be Rs 1,051.140 million.

  The CIR filed an appeal with the Appellate Tribunal Inland Revenue (ATIR) against the order passed by CIRA, which is currently pending. The ex-subsidiary, on the basis of advice of its tax consultant, filed an appeal with CIRA on February 12, 2018, considering the demand to be still prejudicial to its interests. CIRA in its order dated April 26, 2018 decided the matter against the ex-subsidiary. The ex-subsidiary has filed an appeal with the ATIR on May 9, 2018, against the order passed by CIRA and for grant of stay in respect thereof. The appeal against the order of CIRA is still pending. Meanwhile, the ex-subsidiary has also obtained stay from the Lahore High Court against the recovery of demand. The tax advisor of the ex-subsidiary is of the view that the appeal effect order passed on January 11, 2018 and the subsequent order of CIRA dated April 26, 2018, are either based on a misinterpretation of the provisions of law or are in violation of the directions given by CIRA in its order dated August 7, 2017. Based on these views, the management of the Holding Company is confident that the matter will eventually be decided in favour of the ex-subsidiary. Hence, no provision has been recorded in this respect in these consolidated financial statements.

- During the year ended December 31, 2017, the Holding Company received a show cause notice dated May 11, 2017 from the Additional CIR – Federal Board of Revenue under Section 122(9) of the Income Tax Ordinance, 2001 in respect of Tax Year 2016. In the notice, the Additional CIR expressed intention to reject exemption of intercorporate dividend amounting to Rs 18,008.795 million, to make an addition to capital gain amounting to Rs 615.101 million and also to impose a super tax liability amounting to Rs 666.963 million. The Holding Company being aggrieved, filed a Constitutional Petition before the High Court of Sindh against the proposal to reject the exemption claimed on intercorporate dividend. Further, a Constitutional Petition was filed with the High Court of Sindh against the levy of super tax. The High Court of Sindh issued stay orders. in respect of the aforementioned matters with the instruction to the taxation authorities to not finalise the proceedings until the cases were disposed of.

- During the year, FFCL was served with a income tax demand amounting to Rs 10.470 million in relation to the tax year 2013. The demand mainly pertained to the tax impact of certain expenses disallowed by the CIR. The ex-subsidiary being aggrieved filed an appeal before CIRA, the decision of which is pending to date. The management is confident of a favourable decision. However, on a prudent basis an accrual amounting to Rs 5 million has been recorded in these consolidated financial statements.

30.1.3 Engro Corporation Limited

i) In the years 2014 and 2016, ECL divested some of its shareholding in Engro Fertilizers Limited (EFert). ECL had held such shareholding in EFert since 2010 and is of the view that capital gains on the sale of such securities do not attract any income tax. However, ECL was informed by the National Clearing Company of Pakistan Limited (NCCPL) that its clearing system shall deduct capital gain tax on such disposal and NCCPL shall deposit the same with the tax authorities. ECL had obtained stays thereagainst from High Court of Sindh and had also provided bank guarantees amounting to Rs 1,535 million in this respect in favor of Nazir of High Court of Sindh. During the year, the matter was decided in favor of ECL by the High Court of Sindh, ordering the release of the aforementioned bank guarantees.

ii) On January 18, 2017, FCEPL received an order from Competition Commission of Pakistan (CCP), imposing a penalty of Rs 62.293 million in respect of the FCEPL's marketing activities relating to one of its products. FCEPL filed an appeal against the aforementioned order on February 8, 2017, which was decided by the CCP tribunal on January 16, 2019, in FCEPL's favor. However the CCP has appealed the decision of the tribunal in the Supreme Court (SC) of Pakistan and FCEPL has submitted its response in the SC which is pending adjudication. As per the terms of the Share Purchase Agreement with FrieslandCampina Pakistan Holding B.V. (FCP), ECL is required to reimburse 51% of the amount together will all reasonable cost and expenses to FCP in case any such penalty materializes. The Group, based on the opinion of the legal advisor, is confident of a favorable outcome of the appeal, and accordingly, no provision has been recognized in these consolidated financial statements in this respect.

iii) During year 2016, ECL entered into a Share Purchase Agreement (SPA) FCP for the sale of 47.1% of the total issued shares of FCEPL (then Engro Foods Limited). In accordance with the terms of the SPA, ECL is required to pay to FCP, an amount equivalent to 47.1% of any tax liability (as defined in the SPA) together with all reasonable costs and expenses incurred, in case any tax contingency materializes. ECL, based on the opinion of FCEPL's tax and legal advisors, is confident of favorable outcomes in respect of various tax matters being contested by FCEPL (note 2.1.9), and accordingly no provision has been recognized in these consolidated financial statements in this respect.

iv) Following are the details of treasury bills pledged by ECL:

- ECL has pledged Treasury Bills amounting to Rs 2,700 million, against the Standby Letters of Credit (Equity SBLCs) provided by EEL, a subsidiary company, through National Bank of Pakistan amounting to US Dollars 12.598 million (2018: US Dollars 12.598 million) and US Dollars 0.138 million (2018: US Dollars 17.827 million) for its equity commitments related to the Sindh Engro Coal Mining Company Limited (SECMC), its associated company, and Engro Powergen Thar (Private) Limited (EPTL), its subsidiary company, in favour of the Intercreditor Agent (Habib Bank Limited) and the Project Companies (i.e. SECMC and EPTL). Equity SBLCs expire on earlier of (i) June 30, 2023; and (ii) fulfilment of sponsor obligations under Sponsor Support Agreements.

- ECL has pledged Treasury Bills amounting to Rs 4,250 million, against a Standby Letter of Credit (Put Option SBLC) provided by EEL, a subsidiary company, through Allied Bank Limited amounting to US Dollars 21,070 (2018: Dollars 21,070) in favour of the Put Option Fronting Bank (Habib Bank Limited). The Put Option SBLC has been furnished to meet sponsor obligations under Sponsor Support Agreement (Put Option SSA) and expires on earlier of (i) January 31, 2029; and (ii) fulfilment of sponsor obligations pursuant to Put Option SSA.

- Engro Elengy Terminal Pakistan Limited has issued corporate guarantees, performance guarantees and SBCLs amounting to US Dollars 20.700 million, US Dollars 10 million and US Dollars 5 million respectively. These guarantees have been secured by ECL by pledging Treasury Bills amounting to Rs 5,650 million. During the year, Treasury Bills amounting to Rs 1,970 million were partially released against corporate guarantees and were transferred to assets of Engro Elengy Terminal Pakistan Limited.

- ECL, as Sponsor Support, has permitted a bank to create ranking charge over receivables against the Stand By Letter of Credit (SBLC) facility amounting to US Dollars 4.673 million and Rs 411.949 million granted to Engro Elengy Terminal (Private) Limited.

  Pursuant to the Finance Act, 2017 and the Finance Act, 2018, section 5A 'Tax on undistributed reserves' of the Income Tax Ordinance, 2001 was substituted by 'Tax on undistributed profits' whereby for tax year 2017 to 2019, a tax has been imposed at the rate of 5% of accounting profit-before-tax, on every public company, that derives profit for a tax year but does not distribute at least 20% of its after-tax-profits within six months of the end of the tax year, through cash.

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

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

30.1.4 Engro Fertilizers Limited and its subsidiary company

i) EFert has entered into Dealer Finance Agreements (DFAs) with different banks amounting to Rs 4,500 million consequent to which the banks will provide financial assistance to dealers approved by EFert. In respect to DFA of Rs 3,000 million from the banks, EFert has agreed to bear 5% to 10% of the principal in case of default by the dealers.

   As at December 31, 2019, the banks have made disbursements to dealers under the DFAs amounting to Rs 3,337.876 million (2018: Rs 1,254.832 million) maturing on various future dates.

ii) EFert had filed a constitutional petition in the High Court of Sindh against the Ministry of Petroleum and Natural Resources (MPNR), Ministry of Industries and Production (MIP) and Sui Northern Gas Pipeline Company Limited (SNGPL) for continuous supply of 100 mmscfd gas per day to EFert's new plant (Enven) and to prohibit from suspending, discontinuing or curtailing the aforementioned supply. The High Court in its order dated October 18, 2011, has ordered that SNGPL should supply 100 mmscfd of gas per day to the EFert's new plant. However, five petitions have been filed in the Supreme Court of Pakistan against the aforementioned order of the High Court by SNGPL, MPNR, Agritech Limited, Pak Arab Fertilizers and Kohinoor Mills Limited alongwith 21 other companies (mainly engaged in textile business). The aforementioned petitions are pending for further hearing. EFert's management, as confirmed by the legal advisor, considers the chances of these petitions being allowed to be remote.

Further, EFert upon continual curtailment of gas after the aforementioned decision of the High Court has filed an application in respect of Contempt of Court under Articles 199 & 204 of the Constitution of Pakistan. EFert, in the aforementioned application has submitted that SNGPL and MPNR have failed to restore full supply of gas to EFert's plant despite the judgment of the High Court in EFert's favor. A show cause notice has also been issued against MPNR and SNGPL dated December 31, 2011 by the High Court. The application is pending for hearing and no orders have yet been passed in this regard.

iii) All Pakistan Textile Processing Mills Association (APTPMA), Shan Dying & Printing Industries (Private) Limited, Agritech Limited (Agritech) and 27 others have each contended, through separate proceedings filed before the Lahore High Court that the supply to EFert's expansion plant is premised on the output of Qadirpur gas field exceeding 500 mmscfd by 100 mmscfd and therefore, the Gas Sale and Purchase Agreement (GSA) dated April 11, 2007 between EFert and Sui Northern Gas Pipeline Limited (SNGPL) be declared void ab initio because the output of Qadirpur gas field has infact decreased. Agritech has additionally alleged discrimination in that it is receiving less gas than the other fertilizer companies on the SNGPL system. EFert has outrightly rejected these contentions, and is of the view that it has a strong case for the reasons that (i) 100 mmscfd gas has been allocated to EFert through a transparent international competitive bidding process held by the Government of Pakistan, and upon payment of valuable license fee; (ii) GSA guarantees uninterrupted supply of gas to the new plant, with right to first 100 mmscfd gas production from the Qadirpur gas field; and (iii) both EFert and Qadirpur, are located in Sindh. Further neither the gas allocation by the Government of Pakistan nor the GSA predicates the gas supply upon Qadirpur gas field producing 100 mmscfd over 500 mmscfd. No orders have been passed in this regard and the petition has also been adjourned sine die given that similar matter is pending in the Supreme Court of Pakistan. However, the Group management, as confirmed by the legal advisor, considers chances of petitions being allowed to be remote.

iv) EFert in the year 2013 along with other fertilizer companies, received a show cause notice from the Competition Commission of Pakistan (CCP) for initiating action under the Competition Act, 2010 in relation to unreasonable increase in fertilizer prices. EFert has responded in detail that factors resulting in such increase were mainly the imposition of infrastructure cess and sales tax and partially the gas curtailment. The CCP has issued an order in March 2013, whereby it has held that EFert enjoys a dominant position in the urea market and that it has abused this position by unreasonable increases of urea prices in the period from December 2010 to December 2011. The CCP has also held another fertilizer company to be responsible for abusing its dominant position. In addition, the CCP has imposed a penalty of Rs 3,140 million and Rs 5,500 million on EFert and the other fertilizer company, respectively. An appeal has been filed in the Competition Appellate Tribunal (CAT) and a writ has been filed in the High Court of Sindh and stay has been granted against the recovery of the imposed penalty. Hearings have been conducted at CAT where Farmer Association has filed an internal application.

In case of the other fertilizer company, the CAT has transferred the case back to the CCP for reassessment. EFert has challenged the composition of the CAT. EFert's management believes that the chances of ultimate success are very good, as confirmed by legal advisor, hence, no provision has been made in this respect.

v) During 2015, EFert received a sales tax order from the tax department for the year ended December 31, 2013 pertaining to discharge of output tax liability, on assumed production of urea amounting to Rs 402.875 million and on presumption that output tax liability is not being discharged by EFert on advances received from dealers amounting to Rs 1,844.075 million. EFert filed an appeal thereagainst with the Commissioner Inland Revenue (Appeals) [CIR(A)] which decided the matters in favour of EFert. The department thereafter challenged the decision of the CIR(A) with the Appellate Tribunal Inland Revenue (ATIR), which is pending to be heard. No provision has been made in this respect in these consolidated financial statements.

vi) On July 3 2018, the Deputy Commissioner Inland Revenue (DCIR), LTU raised an order for the period June 2016 to July 2017 with a demand of Rs 1,006 million mainly on account of further sales tax to be charged on sales to unregistered persons. EFert filed an appeal thereagainst with the CIR(A) who disposed off the appeal in favor of the taxation department on September 24, 2018. A constitutional petition against the said order has been filed with the High Court of Sindh and stay for recovery of demand against CIR(A)'s order was obtained on October 31, 2018. EFert also filed an appeal against CIR(A) decision which is pending before the ATIR. EFert's management believes that the chances of ultimate success are very good, as confirmed by legal advisor, hence, no provision has been made in this respect.

vii) In the year 2017, the High Court of Islamabad in its order dated June 8, 2017 declared that the income derived by 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. Thus confirming demand order issued of Rs 1,178.391 million. In this respect, the Contractor preferred an appeal in the Supreme Court of Pakistan (SCP). During the year, the SCP decided the case on ex-parte basis against the Contractor and review application for case restoration has been filed by the Contractor. It is expected that on adjudication on the merits of the case, the exposure will not exceed Rs 200 million for EFert. Although certain implications arise under the terms of the contract, the chances of any obligation crystallising on part of EFert given the time lines of any separate proceedings under the Income Tax Ordinance, 2001 are remote. Accordingly, no provision has been made in respect of the demand order issued by tax department.

viii) Claims, including pending lawsuits, not acknowledged as debts amounting to Rs 61.914 million (2018: Rs 58.680 million).

30.1.5 Engro Energy Limited and its subsidiary companies

- In year 2018, EEL took over the operations and maintenance of the power plant owned by Tenega Generasi Limited (TGL) under an agreement signed between both parties. EEL needs to submit a perfomance bond equivalent to USD 930 million on an annual basis as per the agreement. The bond was furnished by EEL on October 21, 2019 and is set to expire on October 20, 2020.

- In year 2019, EEL submitted bids for further exploration of coal reserves in three blocks in Thar on invitation of bids issued by Sind Coal Authority. As part of the bids submission requirements, bank guarantees amounting to USD 15000 per block for each of the three blocks on November 6, 2019 were furnished which are set to expire on May 3, 2020.

- Meezan Bank Limited (MBL), National Bank Limited (NBP) and Habib Bank Limited (a related party of EPTL), have issued guarantees of Rs 1,800 million, 1,500 mllion and 1,425 million, each expiring on November 21, 2020, December 31, 2020 and August 1, 2020 respectively, on behalf of the EPTL in favour of SECMC to secure EPTL's payment obligations under the Coal Supply Agreement. The SBLC Issuing Banks have entered into a non-funded financing facility as Junior Creditors and acceded the Intercreditor Agreement and security accordingly.

30.1.6 Elengy Terminal Pakistan Limited and its subsidiary company

- The Sindh Finance Act, 1994, prescribed the imposition of an infrastructure fee at the rate of 0.5% of the C&F value of all goods entering or leaving the province of Sindh via sea or air. The said Act thereafter was last amended through Sindh Finance Act, 2014 according to which infrastructure fee will range from 0.9% to 0.95% of total value of goods as assessed by the Custom Authorities (the Authorities) plus one paisa per kilometer against various slab of net weight of goods.

- On July 11, 2014, Engro Elengy Terminal (Private) Limited (EETPL) filed a petition against the aforementioned levy before the High Court of Sindh where it is currently pending. Earlier, the Court through an interim order on November 11, 2014 petitions filed by others, directed companies to clear the goods on paying 50% of the amount of levy and furnishing bank guarantee / security for the balance amount. The payment of 50% of the amount of levy has been expensed out in these consolidated financial statements.

- In this respect, EETPL has paid 50% of the above levied cess and has provided bank guarantee amounting to Rs 15 million (2018: Rs 15 million) in favor of the Custom Authorities to comply with interim orders of the Court. The bank guarantee shall continue and remain valid until the decision of the Court in the above mentioned cases. The bank guarantee is secured against lien over deposit. Based on the merits of the case and as per the opinion of its legal advisor, EETPL expects a favorable outcome on the matter and accordingly no provision has been made in this respect in these consolidated financial statements.

- In 2014, EETPL imported steel linepipes (the goods) for the LNG Project, on which the authorities allowed exemption from custom duty, but did not allow exemption from sales tax. EETPL filed a petition before the Court against levy of sales tax on the goods and to restrain the authorities from hindering clearance of the same. Under interim orders, the Court directed the authorities to release the goods subject to deposit of pay order / bank guarantee with the Nazir of the Court amounting to Rs 9.026 million which has been duly deposited. The matter is currently pending for further hearing.

- Further, EETPL received various orders on December 12, 2017 in respect of the import of pipeline material for natural gas during 2014 and 2015, raising an aggregate demand of Rs 148.282 million in respect of customs duty, sales tax and advance income tax on the same. However, EETPL being exempted from levy of customs duty and sales tax, filed a petition before the Court on February 14, 2018, and has obtained stay in this regard.

- The Group based on the merits of the case and as per the opinion of legal advisor, expects a favorable outcome on the matter and accordingly no provision has been made in this respect in these consolidated financial statements.

- EETPL in connection with the import of FSRU, received a demand from Customs Authority amounting to Rs 1,530.494 million contending that the import of FSRU attracts payment of advance income tax. EETPL is of the view that its profits and gains are exempt from income tax for 5 years from the date of commercial operations. EETPL in response to the above demand has filed an appeal based on which the Chief Commissioner Inland Revenue (CCIR) through its order dated August 22, 2016 remanded the case back to the concerned commissioner, which again rejected the request for exemption against which EETPL filed an appeal before CCIR. EETPL, based on the merits of the case and opinion of its tax consultant and legal advisor, is expecting a favorable outcome in this case. Accordingly, no provision has been recorded in this respect.

30.1.7 Engro Polymer and Chemicals Limited and its subsidiary companies

- The Deputy Commissioner Inland Revenue (DCIR) through order dated January 8, 2016, raised a sales tax demand of Rs 524.589 million on account of alleged short payment of sales tax due on the finished products of Engro Polymer and Chemicals Limited (EPCL) that would have been produced and sold from the excess wastage of raw material. EPCL filed appeal thereagainst before the Commissioner Inland Revenue Appeals [CIR(A)] on the grounds that the order passed against EPCL was absolutely baseless as the DCIR had used inappropriate theoretical assumptions for calculating the sales tax liability. The CIR(A) through his order dated March 10, 2016, has decided the matter in favor of the Group. However, the department has challenged the said order of CIR(A) before Appellate Tribunal Inland Revenue (ATIR). No proceedings regarding this matter has been carried out by ATIR, till the year end. The Group, based on the advice of its tax consultant, is confident of favourable outcome of this matter, accordingly, no provision has been made in this respect in these consolidated financial statements.

30.1.8 Engro Eximp Agriproducts (Private) Limited

- During the year ended December 31, 2017, the tax department had raised a demand of sales tax of Rs 250 million for not charging sales tax on rice husk / rice bran for the tax year 2015. There was an error in the order as the department had treated all the by-products falling under the category of rice bran or rice hull / husk; though in reality the proportion of these two products among by-products is comparatively low while rice bran was admittedly exempt during that period. As the value of rice husk was wrongly taken, the Commissioner (Appeals) has vacated the order and demand but upheld the legal position regarding charging of sales tax on rice husk. EEAP has gone in appeal as it is of the view that the department is not treating husk correctly. Currently, the matter is pending before the Appellate Tribunal.

30.1.9 Details relating to Tax contingencies are disclosed in note 39.1.

30.1.10 Commitments

Details of commitments as at December 31, 2019 entered by the Group are as follows:

	2019	2018
	-------- (Rupees in '000) --------	
Commitments in respect of operating lease not later than one year	**-**	9,399

Due to adoption of IFRS 16 (as stated in note 4), the operating lease are now part of IFRS 16 as 'Right of Use' asset. The related impacts have been recognised in these consolidated financial statements.

Commitments in respect of capital and operational expenditure contracted but not incurred amount to Rs 9,297.407 million (2018: Rs 23,026.122 million).

The aggregate facilities available to the Group for opening letter of credit and bank guarantees and other commitments other than those disclosed elsewhere in these consolidated financial statements, amounts to Rs 39,185.714 million (2018: Rs 22,419.558 million).

As of December 31, 2019, the rentals outstanding amounted to Nil (2018: Rs 14.053 million) in respect of storage and handling contracts of Ethylene Di Chloride (EDC) and caustic soda.

EEL has also provided sponsor support contractual commitment, among other commitments, in favour of Senior Lenders amounting to USD 5.400 million and USD 41.600 million as cost overrun support pursuant to the Sponsor Support Agreements (SSA) dated February 22, 2016 for SECMC and February 1, 2016 for EPTL respectively (and the Amendment and Restatement Agreement dated February 12, 2016 relating to the SSA in case of EPTL).

During the year, Engro Peroxide (Private) Limited, a subsidiary of EPCL, has entered into a contract with Chematur Engineering AB to establish a plant of Hydrogen Peroxide at a consideration of EUR 6.993 million. As at December 31, 2019 commitment for civil works and equipment procurement amounts to EUR 5.140 million.

The Group has entered into commercial lease agreement for lease of office. The aggregate lease payments as monthly rentals amounting to Rs 51.907 million (2018: Rs 90 million).

EEAP has entered into export selling contracts of 10,793 tons (2018: 9,521 tons) of Super Basmati Rice to various parties on a agreed terms for delivery on various dates subsequent to the year end. The sales value of these open commitments at year end exchange rate amounts to Rs 1,352.854 million (2018: Rs 1,181.436 million).

Commitments given by the associated companies and joint venture in respect of capital and operational expenditure including bank guarantees amount to Rs 13,952.924 million (2018: Rs 10,020.300 million). Other commitments include arrangements in respect of standby letters of credit and Ijarah which are not material to the Group.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

(Amounts in thousand)

31. REVENUE	**2019**	2018
	-------- (Rupees in '000) --------	
Own manufactured products (notes 31.1 and 31.2)	**181,614,689**	124,315,998
Less:		
- Sales tax	**(12,413,041)**	(9,670,660)
- Discounts	**(523,257)**	(360,984)
	168,678,391	114,284,354
Purchased product (note 31.3)	**44,593,196**	45,766,185
Services rendered (note 31.4)	**16,027,425**	14,347,524
Less: Sales tax	**(3,379,436)**	(2,829,825)
	57,241,185	57,283,884
	225,919,576	171,568,238

31.1 These include export sales amounting to Rs 3,559.552 million (2018: Rs 2,857.507 million).

31.2 These include revenue from sale of Energy which comprises of:

	2019	2018
	-------- (Rupees in '000) --------	
Capacity purchase price (note 31.2.1)	**20,809,750**	4,037,816
Energy purchase price	**33,259,700**	9,168,762
	54,069,450	13,206,578

31.2.1 This includes amount subject to Commercial Operation Date (COD) tariff adjustment amounting to Rs 5,967.561 million. The COD tariff adjustment is a variable consideration based on the management's best estimate. Variable consideration is not constrained as the potential reversal of cumulative revenue recognised will not be significant.

31.3 This primarily includes sale of Di-Ammonium Phosphate (DAP) by EAPL.

31.4 This includes revenue from services rendered by ETPL which comprises of:

	2019	2018
	-------- (Rupees in '000) --------	
Capacity charges	**-**	9,688,934
Operating lease rental income	**805,133**	-
Revenue from O&M services	**3,001,211**	-
Finance income on sublease	**5,290,427**	-
Revenue from utilization / regasification services	**3,615,949**	2,912,172
	12,712,720	12,601,106

32. COST OF REVENUE

	2019	2018
Cost of goods sold (note 32.1)	**148,363,615**	111,204,177
Cost of services rendered (note 32.2)	**5,022,189**	9,255,589
Finance cost on lease liability	**3,847,684**	-
	157,233,488	120,459,766

32.1 Cost of goods sold

	2019	2018
Raw and packing materials consumed including unprocessed rice	**69,939,952**	36,080,329
Salaries, wages and staff welfare (note 32.1.2)	**5,137,830**	4,221,010
Fuel and power	**18,752,069**	20,032,256
Operation and management	**882,069**	-
Repairs and maintenance	**2,392,542**	1,570,319
Depreciation - Right of use Asset	**399,190**	-
Depreciation - PPE	**9,623,651**	6,905,789
Amortisation (note 8.1)	**79,236**	24,248
Reversal of provision for impairment against operating assets (note 6.4)	**-**	(403,516)
Consumable stores	**1,623,899**	1,056,423
Staff recruitment, training, safety and other expenses	**300,916**	274,783
Purchased services	**1,666,901**	1,034,191
Storage and handling / product transportation	**1,681,375**	1,371,309
Travel	**358,188**	218,928
Communication, stationery and other office expenses	**100,367**	134,749
Insurance	**1,244,075**	749,051
Rent, rates and taxes	**85,961**	78,066
Provision against slow moving spares	**191,058**	265,105
Other expenses	**82,681**	46,568
Manufacturing cost	**114,541,960**	73,659,608
Add: Opening stock of work-in-process (note 14)	**43,373**	47,372
Less: Closing stock of work-in-process (note 14)	**73,289**	43,373
	(29,916)	3,999
Cost of goods manufactured	**114,512,044**	73,663,607
Add: Opening stock of finished goods manufactured (note 14)	**2,596,777**	3,543,390
Less: Closing stock of finished goods manufactured (note 14)	**(4,900,819)**	2,596,777
	(2,304,042)	946,613
Cost of goods sold		
- own manufactured product	**112,208,002**	74,610,220
- purchased product (note 32.1.1)	**36,155,613**	36,593,957
	148,363,615	111,204,177

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019
(Amounts in thousand)

32.1.1 Cost of sales - purchased product

	2019	2018
	-------- (Rupees in '000) --------	
Opening stock (note 14)	**8,982,883**	4,638,428
Add: Purchases	**36,248,515**	40,908,412
Less: Closing stock (note 14)	**9,075,785**	8,952,883
	36,155,613	36,593,957

32.1.2 These include Rs 310.991 million (2018: Rs 252.797 million) in respect of staff retirement benefits.

32.2 Cost of services rendered

	2019	2018
	-------- (Rupees in '000) --------	
Fixed expenses	**1,618,324**	6,790,703
Variable expenses	**2,289,421**	1,709,105
Depreciation - PPE	**469,139**	478,016
Depreciation - Right of use Asset	**32,837**	-
Amortisation of intangible assets	**267**	-
Amortisation of direct cost on FSRU	**86,516**	86,516
Fuel & Power	**155,997**	-
Rent, rates and taxes	**71,167**	-
Salaries, wages and benefits (note 32.2.1)	**113,776**	40,168
Repairs and maintenance	**83,873**	104,875
Travelling and entertainment	**25,529**	11,894
Security and other expense	**75,343**	34,312
	5,022,189	9,255,589

32.2.1 Includes Rs 6.278 million (2018: Rs 2.236 million) in respect of staff retirement benefits.

33. SELLING AND DISTRIBUTION EXPENSES

	2019	2018
	-------- (Rupees in '000) --------	
Salaries, wages and staff welfare (note 33.1)	**1,213,093**	1,115,784
Staff recruitment, training, safety and other expenses	**206,514**	168,720
Product transportation and handling	**5,206,104**	5,750,047
Repairs and maintenance	**56,139**	8,132
Advertising and sales promotion	**472,935**	632,317
Rent, rates and taxes	**436,305**	411,288
Communication, stationery and other office expenses	**40,157**	33,358
Travel	**204,389**	155,218
Depreciation - PPE	**116,222**	71,384
Amortisation (note 8.1)	**15,290**	11,530
Purchased services	**75,117**	107,376
Others	**61,021**	23,102
	8,103,286	8,488,256

33.1 These include Rs 96.292 milion (2018: Rs 74.296 million) in respect of staff retirement benefits.

	2019	2018
	-------- (Rupees in '000) --------	
34. ADMINISTRATIVE EXPENSES		
Salaries, wages and staff welfare (note 34.1)	**3,261,120**	2,765,543
Directors' fee	**11,750**	16,250
Staff recruitment, training, safety and other expenses	**167,961**	165,958
Repairs and maintenance	**101,889**	85,441
Human resource development	**814,624**	658,883
Advertising	**587,608**	134,451
Rent, rates and taxes	**323,566**	743,553
Communication, stationery and other office expenses	**251,873**	153,011
Travel	**522,606**	207,698
Depreciation - Right of use Asset	**333,467**	-
Depreciation - PPE	**199,176**	141,560
Amortisation (note 8.1)	**89,001**	34,040
Purchased services	**815,832**	674,943
Donations (notes 34.2 and 34.3)	**833,948**	338,893
Legal and professional charges	**80,190**	134,516
Insurance	**5,086**	4,921
Subscription and periodicals	**67,386**	21,369
Others	**135,456**	323,685
	8,602,539	6,604,715

34.1 These include Rs 326.496 million (2018: Rs 223.732 million) in respect of staff retirement benefits.

34.2 These include donations made during the year to The Dawood Foundation (an associated undertaking) amounting to Rs 85 million (2018: Rs 30.706 million) in which the Holding Company's directors Mr. Hussain Dawood, Mr. Shahzada Dawood, Mr. Abdul Samad Dawood and Ms. Sabrina Dawood are trustees.

34.3 These include cost of construction of a hospital and school at Thar aggregating Rs 282.907 million (2018: nil).

	2019	2018
	-------- (Rupees in '000) --------	
35. OTHER INCOME		
Financial assets:		
Income on deposits / other financial assets	**12,671,706**	6,720,674
Income on shariah compliant deposits	**40,393**	1,228
Exchange gain	**121,307**	219,208
Interest on receivable from SSGCL	**184,236**	189,374
Delayed payment charges on overdue receivables	**1,520,555**	537,066
Dividend income from HUBCO	**-**	258,873
Other investment in quoted shares	**800,169**	-
Non financial assets:		
Subsidy from Government of Pakistan	**-**	1,271,334
Insurance claims	**-**	841,790
Gain on disposal of property, plant and equipment	**3,625**	22,647
Income from sale of spares / scrap	**124,389**	37,677
Reversal of provision for Worker's Welfare Fund	**999,423**	650,110
Gain on sale of associate	**-**	11,100,101
Others	**226,086**	134,191
	16,691,889	21,984,273

	2019	2018
	-------- (Rupees in '000) --------	

36. OTHER OPERATING EXPENSES

	2019	2018
Workers' profits participation fund	**1,732,531**	1,493,005
Workers' welfare fund	**547,554**	555,443
Legal and professional charges	**1,068,502**	486,174
Research and development	**218,674**	244
Provision against tax contingency of EVTL (note 9)	**229,529**	875,375
Exchange loss	**783,185**	280,212
Impairment against long-term investments	**1,224,304**	154,560
Write off of property, plant and equipment	**452,484**	-
Auditors' remuneration (note 36.1)	**65,723**	46,487
Provision for doubtful debts	**39,009**	17,230
Provision against sales tax receivable	**244,000**	-
Others (note 36.2)	**258,043**	518,602
	6,863,538	4,427,332

36.1 Auditors' remuneration

The aggregate amount charged in these consolidated financial statements in respect of auditors' remuneration, including remuneration of auditors' of foreign subsidiaries, is as follows:

	2019	2018
	-------- (Rupees in '000) --------	
Fee for:		
- audit of annual financial statements	**12,766**	13,585
- review of half yearly financial statements	**5,240**	2,435
Special audit, certifications, review of compliance with Code of Corporate Governance and other advisory services	**28,975**	8,964
Tax services	**15,839**	18,927
Reimbursement of expenses	**2,903**	2,576
	65,723	46,487

36.2 Under the Share Purchase Agreement (SPA) with FrieslandCampina Pakistan Holding B.V. (FCP), ECL is required to pay FCP an amount equal to 51% of the sales tax receivable of FrieslandCampina Engro (Pakistan) Limited (previously Engro Foods Limited) (FCEPL), recognised in the financial years 2012 to 2016, if it is not recovered by FCEPL within six years after it is recognised. Accordingly, on prudence basis, ECL has recognized its liability under the SPA being 51% of the sales tax receivable pertaining to sales tax short recovered by FCEPL till December 31, 2019 amounting to Rs 162 million included above.

	2019	2018
	-------- (Rupees in '000) --------	
37. FINANCE COST		
Interest / mark-up on:		
- long term borrowings	**11,177,648**	3,486,744
- short term borrowings	**1,069,268**	457,536
Markup on Shariah compliant borrowings	**511,780**	828,782
Interest on lease liabilities	**521,331**	-
Unwinding of deferred incentive revenue	**99,506**	-
Foreign exchange loss - net	**682,728**	984,374
Amortisation of transaction cost	**481,262**	-
Delayed payment charges	**323,377**	-
Bank charges	**1,283,652**	493,797
Others	**25,000**	84,991
	16,175,552	6,336,224

	2019	2018
38. SHARE OF INCOME FROM JOINT VENTURE AND ASSOCIATES		
Joint venture:		
Engro Vopak Terminal Limited		
Share of profit before taxation	**1,703,386**	1,255,425
Less: Share of provision for taxation	**599,900**	156,798
	1,103,486	1,098,627
(Provision) / reversal for WWF	**(89,280)**	89,280
Share of profit for the year	**1,014,206**	1,187,907
Less: Provision against tax contingency	**-**	(1,355,679)
	1,014,206	(167,772)
Associates:		
Share of profit / (loss) from:		
- Sindh Engro Coal Mining Company Limited	**685,101**	(3,232)
- GEL Utility Limited	**(170,987)**	277,893
- Siddique Sons Energy Limited	**670**	(3,691)
- Friesland Campina Engro Pakistan Limited	**(380,991)**	25,449
	133,793	296,419
	1,147,999	128,647

	2019	2018
	-------- (Rupees in '000) --------	
39. TAXATION		
Current		
- for the year	**10,854,208**	14,990,524
- for prior years (note 39.1.1)	**148,365**	1,840,651
	11,002,573	16,831,175
Deferred	**5,991,451**	(2,615,199)
	16,994,024	14,215,976

Details of significant income tax matters are as follows:

39.1 Engro Corporation Limited

39.1.1 This includes provision for 'Super Tax for rehabilitation of temporarily displaced persons', made last year by ECL amounting to Rs 888.413 million levied through the Finance Act, 2018 retrospectively on the income for the financial years ended December 31, 2017 and 2018. ECL had challenged the levy in the High Court of Sindh and has been granted a stay in this respect. ECL, based on the opinion of its legal advisor, believes that there is a reasonable case in ECL's favour. However, based on prudence, ECL had made provision for Super Tax for the tax years 2018 and 2019. During the year, through the Finance Supplementary Act, 2019, the levy of Super Tax has been abolished from financial year ended December 31, 2019 onwards for companies other than banking companies.

In addition to the above ECL had also recognised provision for super tax relating to years ended December 31, 2014 to December 31, 2016 amounting to Rs 2,354.637 million (2018: Rs 2,354.637 million).

39.1.2 In year 2016, an amendment was introduced in the Income Tax Ordinance, 2001 (ITO) via the Finance Act, 2016 which imposed tax on inter-corporate dividends, which were previously exempt to companies designated as a Group under section 59B of ITO. Subsequent to the year end, the exemption on inter-corporate dividend has been restored through amendment in ITO vide the Tax Laws (Second Amendment) Ordinance, 2019. However, in respect of the dividends received before the said amendment, ECL had challenged the imposition of tax on inter-corporate dividends in the High Court of Sindh and has been granted a stay in this respect.

39.1.3 In year 2013, the income tax department, in respect of the tax year 2011, determined additional income tax liability of Rs 218.790 million and raised a demand of Rs 139.575 million whereby the Deputy Commissioner Inland Revenue (DCIR) disallowed allocation of expenses against interest income and apportioned expenses against dividend income and capital gains. ECL filed an appeal with the Commissioner Inland Revenue - Appeals CIR(A) who maintained the apportionment of expenses against dividend income and capital gains but allowed the allocation of administrative expenses against interest income, thereby reducing the income tax liability to Rs 184.191 million and revised the demand to Rs 104.976 million. ECL paid Rs 53.250 million thereagainst and simultaneously filed an appeal against the CIR(A) decision with Appellate Tribunal Inland Revenue (ATIR) which granted a stay to ECL. During year 2014, the ATIR issued an order whereby the aforementioned appeal was remanded back to the assessing officers for denovo proceedings, thereby accepting ECL's contention. The income tax department, in response thereagainst, had filed an appeal with ATIR, which was dismissed during year 2016.

In year 2014, the income tax department in respect of tax year 2012, amended the assessment and raised an additional demand of Rs 250.773 million on similar grounds as above. ECL filed an appeal against the said order with CIR(A), who based on ATIR's order for tax year 2011, has remanded back the order to assessing officers for denovo proceedings.

In year 2015, in respect of pending tax assessments for tax year 2011 and tax year 2012, ECL received notices of demand amounting to Rs 105.955 million and Rs 250.773 million, respectively, whereby the Deputy / Additional Commissioner Inland Revenue again disallowed allocation of expenses against interest income and apportioned expenses against dividend income and capital gains. ECL filed appeals thereagainst with CIR(A) and also obtained stays from the High Court of Sindh from initiating any recovery proceedings in respect of both tax years. During year 2016, in respect of tax year 2011 and tax year 2012, CIR(A) accepted ECL's plea and annulled the order passed by the DCIR. In response, the DCIR filed appeals before the ATIR for rectification of the orders passed by CIR(A) for both tax years, which were subsequently dismissed. In the previous year, ECL has reversed excess provision of Rs 168.896 million in respect of tax years 2011 and 2012 consequent to denovo proceedings after which the amended orders were passed in respect of the aforementioned tax years, wherein, the Commisioner has maintained the classification of income from interest on bank deposits and from subordinated loans as "income from other sources". In response, ECL has filed an appeal challenging this contention and ECL is confident of favourable decision based on earlier ATIR judgment. During the year, CIR(A) has passed the orders dated January 10, 2019 for both the tax years in relation to ECL's appeal and has again remanded the matter to the assessing officer for denovo proceedings.

39.1.4 During year 2017, the income tax department in respect of the tax year 2015, determined an additional income tax liability of Rs 128.400 million, whereby, ACIR has levied tax on inter-corporate dividend, super tax including on exempt income, the effects of classification of 'Interest Income' as "Income from Business" as well as not allowing the adjustment of the minimum tax paid under section 113(1)(c) of ITO.

During the year, the CIR(A) vide order dated May 6, 2019 has maintained the matter relating to taxation of intercorporate dividend, super tax under section 4B, the classification of the interest income and carry forward of minimum tax for adjustment whereas the rectificatory matters including the levy of super tax on exempt income was remanded back. ECL has preferred appeal before ATIR on all issues adjudicated against it. ECL, based on advice of its tax consultant, is confident that these matters will be decided in favour of ECL. However, on prudence, ECL has recorded provision against super tax.

39.1.5 In year 2017, the ACIR through order dated June 23, 2017 amended the return for the tax year 2016 creating tax demand of Rs 1,484.903 million mainly on account of tax levied on inter-corporate dividend, super tax including on exempt income and disallowance on account of allocation of expenses to dividend and capital gains including minimum tax paid under section 113 of ITO. The CIR(A) while disposing of ECL's appeal maintained the order of ACIR with respect to certain issues which were further contested before the ATIR. During the year, the ATIR in its order dated July 31, 2019 has annulled the order of ACIR and validated the exemption on intercorporate dividend as well as the non-applicability of super tax on such exempt income whereas the issues relating to the levy of super tax under section 4B and the carry forward of minimum have been linked to the pending decisions of the Sindh High Court (where the matter is separately being contested by ECL) and the carry forward under section 113(1)(c) has been linked to the decision of the Supreme Court in the case of another taxpayer.

Against the order dated June 23, 2017, ECL had filed an application for rectification. The ACIR through rectified order dated August 29, 2017 reduced the demand to Rs 1,084.733 million. Through the said order, the ACIR accepted ECL's contention relating to various matters except the issue of allocation of expenses to capital gains. ECL contested this matter in appeal before the CIR(A) who has maintained the order of ACIR through order dated December 18, 2018. During the year, ECL filed an appeal before the ATIR against the CIR(A) order.

39.2 Engro Fertilizers Limited (EFert) and its subsidiary companies

39.2.1 During year 2015, the income tax department amended the assessment filed by EFert for tax year 2014. EFert filed an appeal before CIR(A) against the disallowances, which mainly pertained to exchange gain and loss, loss on derivative and losses purchased from Engro Eximp Agriproducts (Private) Limited, an associate, under section 59B of ITO resulting in additions to taxable income of Rs 3,191.963 million. In addition the tax department raised demand for the Alternative Corporate Tax (ACT) through the same order, for which the EFert specifically obtained a stay order.

During the year, the matter was heard by CIR(A) and favorable decision was made in respect of exchange losses and acceptance of prior years tax refunds, whilst other additions made by the tax department in respect of ACT, loss on derivatives and group relief under section 59B were maintained in the order. EFert has filed an appeal against the order of CIR(A) before the ATIR.

39.2.2 During the year, the income tax department amended the assessment filed by EFert for the tax years 2015, 2016 and 2017. EFert filed appeals thereagainst before CIR(A) for disallowances made in the orders which mainly included proration of expenses to exempt/FTR incomes, exchange loss disallowances, loss on derivatives and losses purchased from Engro Eximp Agriproducts Limited under section 59B of ITO, resulting in cumulative addition of Rs 16,173.826 million to taxable income of these tax years. During the year, CIR(A) passed an order for tax years 2015, 2016 and 2017 maintaining most of the additions made by taxation officer in the amendment order, whilst allowing deletion of expenses on allocation basis to exempt income and claim of exchange losses on realised basis. EFert, as well as the tax department, have filed appeals against the order of CIR(A) before ATIR. The matter was heard by ATIR for tax years 2015 and 2016 on January 7, 2020 and the order has been reserved for judgement. EFert is confident of a favourable outcome of the appeals.

39.2.3 In year 2014, the income tax department amended the assessment filed by EFert for tax years 2010 and 2011. EFert filed appeals thereagainst before ATIR against the said disallowances, which through its decision provided relief in respect of certain items and confirmed certain disallowances in favor of the tax department. The said disallowances included the charge in respect of exchange gain and loss incurred for tax years 2010 and 2011, and loss on derivative for tax year 2011 raising a demand in respect of these years in aggregate of Rs 1,075.466 million. EFert has challenged the said decision before the High Court of Sindh, which is pending to be heard. However, EFert is confident of a favourable outcome.

39.2.4 During the year, EFert had filed a suit in the High Court of Sindh, contesting both the retrospective and prospective application of the Alternative Corporate Tax (ACT) under section 113C. On January 27, 2018, the Supreme Court of Pakistan passed an order requiring that a minimum of 50% of tax calculated by the taxation authorities be deposited with taxation authorities to maintain / entertain a suit filed / to be filed with any Court of Pakistan. Pursuant to this, EFert made payment of Rs 615.600 million in respect of ACT for tax year 2014 to maintain its stay granted by the High Court of Sindh. However, in respect of tax years 2015, 2016 and 2017, since no amendments to the returns filed by EFert were received from the tax department, therefore, suits thereagainst were withdrawn by EFert. Later, on September 13, 2018, EFert received recovery notice for payment in respect of tax years 2015, 2016 and 2017 against which a constitutional petition was filed by EFert with the High Court of Sindh. Stay for recovery of ACT has been granted in respect of the constitutional petition.

During the year, persuant to the approval of the Board of Directors of ECL on May 10, 2019, EFert withdrew its cases pending in the High Court of Sindh in respect of ACT for tax years 2014 to 2017 and discharged the related net tax liability amounting to Rs 1,995.054 million.

39.2.5 EFert had filed a suit in the High Court of Sindh, contesting the applicability of Super Tax, under section 4B 'Super Tax for rehabilitation of temporary displaced persons' of ITO, as unconstitutional and ultravires the laws. On January 27, 2018, the Supreme Court of Pakistan passed an order requiring that a minimum of 50% of tax calculated by the taxation authorities be deposited with the taxation authorities to maintain / entertain a suit filed / to be filed with any Court of Pakistan. Pursuant to this, the legal suits filed against applicability of Super tax were withdrawn by EFert.

During the year, EFert received recovery notice from Federal Board of Revenue (FBR) for payment of Super Tax in respect of tax year 2018. EFert has filed a constitutional petition against the same in the High Court of Sindh and stay thereagainst has been obtained. Adequate provision for Super Tax for the respective tax years is being maintained in these consolidated financial statements.

39.2.6 As a result of demerger in year 2009, all pending tax issues of ECL, Engro Chemical Pakistan Limited had been transferred to EFert. Major issues pending before the tax authorities are described below:

- Group Relief (Financial years 2006 to 2008): Rs 1,500.847 million
- Inter-Corporate Dividend (Financial years 2007 and 2008): Rs 336.500 million
- Gross profit apportionment (Financial years 1995 to 2002): Rs 653 million

39.2.7 EFert is confident that all the aforementioned pending issues disclosed in notes 39.2.1 to 39.2.6 will eventually be decided in its favor. Therefore, no provision in respect of these is being maintained in these consolidated financial statements.

39.2.8 As a result of merger of Engro Eximp (Private) Limited (EXIMP) with EFert, all pending tax issues of EXIMP have been transferred to EFert. Major pending issue pertains to exercise of option to be taxed under the Normal Tax Regime (NTR) by EXIMP for the years 2012 and 2013, resulting in an aggregate refund of Rs 796 million. The tax department had not accepted the said treatment for tax year 2013, however, the matter was decided in favor of EFert by CIR(A), against which the tax department has filed an appeal with ATIR. However, during the year, the department has given appeal effect order to the aforementioned favourable decision of CIR(A) for tax year 2013.

During the year, on September 26, 2019, the matter was decided by ATIR in favor of EFert for tax year 2013 and the department's appeal in this respect was rejected. The management is confident for a favorable outcome on this case and therefore no provision is being maintained in these consolidated financial statements.

39.3 Engro Polymer and Chemicals Limited (EPCL) and its subsidiary companies

39.3.1 The DCIR, through the order dated November 26, 2009 raised a tax demand of Rs 213.172 million. The demand arose as a result of additions on account of trading liabilities of Rs 47.582 million under section 34(5) of ITO; disallowance of provision for retirement benefits of Rs 5.899 million; addition of imputed interest on loans to employees and executives of Rs 16.069 million to income; disallowance of finance cost of Rs 134.414 million and not considering adjustment of minimum tax paid for tax years 2004 to 2007 against the above demand.

EPCL filed an appeal against the aforesaid order before CIR(A), but discharged the entire demand through adjustment against assessed refunds of Rs 180.768 million and paying the balance of Rs 32.404 million ‘under protest’. Through his appellate order, the CIR(A) maintained certain additions aggregating Rs 189.810 million including finance cost amounting to Rs 134.414 million and remanded back the issue of imputed interest on loans to employees and executives and directed the DCIR to allow credit of the minimum tax charged for the period of tax years 2004 to 2007. An appeal against the said appellate order was filed by EPCL before the ATIR. The department also filed an appeal against the said appellate order challenging the actions of the CIR(A).

In year 2013, ATIR issued an order whereby the aforementioned appeal was disposed of by accepting EPCL's position except for additions on account of trading liabilities to the extent of Rs 20.280 million and minimum turnover tax for tax years 2004 and 2007 to the extent of Rs 19.692 million and Rs 7.300 million respectively, which were maintained.

EPCL filed a reference to the High Court of Sindh against the additions maintained by ATIR. Likewise, the tax department has also filed reference to the High Court against the order passed by ATIR in favour of EPCL. The Group management, based on the advice of tax consultant, is confident that the ultimate outcome of the aforementioned matters would be favorable and accordingly, no provision has been recognised in these consolidated financial statements.

39.3.2 The DCIR through his order dated November 30, 2010 raised a tax demand of Rs 163.206 million. The demand arose as a result of disallowance of finance cost of Rs 457.282 million; additions to income of trading liabilities of Rs 21.859 million under section 34(5) of ITO; disallowance of provision for retirement benefits of Rs 14.239 million; disallowance of provision against Special Excise Duty (SED) refundable of Rs 36.687 million; addition of imputed interest on loans to employees and executives of Rs 20.599 million and not considering net loss.

The entire demand of Rs 163.206 million was adjusted against assessed tax refunds and an appeal was filed by EPCL before the CIR(A). Through his appellate order, the CIR(A) maintained certain additions aggregating to Rs 493.971 million including disallowance of finance cost amounting to Rs 457.282 million and remanded back the issue of imputed interest on loans to employees and executives. An appeal against the said appellate order was filed before the ATIR. The department also filed an appeal against the said appellate order challenging the action of CIR(A), regarding deletion of addition on account of provision for the retirement benefits.

In year 2013, the ATIR issued an order whereby the aforementioned appeal was disposed of by accepting EPCL's position except for additions on account of SED provision of Rs 36.687 million and imputed interest on loans to employees and executives to the extent of Rs 17.430 million, which were maintained.

39.4 Engro Energy Termial (Private) Limited

39.4.1 EETPL in connection with the import of FSRU received a demand from Customs Authority amounting to Rs 1,530.494 million contending that the import of FSRU attracts payment of advance income tax. EETPL is of the view that the EETPL's profits and gains are exempt from income tax for 5 years from the date of commercial operations. EETPL in response to the above demand has filed an appeal based on which the Chief Commissioner Inland Revenue (CCIR) through its order dated August 22, 2016 remanded the case back to the concerned commissioner, which again rejected the request for exemption against which EETPL filed an appeal before CCIR. EETPL, based on the merits of the case and opinion of its tax consultant and legal advisor, is expecting a favorable outcome in this case. Accordingly, no provision has been recorded in this respect.

39.5 Engro Energy Limited (EEL) and its subsidiary companies

39.5.1 Tax Year 2014 was selected for audit under section 214C of ITO. The DCIR after conducting audit made certain additions and disallowances, and hence amended the return filed by EEL vide order dated January 12, 2017, and raised a tax demand of Rs 268.584 million. EEL being aggrieved filed an appeal before CIR(A). EEL also approached the High Court of Sindh for a stay against recovery of said demand which was duly granted till the adjudication of appeal by the CIR(A).

During the year, EEL received an order of CIR(A) in which certain issues were remanded back to the DCIR while other issues were decided in favour of tax authorities. EEL filed an appeal before the ATIR on the issues decided against it which is currently pending. Based on the views of tax advisor and legal consultant of EEL, the management believes that EEL has a good case on merits and expects a favourable outcome. Accordingly no provision has been made in respect of the aforementioned demand in these consolidated financial statements.

39.5.2 The ACIR, through separate show cause notices dated December 11, 2017 and December 12, 2017, issued in respect of tax years 2012, 2013, 2015 and 2016, raised an issue with respect to the inter-corporate dividend claimed as exempt. The ACIR also showed an intention to levy super tax on dividend income for tax years 2015 and 2016. EEL challenged these notices before the High Court of Sindh which has restrained the tax authorities from taking any coercive action including passing an order on the basis of the said notices. Accordingly, no provision has been made in this respect in these consolidated financial statements.

39.5.3 The Tax Year 2016 was selected for audit under section 214C of ITO.The DCIR after conducting audit made certain additions and disallowances, and hence amended the return filed by EEL vide order dated November 2, 2018. These additions primarily relate to treating reimbursement from subsidiary as services, additions on account of apportionment of administrative expenses and receipts on account of the project management services to be taxed under normal tax regime / minimum tax regime and resulted in tax demand of Rs 80.888 million. EEL being aggrieved filed an appeal before the CIR(A). EEL also approached the High Court of Sindh for stay against recovery of demand which was duly granted till the adjudication of appeal by the CIR(A).

During the year, EEL received an order from the CIR(A) in which certain issues were remanded back to the DCIR while the other issues were decided in favour of tax authorities. EEL filed an appeal before the ATIR on the issues decided against it which is currently pending. Based on the views of tax advisor and legal consultant of EEL, the management believes that EEL has a good case on merits and expects a favourable outcome. Accordingly no provision has been made in respect of the aforementioned demand in these consolidated financial statements.

39.5.4 In November 2017, EPTL, a subsidiary of EEL, received a demand from ACIR amounting to Rs 1,489.327 million, inclusive of default surcharge Rs 202.994 million, on account of non-withholding of tax on payments made by EPTL to its contractors under the 'Offshore Supply and Services Agreement for Power Plant' and 'Onshore Supply and Services Agreement for Power Plant' respectively in relation to the construction of the power plant being set up by EPTL.The ACIR was of the view that the aforementioned payments attract the requirements of withholding of taxes under the ITO and as such EPTL was required to withhold tax from such payments. EPTL filed an appeal to CIR(A) with the view that payments to one of the contractors fall under the ambit of a specific exemption from withholding of taxes under ITO for coal mining and coal based power generation projects in Sindh. Further, payments to the other contractors were made for supply of plant and machinery and EPTL, being an importer, is not liable to withhold taxes.

In year 2018, CIR(A) decided the matter in favour of tax authorities and maintained the order of ACIR. EPTL filed an application to the ATIR who through an order has remanded back the case to ACIR for review of facts and to issue a fresh order in the light of emerging facts. EPTL, as a result of various discussion with the tax authorities, agreed and paid Rs 1,400 million being the lump sum settlement of withholding tax demands for all payments under the contracts during the project phase. Formal tax demands are yet to be issued by the tax authorities. Based on the advice of the tax advisors of EPTL, the management believes that EPTL will not be liable towards making any further payment in this respect.

Associate

39.6 FrieslandCampina Engro Pakistan Limited

39.6.1 FCEPL in accordance with section 59 B (Group Relief) of ITO had surrendered to ECL its tax losses amounting to Rs 4,288.134 million out of the total tax losses of Rs 4,485.498 million for the years ended December 31, 2006, 2007 and 2008 (Tax years 2007, 2008 and 2009) for cash consideration aggregating Rs 1,500.847 million, being equivalent to tax benefit/effect thereof.

FCEPL had been designated as part of the Group of Engro Corporation Limited by the SECP through its letter dated February 26, 2010. Such designation was mandatory for availing Group tax relief under section 59B of ITO and a requirement under the Group Companies Registration Regulations, 2008 notified by the SECP on December 31, 2008.

Further, the ATIR, in respect of surrender of aforementioned tax losses by FCEPL to ECL for the years ended December 31, 2006 and 2007, decided the appeals in year 2010 in favour of ECL, whereby, allowing the surrender of tax losses by FCEPL to ECL. The tax department has filed reference application thereagainst before the High Court of Sindh, which is under the process of hearings. In year 2013, ATIR also decided similar appeal filed by ECL for the year ended December 31, 2008 in favour of ECL. FCEPL based on the merits of the case expects a favourable outcome of the matter.

39.6.2 In year 2013, CIR raised a demand of Rs 223.369 million for tax year 2009 by disallowing the provision for advances, stock written-off, repair and maintenance, sales promotion and advertisement expenses etc. During year 2015, in response to the appeal filed against the audit proceedings, CIR(A) issued an order in favour of FCEPL holding the selection of case for audit to be illegal and without jurisdiction. The tax department has filed an appeal against the order with ATIR, however, no hearing has been conducted to date. FCEPL, based on the opinion of its tax consultant, is confident of a favourable outcome of the appeal, and, accordingly taxes recoverable of FCEPL have not been reduced by the effect of the aforementioned disallowances.

39.6.3 In year 2014, the ACIR raised a demand of Rs 713.341 million for tax year 2012 by disallowing the initial allowance and depreciation on certain additions to property, plant and equipment, provision for retirement and other service benefits, purchase expenses, sales promotion and advertisement and other expenses etc. In year 2017, CIR(A) upheld the decision of ACIR in respect of provision for retirement benefits and marketing support reimbursements. FCEPL has filed an appeal with ATIR against the order of CIR(A) and based on the opinion of its tax consultant, is confident of a favourable outcome of the appeal, and, accordingly taxes recoverable of FCEPL have not been reduced by the effect of the aforementioned disallowances.

39.6.4 In year 2017, ACIR raised a demand of Rs 511.801 million for tax year 2016 by disallowing minimum turnover tax credit, expenses on account of Employee Share Option Scheme and Worker's Welfare Fund. On June 30, 2018, CIR(A) upheld the decision of ACIR in respect of minimum turnover tax credit and Employee Share Option Scheme. On August 15, 2018, FCEPL filed an appeal with ATIR against order of CIR(A) and based on the opinion of its tax consultant, is confident of a favourable outcome of the appeal, and, accordingly taxes recoverable have not been reduced by the effect of the aforementioned disallowances.

39.7 Relationship between tax expense and accounting profit

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the Group's applicable tax rate as follows:

	2019	2018
	-------- (Rupees in '000) --------	
Profit before taxation	**46,781,061**	47,364,865
Tax calculated at the rate of 29% (2018: 29%)	**13,566,508**	13,735,811
Effect of exemption from tax on certain income	**(1,160,291)**	(1,302,112)
Effect of applicability of lower tax rate, FTR and other tax credits / debits	**1,127,521**	(474,987)
Tax effect of expenses not allowed for tax purposes	**1,703,631**	1,287,626
Effect of prior year charges	**148,365**	1,840,651
Others	**1,608,290**	(871,013)
Tax charge for the year	**16,994,024**	14,215,976

40. EARNINGS PER SHARE - BASIC AND DILUTED

40.1 Basic earnings per share has been calculated by dividing the profit attributable to equity holders of the Group by the weighted average number of ordinary shares in issue during the year.

As at December 31, 2019, there is no dilutive on the basic earings per share of the Group earnings per share is based on following:

	2019	2018
	-------- (Rupees in '000) --------	
Profit for the year (attributable to the owners of the Holding Company)	**5,653,098**	14,246,897
The information necessary to calculate basic and diluted earnings per share is as follows:		
Profit for the year	**5,653,098**	14,246,897
	------ Number in thousands ------	
Weighted average number of ordinary shares for determination of basic and diluted EPS	**481,287**	481,287

41. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

41.1 The aggregate amounts for remuneration, including all benefits, to the Chief Executive Officer and Directors of the Holding Company and Executives of the Group are as follows:

	2019			2018		
	Chief Executive Officer	**Directors**	**Executives**	Chief Executive Officer	Directors	Executives
	(Rupees in '000)			(Rupees in '000)		
Managerial remuneration	**15,262**	**-**	**4,651,098**	15,216	65,007	3,961,591
Remuneration to non-executive directors	**-**	**200,757**	**-**	-	119,003	-
Retirement benefits including ex-gratia	**3,533**	**-**	**498,241**	3,549	-	437,488
Rent and utilities	**8,285**	**32,591**	**-**	8,513	43,600	-
Compensated absences	**1,126**	**-**	**-**	1,251	417	-
Medical	**2,368**	**2,689**	**-**	1,268	6,383	-
Other benefits	**635**	**4,283**	**896,123**	338	8,042	547,661
	31,209	**240,320**	**6,045,462**	30,135	242,452	4,946,740
Number of persons including those who worked part of the year	**1**	**3**	**962**	1	4	784

41.2 In addition, the Chief Executive Officer (CEO), certain directors and executives are provided with Company owned and maintained cars.

41.3 In addition, the Holding Company has made payment to CEO, director and its executives amounting to Rs 11.847 million, Rs 223.443 million and Rs 4.098 million in respect of special bonus, accural of which was recorded in the unconsolidated financial statements of the Holding Company for the year ended December 31, 2018.

42. RETIREMENT BENEFITS

42.1 Defined benefit plans

The Group offers a defined post-employment gratuity benefit to permanent management and non-management employees. In addition, until June 30, 2005, the Group offered a defined post-employment pension benefit to management employees in service which has been discontinued and the plan now only covers a hanful of retired pensioners.

The gratuity and pension funds are governed under the Trusts Act, 1882, Trust Deed and Rules of Fund, Companies Act, 2017, the Income Tax Ordinance, 2001 and the Income Tax Rules, 2002.

Responsibility for governance of plan, including investment decisions and contribution schedule lie with the Board of Trustees of the Fund.

The Group faces the following risks on account of defined benefit plans:

Final salary risk - The risk that the final salary at the time of cessation of service is greater than what the Group has assumed. Since the benefit is calculated on the final salary, the benefit amount would also increase proportionately.

Asset volatility - Most assets are invested in risk free investments of 3, 5 or 10 year SSCs, RICs, DSCs or Government Bonds. However, investments in equity instruments are subject to adverse fluctuations as a result of change in the market price.

Discount rate fluctuation - The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the current plans' bond holdings.

Investment risks - The risk of the investment underperforming and not being sufficient to meet the liabilities. This risk is mitigated by closely monitoring the performance of investment.

Risk of insufficiency of assets - This is managed by making regular contributions to the Fund as advised by the actuary.

In addition to the above, the pension fund exposes the Group to Longevity Risk i.e. the pensioners survive longer than expected.

42.1.1 Valuation results

The latest actuarial valuation of the defined benefit plans was carried out as at December 31, 2019 for the Holding Company and subsidiary companies, using the Projected Unit Credit Method. Details of the defined benefit plans are as follows:

	Defined Benefit Gratuity Plan Funded		Defined Benefit Pension Plan Funded (Curtailed)	
	2019	2018	**2019**	2018
	(Rupees in '000)			
42.1.2 Statement of financial position reconciliation				
Present value of defined benefit obligation	**545,983**	525,746	**24,018**	24,600
Fair value of plan assets	**(329,008)**	(381,116)	**(38,277)**	(38,104)
Deficit / (Surplus)	**216,975**	144,630	**(14,259)**	(13,504)
Payable to Defined Gratuity Fund	**10,110**	10,110	**-**	-
Payable in respect of inter group transfers	**46**	46	**-**	-
Unrecognised asset	**-**	-	**14,259**	13,504
Net (asset) / liability recognised in the statement of financial position	**227,131**	154,786	**-**	-

	Defined Benefit Gratuity Plans Funded		Defined Benefit Pension Plan Funded (Curtailed)	
	2019	2018	**2019**	2018
	-------------------- (Rupees in '000) --------------------			
42.1.3 Movement in net (assets) / liability recognised in the Statement of financial position				
Net liability / (asset) at beginning of the year	**154,786**	121,285	**-**	-
Expense / (income) for the year	**49,700**	39,686	**(1,621)**	(970)
Net contribution by the Group	**(8,232)**	(5,696)	**-**	-
Remeasurement loss / (gain) recognised in Other Comprehensive Income	**31,963**	1,849	**1,621**	970
Liability in respect of promotions	**(1,086)**	-	**-**	-
Unrecognised asset	**-**	(2,338)	**-**	-
Net liability / (asset) at end of the year	**227,131**	154,786	**-**	-
42.1.4 Movement in present value of defined benefit obligation				
As at beginning of the year	**525,746**	536,373	**24,600**	29,156
Current service cost	**31,185**	30,090	**-**	-
Interest cost	**64,142**	43,080	**2,881**	2,384
Benefits paid during the year	**(116,527)**	(80,802)	**(3,929)**	(4,042)
Remeasurement loss / (gain) recognised in Other Comprehensive Income	**42,523**	658	**466**	(2,898)
Liability in respect of promotions	**(1,086)**	(2,337)	**-**	-
As at end of the year	**545,983**	527,062	**24,018**	24,600
42.1.5 Movement in fair value of plan assets				
As at beginning of the year	**381,116**	425,244	**38,104**	40,713
Expected return on plan assets	**45,627**	33,484	**4,502**	3,354
Contributions by the Group	**8,232**	5,696	**-**	-
Benefits paid during the year	**(116,527)**	(80,803)	**(3,929)**	(4,042)
Remeasurement (loss) / gain recognised in Other Comprehensive Income	**10,560**	(2,505)	**(400)**	(1,921)
As at end of the year	**329,008**	381,116	**38,277**	38,104

	Defined Benefit Gratuity Plans Funded		Defined Benefit Pension Plan Funded (Curtailed)	
	2019	2018	**2019**	2018
	-------------------- (Rupees in '000) --------------------			
42.1.6 Charge for the year				
Current service cost	**31,185**	30,090	**-**	-
Net Interest cost / (income)	**18,515**	9,596	**(1,621)**	(970)
	49,700	39,686	**(1,621)**	(970)

	2019	2018	**2019**	2018
42.1.7 Principal actuarial assumptions used in the actuarial valuation				
Discount rate	**11.25% - 11.3%**	12.75% - 13.25%	**11.25%**	12.75%
Expected rate of return on plan assets - per annum	**11.25% - 11.3%**	12.75% - 13.25%	**-**	-
Expected rate of increase in future salaries - per annum	**10.3% - 11.3%**	12.25% - 12.75%	**-**	-
	-------------------- (Rupees in '000) --------------------			
42.1.8 Actual return on plan assets	**57,349**	33,372	**4,102**	2,254

42.1.9 The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the consolidated statement of financial position date.

42.1.10 Expected contribution for the year ending December 31, 2020 is as follows:

	---- (Rupees in '000) ----
Defined benefit gratuity plans	**57,322**
Defined benefit pension plan	**(1,521)**

	Defined Benefit Gratuity Plans Funded		Defined Benefit Pension Plan Funded (Curtailed)	
	2019	2018	**2019**	2018
	---- (Rupees in '000) ----			
42.1.11 Remeasurement (loss) / gain recognised in Other Comprehensive Income				
(Loss) / gain from change in experience adjustments	**(43,283)**	2,112	**1,132**	(2,636)
Gain / (loss) from change in financial assumptions	**760**	(1,456)	**(1,598)**	5,534
Remeasurement (loss) / gain of Obligation	**(42,523)**	656	**(466)**	2,898
Actual return on plan assets	**57,349**	33,373	**4,102**	2,254
Expected return on plan assets	**(45,627)**	(33,484)	**(4,502)**	(3,354)
Difference in opening fair value of plan assets	**(1,162)**	(2,319)	**-**	(821)
Remeasurement (loss) / gain of Plan Assets	**10,560**	(2,430)	**(400)**	(1,921)
Effect of asset ceiling	**-**	-	**(755)**	(1,947)
	(31,963)	(1,774)	**(1,621)**	(970)

42.1.13 Sensitivity analysis

The impact of 1% change in following variables on defined benefit obligation is as follows:

	Defined Benefit Gratuity Plans Funded		Defined Benefit Pension Plan Funded (Curtailed)	
	Increase in Assumption	Decrease in Assumption	**Increase in Assumption**	Decrease in Assumption
	---- (Rupees in '000) ----			
Discount rate	**92,387**	501,148	**22,928**	23,517
Long term salary increases	**159,463**	515,104	**-**	-
Long term pension increases	**-**	-	**25,343**	25,933

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019
(Amounts in thousand)

42.1.14 Maturity Profile

	Gratuity Plans	Pension Plan
	-------- (Rupees in '000) --------	
Time in years		
1	35,951	3,910
2	39,487	3,910
3	30,261	3,910
4	76,570	3,910
5-10	482,328	3,910
11-15	466,867	3,910
16-20	874,816	3,910
20+	2,285,166	3,910
Weighted average duration	5.59	4.54

42.2 Defined contribution plans

42.2.1 An amount of Rs 408.759 million (2018: Rs 356.269 million) has been charged during the year in respect of defined contribution plans maintained by the Group.

	2019	2018
	-------- (Rupees in '000) --------	
43. CASH GENERATED FROM OPERATIONS		
Profit before taxation	**46,781,061**	47,364,865
Adjustment for non-cash charges and other items:		
Depreciation on PPE	**10,463,845**	7,596,749
Depreciation ROU assets	**789,126**	-
Amortization of intangible assets	**188,161**	69,818
Amortization of prepaid financial charges	**92,314**	64,617
Amortization of direct cost on FSRU	**86,516**	86,516
Charge in respect of defined benefit liabilities	**7,630**	5,038
Write off of property, plant and equipment	**452,484**	-
Provisions, net	**817,606**	1,308,467
Gain on disposal of property, plant and equipment - net	**(3,625)**	(22,647)
Gain on disposal of associate	**-**	(11,530,351)
Income on deposits / other financial assets	**(12,671,706)**	(6,721,902)
Share of income from joint venture and associated companies	**(1,147,999)**	(128,647)
Provisions on doubtful debt	**-**	36,791
Financial charges	**13,302,158**	5,351,850
Foreign currency translation	**1,303,187**	1,165,684
Impairment of investment	**1,224,304**	-
Finance income on net investment in lease	**(5,290,427)**	-
Finance cost on lease liability	**4,180,765**	-
Working capital changes (note 43.1)	**(15,799,971)**	(12,596,932)
	44,775,429	32,049,916

43.1 Working capital changes

	2019	2018
(Increase) / decrease in current assets		
- Stores, spares and loose tools	**(436,452)**	(667,358)
- Stock-in-trade	**(2,447,915)**	(3,815,782)
- Trade debts	**(33,352,798)**	(5,013,862)
- Loans, advances, deposits and prepayments	**(6,935,307)**	(1,501,739)
- Other receivables - net	**(4,284,979)**	113,727
	(47,457,451)	(10,885,014)
Increase in current liabilities		
- Trade and other payables and provisions	**31,657,480**	(1,711,918)
	(15,799,971)	(12,596,932)

	2019	2018
	-------- (Rupees in '000) --------	
44. CASH AND CASH EQUIVALENTS		
Cash and bank balances (note 20)	**20,782,755**	10,853,219
Short term investments (note 19)	**26,249,587**	89,159,292
Short term borrowings (note 29)	**(15,511,348)**	(6,641,207)
	31,520,994	93,371,304
45. FINANCIAL INSTRUMENTS BY CATEGORY		
45.1 Financial assets		
- Financial assets at amortised cost		
Long term investments	**7,310,516**	-
Net investment in lease	**48,107,869**	-
Long term loans and other receivables	**1,641,863**	1,710,907
Trade debts	**51,816,893**	18,629,468
Loans, advances and deposits	**2,040,838**	1,368,254
Other receivables	**7,017,634**	4,174,548
Accrued income	**817,106**	524,809
Contract asset	**5,313,283**	-
Short term investments	**19,761,028**	21,267,070
Cash and bank balances	**21,229,837**	12,115,981
	165,056,867	59,791,037
- Financial assets measures at fair value through other comprehensive income		
Short term investments	**37,328,795**	66,342,250
- Financial assets measured at fair value through profit or loss		
Short term investments	**33,503,702**	15,924,180
45.2 Financial liabilities		
- Financial liabilities at amortised cost		
Borrowings	**167,955,291**	142,532,286
Lease liabilities	**55,439,757**	-
Trade and other payables	**100,517,079**	43,010,472
Short term borrowings	**15,511,348**	6,641,207
Unclaimed dividend	**135,980**	107,385
Accrued interest / mark-up	**3,457,429**	2,363,313
	343,016,884	194,654,663
- Financial liabilities measured at fair value through profit or loss		
Derivatives financial instruments	**154**	-

46. FINANCIAL RISK MANAGEMENT

46.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on having cost efficient funding as well as to manage financial risk to minimize earnings volatility and provide maximum return to shareholders.

a) Market risk

i) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

This exists due to the Group's exposure resulting from outstanding import payments, foreign commercial transactions, foreign currency loan liabilities and related interest payments. The Group ensures to the extent possible that it has options available to manage exposure, either through forward contracts, options or prepayments, etc. subject to the prevailing foreign exchange regulations.

At December 31, 2019, if the Pakistani Rupee had weakened / strengthened by 1% against the US Dollars with all other variables held constant, consolidated post tax profit for the year would have been lower / higher by Rs 595.741 million.

ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk mainly arises from long term and short term investments and borrowings. These are benchmarked to variable rates which expose the Group to cash flow interest rate risk.

The Group analyses its interest rate exposure on a regular basis by monitoring interest rate trends to determine whether they should enter into hedging alternatives.

As at December 31, 2019, if interest rates had been 1% higher / lower with all other variables held constant, consolidated post tax profit for the year would have been lower / higher by Rs 375.280 million, mainly as a result of finance cost.

iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors effecting all similar financial instruments traded in the market. The Group is exposed to price risk on its mutual fund investments.

b) Credit risk

Credit risk represents the risk of financial loss being caused if counter party fails to discharge an obligation.

Credit risk arises from deposits with banks and financial institutions, trade debts, loans, advances, deposits and other receivables. The credit risk on liquid funds is limited because the counter parties are banks with a reasonably high credit rating or mutual funds which in turn are deposited in banks and government securities. The maximum exposure to credit risk is equal to the carrying amount of financial assets.

The Group's fertilizer segment is exposed to concentration of credit risk on its trade debts by virtue of all its customers being agri-based businesses in Pakistan. However, this risk is mitigated by applying individual credit limits and by securing a majority of trade debts against bank guarantees and inland letters of credit.

The Group's power segment is not exposed to any credit risk on its trade debts as these are secured by sovereign guarantee from the Government of Pakistan.

The Group's polymer / chemical segment is not materially exposed to credit risk on trade debts as unsecured credit is provided to selected parties with no default in recent history and a major part is secured by bank guarantees and letters of credit from customers or written terms of agreement.

The Group's terminal segment is not materially exposed to credit risk on trade debt and lease receivables from SSGC considering history, no default has been made by the customer and payments are received on a timely basis.

The Group monitors the credit quality of its financial assets with reference to historical performance of such assets and available external credit ratings.

c) Liquidity risk

Liquidity risk represents the risk that the Group will encounter difficulties in meeting obligations associated with financial liabilities.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities. Due to dynamic nature of the business, the Group maintains flexibility in funding by maintaining committed credit lines available.

The Group's liquidity management involves projecting cash flows and considering the level of liquid assets necessary to meet these, monitoring liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to contractual maturity dates. The amounts disclosed in the table are the carrying values of financial liabilities.

	2019			2018		
	Maturity upto one year	**Maturity after one year**	**Total**	Maturity upto one year	Maturity after one year	Total
	(Rupees in '000)					
Financial liabilities						
Borrowings	**37,607,772**	**145,920,017**	**183,527,789**	18,597,131	134,500,762	153,097,893
Lease liabilities	**4,498,541**	**50,941,216**	**55,439,757**	-	-	-
Trade and other payables	**100,517,079**	**-**	**100,517,079**	43,010,472	-	43,010,472
Short term borrowings	**15,511,348**	**-**	**15,511,348**	6,641,207	-	6,641,207
Unclaimed Dividend	**135,980**	**-**	**135,980**	526,784	-	526,784
Accrued interest / mark-up	**3,457,429**	**-**	**3,457,429**	2,363,313	-	2,363,313
	161,728,149	**196,861,233**	**358,589,382**	71,138,907	134,500,762	205,639,669

46.2 Capital risk management

The Group's objective when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for share holders and benefit for other stake holders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares.

The management seeks to maintain a balance between higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The regulatory regime in which the Group's power segment operates, renders the value of the equity to a bond given the guaranteed IRR of 15% with an indexation allowed under the Power Purchase Agreement for changes in US $ / PKR exchange rate.

The Group's strategy is to ensure compliance with the agreements executed with financial institutions so that the total long term borrowings to equity ratio does not exceed the lender covenants. The proportion of borrowing to equity at year end was:

	2019	2018
	(Rupees in '000)	
Borrowings (note 24)	**145,858,867**	130,576,362
Lease liabilities (note 25)	**55,439,757**	-
Total debts	**201,298,624**	130,576,362
Equity	**208,044,575**	201,743,139
	409,343,199	332,319,501
Gearing ratio	**49.18%**	39.29%

The Group finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk.

47. FAIR VALUE ESTIMATION

The carrying value of all financial assets and liabilities reflected in these consolidated financial statements approximate the fair values. The table below analyses financial instruments carried at fair value by valuation method. The different level have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level1);

- 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); and

- Inputs for the asset or liability that are not based on observable market data (level 3).

	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
As at December 31, 2019				
Fair value through profit or loss				
- Short term investments	4,300,382	29,203,320	-	33,503,702
Fair value through other comprehensive income				
- Short term investments	-	37,328,795	-	37,328,795
As at December 31, 2018				
Fair value through profit or loss				
- Short term investments	206,861	15,717,319	-	15,924,180
Fair value through other comprehensive income				
- Short term investments	-	66,342,250	-	66,342,250

Level 1 fair value instruments comprise mutual fund units and quoted shares.

Level 2 fair value instruments have been recorded on the basis of PKRV rates and closing net asset values for government securities and mutual fund units respectively.

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

48. SEGMENT REPORTING

48.1 A business segment is a group of assets and operations engaged in providing products that are subject to risks and returns that are different from those of other business segments. The management has determined the operating segments based on the information that is presented to the Board of Directors of the Group for allocation of resources and assessment of performance. Based on internal management reporting structure and products produced and sold, the Group is organised into the following operating segments:

Type of segments	Nature of business
Fertilizer	This part of the business manufactures, purchases and markets fertilizers. The operations of this segment include a wide range of fertilizer brands, besides urea, which primarily comprises of Engro Zarkhez, Zingro, Engro DAP and Envy etc. optimized for local cultivation needs and demand. Further, the segment is a leading importer and seller of phosphate products which are marketed extensively across Pakistan as phospatic fertilizers.
Polymer	This part of the business manufactures, markets and sells Poly Vinyl Chloride (PVC), PVC compounds, Caustic soda and related chemicals all over Pakistan and few Central Asian countries.
Terminal	This part of the business includes operating and maintaining integrated liquid chemical terminal and storage farm and LNG terminal for receipt, storage and regasification of LNG.
Power and mining	This part of the business includes power generation, distribution, transmission and sale of electricity in Pakistan and operations and management services in Pakistan and Nigeria.
Other operations	These include management of investments in associates and joint ventures by ECL. These also include investments made in the foods, telecommunication infrastructure and digital and technology services and products.

Management monitors the operating results of the abovementioned segments separately for the purpose of making decisions about resources to be allocated and of assessing performance. Segment performance is evaluated based on operating profit or loss. Segment results and assets include items directly attributable to a segment.

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48.2 The following information presents operating results regarding operating segments for the year ended December 31, 2019 and asset information regarding operating segments as at December 31, 2019:

	Fertilizer		Polymer		Food		Power and mining		Other operations		Elimination - net		Consolidated	
	(Rupees in '000)													
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Revenue from external customers (note 31)	121,354,758	109,196,586	37,836,632	35,271,635	12,712,720	12,601,106	50,039,229	11,954,606	18,201,335	23,899,639	(14,225,098)	(11,292,198)	225,919,576	181,631,374
Segment gross profit / (loss)	39,539,888	35,316,447	8,106,015	8,736,015	4,308,306	3,352,346	16,364,363	3,090,343	19,990,579	18,965,198	(19,623,063)	(15,584,016)	68,686,088	53,876,333
Segment expenses - net of other income	(9,986,904)	(9,456,885)	(2,130,268)	(2,012,076)	(185,227)	(110,348)	119,360	(535,797)	(6,761,672)	12,665,641	(1,327,977)	(4,806,814)	(20,272,688)	(4,256,279)
Income on deposits / other financial assets (note 35)	1,731,489	493,572	857,324	345,512	324,981	90,288	561,396	195,515	10,621,365	6,063,279	(701,341)	(376,033)	13,395,214	6,812,133
Finance cost (note 37)	(3,886,870)	(2,070,933)	(1,793,775)	(606,148)	(1,306,250)	(1,726,446)	(7,583,444)	(613,295)	(2,315,068)	(2,758,297)	709,855	(171,304)	(16,175,552)	(7,946,423)
Share of income from joint venture and associates (note 38)	-	-	-	-	1,014,206	-	514,784	270,969	(380,991)	(167,771)	-	-	1,147,999	103,198
Income tax (charge) / credit (note 39)	(10,526,380)	(6,868,683)	(1,343,259)	(1,533,132)	(206,869)	49,301	(1,163,742)	(810,879)	(3,811,053)	(5,334,173)	57,279	354,322	(16,994,024)	(14,143,244)
Segment profit / (loss) after tax	16,871,223	17,413,518	3,696,037	4,930,171	3,949,147	1,655,141	8,812,717	1,596,856	17,343,160	29,433,877	(20,885,247)	(20,583,845)	29,787,037	34,445,718
Segment assets	127,261,901	117,721,049	57,519,217	36,023,287	64,714,675	15,414,039	206,084,446	129,761,553	123,042,779	156,515,430	(34,946,792)	(53,377,758)	543,676,226	402,057,600
Investment in joint venture / associates (note 9)	-	-	-	-	-	-	3,388,819	3,410,904	26,574,181	-	-	-	29,963,000	3,410,904
Total segment assets	127,261,901	117,721,049	57,519,217	36,023,287	64,714,675	15,414,039	209,473,265	133,172,457	149,616,960	156,515,430	(34,946,792)	(53,377,758)	573,639,226	405,468,504
Total segment liabilities	83,982,441	72,197,894	39,743,061	19,227,103	56,614,312	8,998,126	166,705,951	102,452,003	30,319,812	28,951,555	(11,770,926)	(5,005,836)	365,594,651	226,820,845
Capital expenditure	4,018,508	4,495,017	13,114,040	4,259,715	271,517	492,865	27,200,197	26,859,945	3,070,019	949,761	678,000)	(82,926)	46,996,281	36,974,377
Depreciation (notes 6.3 and 7.1)	5,601,299	5,166,276	1,443,161	958,607	424,930	492,681	3,116,444	815,413	667,137	589,639	-	-	11,252,971	8,022,616
Amortization of intangible assets (note 8.1)	76,130	28,413	75,362	15,970	3,363	3,263	14,883	11,045	22,288	17,763	(3,865)	(3,865)	188,161	72,589

(Amounts in thousand)

49. TRANSACTIONS WITH RELATED PARTIES

Following are the details of associated undertakings and other related parties with whom the Group entered into transactions or had agreements and arrangements in place during the year:

S.No.	Name of Related parties	Direct shareholding % of the Holding Company	Relationship
1	Engro Foundation	N/A	Associated Company
2	Sindh Engro Coal Mining Company Limited	N/A	Associated Company
3	FrieslandCampina Engro Pakistan Limited	N/A	Associated Company
4	Reon Energy Solutions	N/A	Associated Company
5	GEL Utility Limited	N/A	Associated Company
6	Siddiqusons Energy Limited	N/A	Associated Company
7	International Finance Corporation	N/A	Associated Company
8	Arabian Sea Country Club	N/A	Associated Company
9	Mitsubishi Corporation	N/A	Associated Company
10	Dawood Lawrencepur Limited	N/A	Associated Company
11	Habib Bank Limited	N/A	Associated Company
12	Engro Vopak Terminal Limited	N/A	Joint Venture
13	Dawood Industries (Private) Limited	N/A	Common Directorship
14	Inbox Business Technologies Private Limited	N/A	Common Directorship
15	Karachi School for Business & Leadership	N/A	Common Directorship
16	Meezan Bank Limited	N/A	Common Directorship
17	Overseas Investors Chamber of Commerce and Industry	N/A	Common Directorship
18	Patek (Private) Limited	N/A	Common Directorship
19	The Dawood Foundation (Trustee)	N/A	Common Directorship
20	Dawood Corporation (Private) Limited	N/A	Common Directorship
21	Tenaga Generasi Limited	N/A	Common Directorship
22	Pakistan Oxygen Ltd (formerly known as Linde Pakistan Limited)	N/A	Common directorship
23	Abdul Samad Dawood	N/A	Director
24	Ghias Khan	N/A	Director
25	Heena Inam	N/A	Director
26	Hussain Dawood	N/A	Director
27	Khawaja Iqbal Hassan	N/A	Director
28	Mohammad Abdul Aleem	N/A	Director
29	Raihan Merchant	N/A	Director
30	Rizwan Diwan	N/A	Director
31	Shahzada Dawood	N/A	Director
32	Waqar Malik	N/A	Director
33	Inam Ur Rahman	N/A	Director of Group Company
34	Muhammad Imran Sayeed	N/A	Director of Group Company
35	Zafaryab Khan	N/A	Director of Group Company
36	Khusrau Nadir Gilani	N/A	Director of Group Company
37	Shahab Qadir	N/A	Director of Group Company
38	Shamsuddin Ahmad Sheikh	N/A	Ex-Director of Group Company
39	Syed Manzoor Hussain Zaidi	N/A	Director of Group Company
40	Jahangir Piracha	N/A	Director of Group Company

(Amounts in thousand)

S.No.	Name of Related parties	Direct shareholding % of the Holding Company	Relationship
41	Vaqar Zakaria	N/A	Director of Group Company
42	Feroz Rizvi	N/A	Director of Group Company
43	Imran Anwer	N/A	Director of Group Company
44	Mohammad Asif Sultan Tajik	N/A	Director of Group Company
45	Noriyuki Koga	N/A	Director of Group Company
46	Asad Said Jafar	N/A	Director of Group Company
47	Asim Murtaza Khan	N/A	Director of Group Company
48	Javed Akbar	N/A	Director of Group Company
49	Sadia Khan	N/A	Director of Group Company
50	Amir Iqbal	N/A	Director of Group Company
51	Asif Sultan Tajik	N/A	Director of Group Company
52	Imran Ahmed	N/A	Director of Group Company
53	Mohsin Ali Mangi	N/A	Director of Group Company
54	Nadir Salar Qureshi	N/A	Director of Group Company
55	Faiz Chapra	N/A	Key Management Personnel
56	Hasnain Moochhala	N/A	Key Management Personnel
57	Muhammad Ovais Aziz	N/A	Key Management Personnel
58	Atif Muhammad Ali	N/A	Key Management Personnel
59	Faisal Shafiq	N/A	Key Management Personnel
60	Farooq Nazim Shah	N/A	Key Management Personnel
61	Tarique Quadir Lakhiar	N/A	Key Management Personnel
62	Adil Mushtaq	N/A	Key Management Personnel
63	Amir Mahmud	N/A	Key Management Personnel
64	Fahim	N/A	Key Management Personnel
65	Sadaf Aslam	N/A	Key Management Personnel
66	Syed Ammar Shah	N/A	Key Management Personnel
67	Usman Mehmood Khan	N/A	Key Management Personnel
68	Abdul Qayoom Shaikh	N/A	Key Management Personnel
69	Aneeq Ahmed	N/A	Key Management Personnel
70	Jahangir Waheed	N/A	Key Management Personnel
71	Muhammad Imran Khalil	N/A	Key Management Personnel
72	Salman Hafeez	N/A	Key Management Personnel
73	Syed Abbas Raza	N/A	Key Management Personnel
74	Syed Ali Akbar	N/A	Key Management Personnel
75	Vijay Kumar	N/A	Key Management Personnel
76	Aasim Butt	N/A	Key Management Personnel
77	Atif Kaludi	N/A	Key Management Personnel
78	Fahd Khawaja	N/A	Key Management Personnel
79	Mohammad Azhar Malik	N/A	Key Management Personnel
80	Mudassar Yaqub Rathore	N/A	Key Management Personnel
81	Muhammad Majid Latif	N/A	Key Management Personnel
82	Syed Shahzad Nabi	N/A	Key Management Personnel
83	Engro Corporation Limited DB Gratuity Fund	N/A	Post Employement Benefits Fund
84	Engro Corporation Limited DB Gratuity Fund	N/A	Post Employement Benefits Fund
85	Engro Corporation Limited DB Gratuity Fund	N/A	Post Employement Benefits Fund
86	Engro Corporation Limited Provident Fund	N/A	Post Employement Benefits Fund

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S.No.	Name of Related parties	Direct shareholding % of the Holding Company	Relationship
87	Engro Corporation Limited MPT Gratuity Fund	N/A	Post Employement Benefits Fund
88	Engro Corporation Limited NMPT Gratuity Fund	N/A	Post Employement Benefits Fund
89	Aysha Dawood	N/A	Spouse of director
90	Humera Aleem	N/A	Spouse of director
91	Kulsum Dawood	N/A	Spouse of director
92	Ahsan Zafar Syed	N/A	Common Directorship
93	Pakistan Institute of Corporate Governance	N/A	Common Directorship
94	Eram Hassan	N/A	Director
95	Mazhar Hasnani	N/A	Key Management Personnel
96	Kalimuddin A Khan	N/A	Key Management Personnel
97	Sirius (Private) Limited	N/A	Associate/Common Directorship
98	Teach the World	N/A	Associate/Common Directorship
99	Cyan Limited	N/A	Associate/Common Directorship
100	Mozart Private Limited	N/A	Associate/Common Directorship
101	Abrax Pvt Limited	N/A	Associate/Common Directorship
102	Grid Egde Pvt limited	N/A	Associate/Common Directorship
103	Karachi Education insttitute	N/A	Associate/Common Directorship
104	Sach international	N/A	Associate/Common Directorship
105	Emperical Limited	N/A	Associate/Common Directorship
106	Najam Saeed	N/A	Associate/Common Directorship
107	Thomas Patrik	N/A	Associate/Common Directorship
108	Engro Corporation Limited	N/A	Subsidiary
109	Inbox Business Technologies Limited	N/A	Associated company
110	The Dawood Foundation	N/A	Associated company
111	Sach International (Private) Limited	N/A	Associated company
112	Tenaga Generasi Limited	N/A	Associated company
113	Reon Energy Limited	N/A	Associated company
114	Karachi School of Business & Leadership	N/A	Associated undertaking
115	Shell Pakistan Limited	N/A	Associated company
116	Indus Motor Company Limited	N/A	Associated company
117	Reon Alpha Limited	N/A	Associated company
118	Shabbir Hussain Hashmi	N/A	Key management personnel
119	Sabrina Dawood	N/A	Key management personnel
120	Parvez Ghias	N/A	Key management personnel
121	Muneer Kamal	N/A	Key management personnel
122	Hasan Reza Ur Rahim	N/A	Key management personnel
123	Abdul Samad Dawood	N/A	Key management personnel
124	Inam ur Rehman	N/A	Key management personnel
125	Staff Provident Fund	N/A	Employees Retirement Fund
126	Staff Gratuity Fund	N/A	Employees Retirement Fund

Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these consolidated financial statements, are as follows:

	2019	2018
	-------- (Rupees in '000) --------	
Associated Companies of ECL		
Purchases and services	**2,275,636**	4,357,885
Sale of goods and rendering of services	**28,741**	571,486
Dividends received	**-**	381,303
Donations	**510,710**	194,453
Payment of interest on TFCs and repayment of principal amount	**-**	1,025
Advance against share capital / Share capital issued	**4,548,437**	1,901,703
Payments against EPC contract	**18,949,378**	22,189,403
Long term loan received	**384,304**	847,065
Bonus Share issued	**36,132**	-
Reimbursement to associated companies	**572,107**	140,593
Expenses paid on behalf of associated companies	**24,295,962**	94,892
Interest on deposit	**-**	92,141
Bank charges	**-**	49
Dividends paid / payable	**12,979,834**	2,211,027
Loans repaid	**-**	353,648
Finance costs	**577,053**	362,714
Investment in subsidiary company by associates	**-**	3,892,547
Advance and deposits	**-**	3,530
Joint Ventures		
Purchase of services	**1,546,131**	1,896,398
Reimbursements	**42,561**	27,853
Dividend received	**1,305,000**	1,170,000
Expenses paid on behalf of joint venture company	**126,141**	-
Disbursement of loan	**200,000**	-
Mark-up on loan	**153**	-
Retirement funds		
Contribution to retirement benefit funds	**445,403**	618,230
Key Management personnel		
Dividend paid	**1,419,337**	191,103
Directors emoluments	**-**	310,500
Directors' fees	**113,861**	16,250
Profit on Engro Rupiya Certificates	**19,504**	-
Other benefits paid	**86,947**	477,944
Remuneration of key management personnel	**1,666,959**	1,835,391
Bonus Share Issued	**6,076**	-
Loss on sale of an item of operating fixed asset	**30,132**	-

(Amounts in thousand)

Details of related parties incorporated outside Pakistan with whom the Group had transactions or arrangements in place are as follows:

	GEL Utility Limited	China Machinery Engineering Corporation	Chine East Resources Import & Export Corporation	Magboro Power Company Limited
Country of Incorporation	Nigeria	People's Republic of China	People's Republic of China	Nigeria
% of holding of EEL	45% (indirectly through subsidiary)	N/A	N/A	3.33%

50. PROVIDENT FUND

The employees of the Group participate in the Provident Fund maintained by the Holding Company and ECL. Monthly contributions are made both by the companies and the employees to the fund at the rate of 10% of basic salary.

The investments out of the provident funds have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the conditions specified there under.

51. DONATIONS

51.1 Donations include the following in which the Directors of the Holding Company or Group companies are interested:

Director	Interest in Donee	Name of donee	2019 -----Rupees-----
Ghias Khan	Chairman, Board of Trustees	Engro Foundation	313,653
Nadir Salar Qureshi	Trustee		
Ahsan Zafar Syed	Trustee		
Imran Anwar	Trustee		
Jahangir Piracha	Trustee		
Ahsan Zafar Syed	Trustee	Thar Foundation	61,034
Hussain Dawood	Trustee		
Shahzada Dawood	Trustee		
Sabrina Dawood	Trustee		
Abdul Samad Dawood	Trustee	The Dawood Foundation	85,000

Director	Interest in Donee	Name of donee	2018 -----Rupees-----
Ghias Khan	Chairman	Engro Foundation	163,747
Imran Anwar	Trustee		
Jahangir Piracha	Trustee		
Hussain Dawood	Trustee		
Shahzada Dawood	Trustee		
Sabrina Dawood	Trustee		
Abdul Samad Dawood	Trustee	The Dawood Foundation	30,706

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51.2 During the year the Group made the following donations which are above Rs 1000 or 10% of Group's total amount of donation:

	2019
	---Rupees---
Citizens Foundation	**13,543**
Sina Health Education & welfare Trust	**26,390**
Thar Foundation	**61,034**
Engro Foundation	**313,653**
The Dawood Foundation	**85,000**

52. PRODUCTION CAPACITY

		Designed Annual Capacity		Actual Production	
		2019	2018	**2019**	2018
Urea (note 52.1)	Metric Tons	**2,275,000**	2,275,000	**2,003,035**	1,928,080
NPK (note 52.1)	Metric Tons	**100,000**	100,000	**134,784**	132,790
PVC Resin (note 52.1)	Metric Tons	**195,000**	195,000	**197,000**	202,000
EDC (note 52.1)	Metric Tons	**127,000**	127,000	**110,000**	107,000
Caustic soda (note 52.1)	Metric Tons	**106,000**	106,000	**105,000**	105,000
Caustic flakes (note 52.1)	Metric Tons	**20**	-	**4**	-
VCM (note 52.1)	Metric Tons	**204,000**	204,000	**184,000**	195,000
Power (note 52.2)	Mega Watt Hours	**4,397,963**	1,863,724	**3,097,604**	1,526,309
Power	Mega Watt	**66**	66	**48**	48
Milling / Drying unit of rice processing plant (note 52.3)	Metric Tons	**414,000**	414,000	**93,689**	77,008

52.1 Production planned as per market demand and in house consumption needs.

52.2 Output produced by the plants of EPQL and EPTL is dependent on the load demanded by NTDC and plants' availability.

52.3 Three months season design capacity and production is dependent on availability of rice paddy.

52.4 The annual capacity of EETPL as service provider to SSGCL is 4.5 MTPA and there has been no shortfall during the year.

53. NUMBER OF EMPLOYEES OF THE GROUP

	Number of Employees as at		Average Number of Employees as at	
	December 31, 2019	December 31, 2018	**December 31, 2019**	December 31, 2018
Management employees	**2,127**	1,621	**2,017**	1,599
Non-management employees	**531**	722	**524**	638
	2,658	2,343	**2,541**	2,237

(Amounts in thousand)

54. SEASONALITY

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.

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.

55. NON-ADJUSTING EVENT AFTER REPORTING DATE

55.1 The Board of Directors of Engro Vopak Terminal Limited, a joint venture company, in its meeting held on January 31, 2020 has proposed a final cash dividend of Rs 6.00 per share for the year ended December 31, 2019, amounting to Rs 540 million, of which the proportionate share of the Holding Company amounts to Rs 270 million.

55.2 The consolidated financial statements for the year ended December 31, 2019 do not include the effect of the aforementioned proposed dividends, which will be accounted for in the consolidated financial statements for the year ending December 31, 2020.

55.3 LISTING OF SUBSIDIARY COMPANIES, ASSOCIATED COMPANIES AND JOINT VENTURE

Name of Subsidiary	**Financial year end**
Engro Corporation Limited (ECL)	**December 31**
Name of Subsidiaries of ECL	
Engro Fertilizers Limited (EFert)	**December 31**
EFERT Agritrade (Private) Limited (EAPL)	**December 31**
Engro Polymer and Chemicals Limited (EPCL)	**December 31**
Engro Polymer Trading (Private) Limited (EPTL)	**December 31**
Engro Peroxide (Private) Limited	**December 31**
Engro Plasticizer (Private) Limited	**December 31**
Engro Energy Limited	**December 31**
Engro Power Services Limited (EPSL)	**December 31**
Engro Power International Holding B.V. (EPIH)	**December 31**
Engro Power Services Holding B.V. (EPSH B.V.)	**December 31**
Engro Power Investment International B.V. (EPII B.V.)	**December 31**
Kolachi Portgen (Private) Limited (KPPL)	**December 31**
Engro Powergen Qadirpur Limited (EPQL)	**December 31**
Engro Powergen Thar (Private) Limited (EPTPL)	**December 31**

Name of Subsidiaries of ECL	Financial year end
Elengy Terminal Pakistan Limited (ETPL)	**December 31**
Engro Elengy Terminal (Private) Limited (EETPL)	**December 31**
Engro Eximp FZE (FZE)	**December 31**
Engro Eximp Agriproducts (Private) Limited (EEAPL)	**December 31**
Engro Digital Limited (EDigital)	**December 31**
Engro Infiniti (Private) Limited	**December 31**
Enfrashare (Private) Limited	**December 31**
Engro Energy Services Limited (EESL)	**December 31**
Name of Joint Venture of ECL	
Engro Vopak Terminal Limited (EVTL)	**December 31**
Name of Associates of ECL	
FrieslandCampina Engro Pakistan Limited (FCEPL)	**December 31**
Sindh Engro Coal Mining Company Limited (SECMC)	**December 31**
Gel Utility Limited (GEL)	**December 31**
Siddiqsons Energy Limited (SEL)	**June 30**
Pakistan Energy Gateway Limited (PEGL)	**December 31**

Set out below is summarised financial information for each subsidiary that has Non-Controlling Interests (NCI). The amounts disclosed for each subsidiary are before inter-company eliminations:

	EPQL	EPTPL	ETPL	EFert	EPCL
	------------------------------(Rupees in '000)------------------------------				
Total Assets	**27,541,251**	**186,456,120**	**64,714,675**	**127,261,901**	**57,519,217**
Total Liabilities	**13,578,068**	**144,900,877**	**56,614,312**	**83,982,441**	**39,743,061**
Total Comprehensive Income	**3,401,808**	**6,123,585**	**2,934,941**	**17,135,067**	**3,696,037**
Total Comprehensive Income allocated to NCI	**1,058,740**	**3,055,669**	**1,291,374**	**6,730,227**	**1,615,153**
Accumulated NCI	**4,373,064**	**23,593,100**	**3,552,819**	**18,215,197**	**7,866,750**
Cash and cash equivalents	**(3,700,454)**	**5,465,563**	**4,017,848**	**4,029,957**	**7,951,181**
Cash (utilized in) / generated from					
- operating activities	**4,234,290**	**14,366,231**	**5,178,590**	**21,988,785**	**7,679,131**
- investing activities	**(114,387)**	**(26,301,368)**	**(271,483)**	**4,502,608**	**(17,675,057)**
- financing activities	**(4,124,606)**	**13,674,496**	**(3,598,903)**	**(22,547,158)**	**8,787,053**
Dividend paid / payable to NCI	**302,250**	**-**	**550,235**	**8,175,822**	**358,371**
Interest of NCI	**31.11%**	**49.90%**	**44%**	**43.73%**	**43.81%**

56. CORRESPONDING FIGURES

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

57. DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorised for issue on February 26, 2020 by the Board of Directors of the Holding Company.

Mohammad Shamoon Chaudry	Inam ur Rahman	Shabbir Hussain Hashmi
Chief Financial Officer	Chief Executive	Director

PATTERN OF SHAREHOLDING

As at December 31, 2019

	SHARESHOLDINGS		
Number of Shareholders	From	To	Number of Shares Held
592	**1**	100	23,560
598	**101**	500	201,315
352	**501**	1,000	302,142
1,414	**1,001**	5,000	3,053,245
237	**5,001**	10,000	1,762,135
105	**10,001**	15,000	1,305,365
47	**15,001**	20,000	855,609
26	**20,001**	25,000	575,684
17	**25,001**	30,000	489,871
11	**30,001**	35,000	371,622
12	**35,001**	40,000	466,224
7	**40,001**	45,000	305,533
16	**45,001**	50,000	791,976
8	**50,001**	55,000	410,552
8	**55,001**	60,000	461,361
3	**60,001**	65,000	191,816
4	**65,001**	70,000	274,012
5	**70,001**	75,000	362,974
3	**75,001**	80,000	231,496
1	**80,001**	85,000	82,500
2	**85,001**	90,000	172,000
2	**90,001**	95,000	187,200
5	**95,001**	100,000	491,228
3	**100,001**	105,000	307,681
2	**105,001**	110,000	219,000
2	**115,001**	120,000	231,811
2	**120,001**	125,000	243,396
2	**145,001**	150,000	300,000
1	**155,001**	160,000	160,000
1	**195,001**	200,000	197,352
1	**245,001**	250,000	250,000
1	**335,001**	340,000	336,072
1	**345,001**	350,000	345,700
1	**360,001**	365,000	362,500
1	**380,001**	385,000	384,484
1	**485,001**	490,000	486,300
1	**555,001**	560,000	558,700
1	**630,001**	635,000	631,192
1	**670,001**	675,000	673,200
1	**715,001**	720,000	717,896
1	**790,001**	795,000	794,380
1	**1,345,001**	1,350,000	1,346,000
1	**2,220,001**	2,225,000	2,220,100
1	**2,930,001**	2,935,000	2,932,392
1	**4,180,001**	4,185,000	4,181,200
1	**4,695,001**	4,700,000	4,695,316
1	**5,780,001**	5,785,000	5,781,016
1	**5,895,001**	5,900,000	5,896,612
1	**6,000,001**	6,005,000	6,001,216
1	**11,330,001**	11,335,000	11,331,000
1	**12,200,001**	12,205,000	12,204,788
1	**12,890,001**	12,895,000	12,891,000
1	**18,990,001**	18,995,000	18,991,988
1	**20,930,001**	20,935,000	20,930,568
1	**35,145,001**	35,150,000	35,145,616
2	**36,240,001**	36,245,000	72,481,592
2	**38,375,001**	38,380,000	76,752,016
1	**43,280,001**	43,285,000	43,281,216
1	**45,720,001**	45,725,000	45,722,500
1	**77,930,001**	77,935,000	77,931,896
3,520			**481,287,116**

CATEGORIES OF SHAREHOLDING

As at December 31, 2019

Shareholder's Category	Number of sharehoders	Total shares held	Percentage %
Directors, Chief Executive Officer, and their spouse and minor children	12	62,978,444	13.09
Associated Companies, Undertakings and Related Parties	4	97,725,260	20.30
NIT and ICP	2	680	*
Banks, Development Financial Institutions, Non Banking Financial Institutions	13	7,363,980	1.53
Insurance Companies	2	14,424,888	3.00
Modarabas and Mutual Funds	20	2,653,442	0.55
Shareholders holding 10% or more	1	77,931,896	16.19
General Public :			
Residents	3,376	21,407,718	4.45
Non-residents	-	-	-
Others			
Foreign Companies	7	259,167,892	53.85
Others	84	15,564,812	3.23
Total (excluding : shareholders holding 10% or more)	3,520	481,287,116	100.00

* Negligible

PATTERN OF SHAREHOLDING

As at December 31, 2019

	Shareholders' Category	Number of shares
1	**Associated Companies, Undertaking and Related Parties**	
	Dawood Lawrencepur Limited	**77,931,896**
	Dawood Foundation	**18,991,988**
	Cyan Limited	**794,380**
	Sach International (Pvt.) Limited.	**6,996**
2	**Mutual Funds**	
	CDC - Trustee National Investment (Unit) Trust	**717,896**
	CDC - Trustee KSE Meezan Index Fund	**673,200**
	CDC - Trustee Alfalah GHP Islamic Stock Fund	**384,484**
	CDC - Trustee Al-Ameen Islamic Ret. Sav. Fund-Equity Sub Fund	**122,800**
	CDC - Trustee NBP Stock Fund	**116,400**
	CDC - Trustee UBL Retirement Savings Fund - Equity Sub Fund	**99,600**
	CDC - Trustee Alfalah GHP Stock Fund	**99,500**
	CDC - Trustee Meezan Islamic Fund	**86,900**
	CDC - Trustee AKD Index Tracker Fund	**76,096**
	CDC - Trustee Alfalah GHP Alpha Fund	**71,000**
	CDC - Trustee Al Meezan Mutual Fund	**50,000**
	CDC - Trustee NIT Islamic Equity Fund	**48,000**
	CDC - Trustee Alfalah GHP Value Fund	**39,000**
	CDC - Trustee Alfalah GHP Islamic Dedicated Equity Fund	**28,516**
	CDC - Trustee NBP Islamic Stock Fund	**12,000**
	CDC - Trustee NIT-Equity Market Opportunity Fund	**10,000**
	CDC - Trustee Alfalah GHP Islamic Value Fund	**9,000**
	CDC - Trustee Meezan Balanced Fund	**8,800**
	CDC - Trustee AGIPF Equity Sub-Fund	**150**
	CDC - Trustee ABL Stock Fund	**100**
3	**Directors, CEO and their spouse(s) and minor children**	
	Mr. Hussain Dawood	**35,145,616**
	Ms.Kulsum Dawood (W/o. Mr. Hussain Dawood)	**11,331,000**
	Mr. Shahzada Dawood	**6,001,216**
	Ms. Sabrina Dawood	**5,781,016**
	Mr. Abdul Samad Dawood	**4,695,316**
	Mr. Inam Ur Rahman	**23,380**
	Mr. Parvez Ghias	**250**
	Ms. Ayesha Zeba Gias (W/o. Mr. Parvez Ghias)	**250**
	Mr. Muhammad Imran Sayeed	**100**
	Mr. Muneer Kamal	**100**
	Mr. Hasan Reza Ur Rahim	**100**
	Mr. Shabbir Hussain Hashmi	**100**

PATTERN OF SHAREHOLDING

As at December 31, 2019

	Shareholders' Category	Number of shares
4	**Executives**	**1,000**
5	**Public Sector Companies and Corporations**	**15,138,137**
6	**Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful, Modaraba and Pension Funds**	**6,745,034**
7	**Shareholders holding five percent or more voting rights in the Listed Company**	
	Dawood Lawrencepur Limited	**77,931,896**
	Calfran Limited	**45,722,500**
	Hercules Enterprises Limited	**43,281,216**
	Alzarat Limited	**38,376,008**
	Zincali Limited	**38,376,008**
	Palmrush Investments Limited	**36,240,796**
	Persica Limited	**36,240,796**
	Mr. Hussain Dawood	**35,145,616**

8 Trades in the shares of the Company.

Following trades in the shares of the Company were made by the Directors / Spouse:

Name	Date of transaction	Nature of transaction	Price per share	No. of Share
Ms. Sabrina Dawood	21-Feb-2019	Purchased	117	75,000
Mr. Inam ur Rahman	30-Apr-2019	Purchased	119	2,000
Mr. Inam ur Rahman	8-May-2019	Purchased	115	1,000
Mr. Inam ur Rahman	15-May-2019	Purchased	97	3,000
Mr. Zubair Abdullah	15-May-2019	Purchased	97	2,500
Mr. Kamran Hanif	20-May-2019	Purchased	99.94	1,000
Mr. Inam ur Rahman	23-May-2019	Purchased	109.87	2,300
Mr. Inam ur Rahman	30-May-2019	Purchased	112.1	300
Mr. Inam ur Rahman	10-Jun-2019	Purchased	112	4,000
Mr. Inam ur Rahman	4-Sep-2019	Purchased	110	1,100
Mr. Hussain Dawood	20-Sep-2019	Purchased	119.13	106,300
Mrs. Kulsum Dawood	20-Sep-2019	Purchased	118.15	2,000
Mr. Hussain Dawood	26-Sep-2019	Purchased	120.9	100,000
Mr. Hussain Dawood	11-Oct-2019	Purchased	124.76	88,500
Mr. Shahzada Dawood	31-Oct-2019	Purchased	133.23	50,000
Ms. Sabrina Dawood	31-Oct-2019	Purchased	133.23	50,000
Mr. Shahzada Dawood	6-Nov-2019	Purchased	149.23	312,600
Mr. Hussain Dawood	6-Nov-2019	Purchased	149.27	320,000

ہم حکومت کی ترجیحات کا بغور جائزہ بھی لے رہے ہیں اور اپنے ملک پاکستان کی معیشت کے لئے اپنا کردار ادا کرنے کے لئے پوری طرح پرعزم ہیں۔ ہم حکومت کے ساتھ کاروباری شعبے کے اس کردار پر باضابطہ مکالمہ اور گفتگو میں مشغول رہتے ہیں جو وہ ملک میں خوشحالی لانے میں ادا کرسکتا ہے۔

مستقبل میں ہونے والی سرمایہ کاری کے لئے، بورڈ انتظامیہ کو سمت فراہم کرنے میں اپنے کردار کے بارے میں اچھی طرح آگاہ ہے اور کمپنی کو فائدہ مند سرمایہ کاری کی طرف راغب کرتا رہے گا۔

کمپنی اپنی ماتحت کمپنی اینگرو کارپوریشن لمیٹڈ کے ذریعے نئے کاروباری مواقع کی تلاش بھی کرتی رہتی ہے۔ بنیادی توجہ ہماری معیشت اور ملک کو درپیش اہم چیلنجوں کا سامنا کرتے ہوئے طویل المدتی حصص یافتگان کی قدر میں اضافہ کرنا ہوگا۔

E۔ بعدازاں رونما ہونے والے واقعات کے باعث مادی تبدیلیاں

مالی سال کے اختتام اور اس رپورٹ کی تاریخ کے مابین ہماری فنانشل پوزیشن کو متاثر کرنے والی کوئی مادی تبدیلیاں یا وعدے نہیں ہوئے ہیں۔

F۔ اعتراف

بورڈ اپنے تمام شیئر ہولڈرز سے ان کے اعتماد اور حمایت کے لیے اظہار تشکر کرتا ہے۔ ہم اپنے تمام اسٹیک ہولڈرز بشمول تمام مالیاتی ادارے، جو مسلسل ہماری مدد اور حمایت کے لیے ہمارے شریک رہے ہیں۔ ہم انہیں یقین دلاتے ہیں کہ ان کے مفادات کا خیال رکھا جائے گا۔

ہم کمپنی کی ترقی وخوش حالی کیلئے مخلصانہ کاوشوں پر کمپنی کی انتظامیہ اور ملازمین کا شکریہ بھی ادا کرتے ہیں۔

شبیر حسین ہاشمی
ڈائریکٹر

انعام الرحمٰن
چیف ایگزیکٹو

b۔ کمپنی کے اکاؤنٹس کی کتابیں مناسب انداز میں تیار کی گئی ہیں۔
c۔ فنانشل اسٹیٹمنٹس کی تیاری کے لئے مناسب اکاؤنٹنگ پالیسیاں مستقل طور پر لاگو کی گئیں۔ اکاؤنٹنگ کا تخمینہ معقول تجزیئے پر مبنی ہے۔
d۔ بین الاقوامی مالیاتی رپورٹنگ کے معیارات پر، جو پاکستان میں قابل اطلاق ہیں، فنانشل اسٹیٹمنٹس کی تیاری میں عمل کیا گیا ہے اور اس میں سے کسی بھی نقطے کو رد کرنے کی صورت میں اس کا مناسب طور پر انکشاف کیا گیا ہے۔
e۔ اندرونی کنٹرول کا نظام ڈیزائن میں مستحکم ہے اور اس کو مؤثر انداز میں نافذ کیا گیا ہے اور اس کی نگرانی بھی کی جا رہی ہے۔
f۔ کمپنی کے اپنے آپریشنز اور کام کو جاری رکھنے کی صلاحیت پر کوئی شبہات نہیں ہیں۔
g۔ خلاصہ کی شکل میں پچھلے چھ سال سے زیر استعمال اہم آپریٹنگ اور فنانشل ڈیٹا کو رپورٹ سے منسلک کیا گیا ہے۔

XVI۔ ڈائریکٹرز ٹریننگ پروگرام

ڈائریکٹرز ٹریننگ پروگرام کے سلسلے میں دس میں سے نو ڈائریکٹرز یا تو مستند ہیں یا انہیں استثنیٰ حاصل ہے۔ سال کے دوران محترمہ حمیرہ احمد، سربراہ ہیومن ریسورس ڈیپارٹمنٹ کے لیے ڈائریکٹرز ٹریننگ پروگرام کا اہتمام کیا گیا۔

XVII۔ متعلقہ پارٹیوں سے معاملات

کوڈ آف کارپوریٹ گورننس کی تقاضوں کے مطابق، کمپنی نے متعلقہ پارٹیوں سے سارے معاملات بالترتیب آڈٹ کمیٹی اور بورڈ کے سامنے ان کے جائزے اور منظوری کے لئے پیش کیے۔

D۔ مستقبل کا جائزہ

جب تک کمپنی اپنے دارالحکومت کی موثر تعیناتی کے لئے سرمایہ کاری کے مواقع کا جائزہ لیتی رہے گی، فنڈز کی مینجمنٹ حکومتی سیکیورٹیز اور ٹرم ڈپازٹس اور بلیو چپ مارکیٹ سیکیورٹیز میں ایک بااحتیاط پورٹ فولیو کے ذریعے کی جائے گی۔

کمپنی کا ماننا ہے کہ حکومت کی طرف سے اٹھائے گئے اقدامات آہستہ آہستہ معاشی سرگرمیوں کے استحکام میں کمی کے ساتھ اپنا اثر دکھا رہے ہیں۔ اگلے 3-6 ماہ کے دوران سود کی فلیٹ شرحوں میں کمی متوقع ہے۔ کرنٹ اکاؤنٹ خسارے میں کمی اور ٹیکس وصولی میں اضافہ، اگرچہ مقررہ اہداف کے نیچے ہے، پاکستان کی معیشت اپنے چیلینجز کا مقابلہ کرتے ہوئے محتاط انداز میں بدل رہی ہے۔ توقع کی جا رہی ہے کہ مضبوط بنیادی تبدیلیوں سے آئندہ ایک سے دو سال میں معیشت مکمل طور پر ٹھیک ہو جائے گی۔ کمپنی کے تعمیر کردہ پورٹ فولیو کے لئے سرمایہ کاری کے سلسلے میں 2-3 سال کی سرمایہ کاری کا تصور کیا گیا ہے۔ ہم اس نظریہ کو برقرار رکھتے ہوئے مزید ایک سے دو سال تک پورٹ فولیو کا انتظام ایسے ہی جاری رکھیں گے۔

XIII۔ بورڈ کے اجلاس

2019 کے دوران، بورڈ کی کل پانچ میٹنگز ہوئیں۔ تمام میٹنگز کی صدارت چیئر مین نے کی۔ کوڈ آف کارپوریٹ گورننس کی شرائط کے تحت کمپنی سیکریٹری اور چیف فنانشل آفیسر نے بھی ان میٹنگز میں شرکت کی۔ ہر ڈائریکٹر کی حاضری کی پوزیشن حسب ذیل تھی:

نمبر شمار	ڈائریکٹر کا نام	میٹنگز میں شرکت		
		بورڈ میٹنگز	بورڈ آڈٹ کمیٹی	ہیومن ریسورس اینڈ معاوضہ کمیٹیس
1	جناب حسین داؤد	4/5	-	-
2	جناب شہزادہ داؤد	4/5	-	3/4
3	جناب عبدالصمد داؤد	4/5	-	-
4	محترمہ سبرینہ داؤد	5/5	-	-
5	جناب پرویز غیاث	5/5	-	4/4
6	جناب شبیر حسین ہاشمی	5/5	4/4	-
7	جناب منیر کمال	5/5	3/4	4/4
8	جناب حسن رضا الرحیم	5/5	4/4	-
9	جناب عمران سعید	5/5	-	3/3
10	جناب انعام الرحمٰن	5/5	-	-

XIV۔ ڈائریکٹرز کا معاوضہ

کمپنی کے آرٹیکل آف ایسوسی ایشن، اور کمپنیز ایکٹ، 2017 کے مطابق ڈائریکٹرز کے معاوضے کے لیے کمپنی کی ایک باضابطہ اور شفاف پالیسی ہے۔

XV۔ ڈائریکٹرز کی ذمہ داری کا بیان

ڈائریکٹرز پاکستان میں اسٹاک ایکسچینج کے لسٹنگ ریگولیشنز کے مطابق کارپوریٹ اور فنانشل رپورٹنگ فریم ورک کی تعمیل کی مندرجہ ذیل تصدیق کرتے ہیں۔

a۔ کمپنی مینجمنٹ کی جانب سے تیار کردہ فنانشل اسٹیٹمنٹس کمپنی کی مالیاتی صورتحال، اس کے آپریشن، کیش فلو اور ایکویٹی میں تبدیلی کے نتائج کو منصفانہ طور پر پیش کرتے ہیں۔

(2018: 63.52 ملین روپے)۔

31 دسمبر 2019 تک کے فنڈڈ ڈیفائنڈ بینیفٹ گریجویٹی پلان کے اثاثوں کی فیئر ویلیو 23.18 ملین روپے (PKR:2018 16.47 ملین) تھی۔

X۔ کارپوریٹ گورننس

کمپنی کی انتظامیہ اچھی کارپوریٹ گورننس اور بہترین طریقہ کار کی تعمیل اور اپنے کاروبار کو کوڈ آف کارپوریٹ گورننس کی بہترین پریکٹسز پر چلانے کیلئے پاکستان اسٹاک ایکسچینج کی جانب سے کوڈ آف کارپوریٹ گورننس سے اپنی قوانین کی کتاب میں طے کیے گئے قوانین اور شرائط کے مکمل اطلاق کو یقینی بنانے کے لیے پر عزم ہے۔ مزید تفصیلات کے لئے، براہ مہربانی لسٹڈ کمپنیوں کے ساتھ کمپلائنس کا بیانیہ (کارپوریٹ گورننس کا ضابطہ اخلاق) ریگولیشنز 2017 دیکھیں۔

XI۔ رسک مینجمنٹ

کمپنی کی سرگرمیاں اسے متعدد مالی خطرات سے دوچار کرتی ہیں: مارکیٹ کا خطرہ (سود کی شرح کا رسک، کرنسی کا رسک اور قیمت کا رسک)، کریڈٹ رسک اور لیکویڈیٹی رسک۔ کمپنی کا مجموعی رسک مینجمنٹ مالیاتی مارکیٹس کی غیر متوقع صلاحیت پر مرکوز ہے اور کمپنی کی مالی کارکردگی پر پائے جانے والے ممکنہ منفی اثرات کو کم کرنے کی کوشش کرتا ہے۔

کمپنی کی رسک مینجمنٹ کی پالیسیاں بنائی گئی ہیں تاکہ کمپنی کو درپیش خطرات کی نشاندہی اور تجزیہ کیا جاسکے، مناسب خطرات کی حدود اور کنٹرول طے کرنے اور حدود کی پابندی کی نگرانی کی جائے گی۔ مارکیٹ کے حالات اور کمپنی کی سرگرمیوں میں ردعمل ظاہر کرنے کے لئے رسک مینجمنٹ پالیسیوں اور سسٹمز کا باقاعدگی سے جائزہ لیا جاتا ہے۔

XII۔ بورڈ آف ڈائریکٹرز

بورڈ میں دس ڈائریکٹرز شامل ہیں۔ بورڈ ممبران کی تشکیل مندرجہ ذیل ہے۔

آزاد ڈائریکٹرز	2
نان ایگزیکٹو ڈائریکٹرز	
• مرد	6
• خواتین	1
ایگزیکٹو ڈائریکٹر	1

کے لئے پیش کرتے ہیں۔ آڈٹ کمیٹی نے 31 دسمبر 2020 کو ختم ہونے والے سال کے لئے اے ایف فرگوسن اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹ کو کمپنی کے آڈیٹر کے طور پر دوبارہ تقرری کی سفارش کی ہے اور بورڈ نے اس سفارش کی توثیق کی ہے۔

IV۔ ٹریڈ کئے گئے حصص، اوسط قیمتیں اور پی ایس ایکس

سال کے دوران پاکستان اسٹاک ایکسچینج میں کمپنی کے 24.3 ملین حصص کا کاروبار ہوا۔ یومیہ اختتامی شرح پر کمپنی کے حصص کی اوسط قیمت 123.25 روپے تھی جبکہ 2019 کے دوران 52 ہفتوں کی کم ترین اور زیادہ ترین شرح بالترتیب 96.48 روپے سے 166.96 روپے فی حصص تھی۔

V۔ شیئر ہولڈنگ کا پیٹرن

31 دسمبر 2019 کو کمپنی کی شیئر ہولڈنگ کا پیٹرن اور دیگر ضروری معلومات کے ساتھ، اس رپورٹ کے آخر میں پراکسی فارم کے ساتھ دستیاب ہے۔

VI۔ مارکیٹ کیپٹلائزیشن اور بک ویلیو

سال کے اختتام پر، کمپنی کا مارکیٹ کیپٹلائزیشن 74,219 ملین روپے (2018: 53,495 ملین) جس کی مارکیٹ ویلیو 154.21 روپے فی شیئر (2018: 111.15 روپے) اور بریک اَپ ویلیو 65.66 روپے فی شیئر (2018: 72.65 روپے فی شیئر) رہی۔

VII۔ تخصیص

سال کا مجموعی ڈیویڈنڈ منافع 13 روپے فی حصص ہے (130 فیصد)، جو کہ سال کے دوران ادا کیا گیا۔

VIII۔ اینٹٹی ریٹنگ

2019 کے دوران، PACRA نے اپنے سالانہ جائزہ میں کمپنی کی طویل المدتی اور قلیل المدتی کریڈٹ ریٹنگ کی تصدیق کی۔

یہ کریڈٹ ریٹنگ اداروں کی مالی اور انتظامی قوت کے ساتھ ساتھ سازگار ساکھ کی عکاسی کرتی ہے اور مستقل منافع کی ادائیگیوں کے ساتھ ہماری مضبوط بیلنس شیٹ اور مضبوط کارکردگی کا ثبوت ہے۔

IX۔ پروویڈنٹ اور گریجویٹی فنڈز

کمپنی کے ملازمین کی مالی اعانت سے حاصل ہونے والے ریٹائرمنٹ فوائد کا سال میں ایک بار آڈٹ کیا جاتا ہے اور مناسب سرمایہ کاری کے ذریعے ان کو محفوظ کیا جاتا ہے۔ 31 دسمبر 2019 تک فنڈڈ طے شدہ بینیفٹ گریجویٹی منصوبے کے غیر آڈٹ شدہ اثاثوں کی قدر 19.87 ملین روپے تھی

86.4 ملین روپے کا تعاون کیا۔ گذشتہ برسوں میں، ٹی ڈی ایف باضابطہ تعلیم کے اداروں کے قیام میں شامل رہا ہے اور اب یہ ادارہ توسیعی منصوبوں پر کام کر رہا ہے جو اس کے علم کے پھیلاؤ کی خواہش کے عین مطابق زیادہ بہتر ٹیکنالوجی کی بنیاد کے حامل ہیں۔ داؤد فاؤنڈیشن نے حال ہی میں میگنی فائی سائنس سینٹر میں سرمایہ کاری کی ہے جو پاکستان میں پہلا عالمی معیار کا انٹرا ایکٹو سائنس میوزیم ہوگا، اور ڈی ایچ کارپوریشن بھرپور جذبے سے اس سہولت کے آغاز کے کاموں میں حصہ لے رہا ہے۔ سائنس، مسئلے کو حل کرنے اور تعلیمی سرگرمیوں کے ذریعے سیکھنے کے ذریعے، ٹی ڈی ایف میگنی فائی سائنس سینٹر کا مقصد تخلیقی مفکرین کی اگلی نسل کو اس منصب کا اہل بنانا ہے۔ یہ خاص طور پر سائنس، ریاضیات، ٹیکنالوجی اور کھیل ہی کھیل میں انجینئرنگ اور تفریحی سرگرمیوں اور نمائشوں کے ساتھ بچوں اور ان کی فیملیز کے لئے سیکھنے کی جگہ ہوگی۔ ٹی ڈی ایف کے زیر انتظام ایک پروجیکٹ کراچی اسکول آف بزنس اینڈ لیڈرشپ (کے ایس بی ایل) ہے، جو ایک گریجویٹ مینجمنٹ اسکول ہے جو سچائی، اعتماد، عاجزی، ایمانداری، استقامت اور قابلیت کی بنیاد پر فیصلے کرنے والے متاثر کن لیڈرز پیدا کرنے کی تحریک کا موجب ہے۔

C۔ فنانشل رپورٹ

I۔ مالیاتی کارکردگی

گروپ کی مستحکم آمدنی 225.92 بلین روپے تھی جبکہ گذشتہ سال اسی عرصہ کے لئے 171.57 بلین روپے تھی، یہ اضافہ بنیادی طور پر جولائی 2019 کے دوران آن لائن آنے والے انرجی پروجیکٹس اور فرٹیلائزر اور پیٹروکیمیکل کاروبار کے زیادہ ٹرن اوور کی وجہ سے ممکن ہوا۔ پورے بزنس میں مضبوط آپریشنل کارکردگی کی وجہ سے سال 2019 کیلئے گروپ کا مجموعی منافع بعد از ٹیکس سال 2018 کے دوران حبکو میں سرمایہ کاری کی فروخت سے ہونے والے یک بارگی منافع کی وجہ سے 33.15 بلین روپے کے مقابلے میں 29.79 بلین روپے رہا۔

غیر مستحکم بنیاد پر، کمپنی کی آمدنی 8,378 ملین روپے تھی جبکہ پچھلے سال کی اسی مدت کیلئے 5,830 ملین روپے تھی۔ یعنی 2,548 ملین روپے کا اضافہ جس کی بڑی وجہ لسٹڈ ایکویٹی میں سرمایہ کاری پر منافع میں اضافہ اور سرپلس فنڈز پر آمدنی ہے۔

II۔ فی شیئر آمدنی

سال 2018 کے 12.58 روپے کے مقابلہ میں سال 2019 کی فی شیئر غیر مستحکم آمدنی 10.02 روپے رہی۔ سال کے لئے فی شیئر مستحکم آمدنی 11.75 روپے (29.60:2018 روپے) رہی۔

III۔ آڈیٹر

موجودہ آڈیٹرز، میسرز۔ اے ایف فرگوسن اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس آئندہ سالانہ عام اجلاس کے اختتام پر ریٹائر ہو رہے ہیں اور اپنے آپ کو دوبارہ تقرری

II۔ انسانی ترقی:

ٹیلنٹ کی ترقی

ہمیں یقین ہے کہ ہمارے لوگ ہمارا سب سے قیمتی اثاثہ ہیں۔ ہمارے رہنماؤں سے توقع ہے کہ وہ اپنے لوگوں کی ترقی اور فلاح کیلئے سرمایہ کاری کریں اور 2019 میں اس شعبے میں نمایاں کاوشیں دیکھی گئی ہیں۔ سیکھنے کے حلقوں کا ہمارے ہر اقدام کا مقصد علم بانٹنا اور متجسس ذہن تیار کرنا ہے، جو مختلف موضوعات پر سال کے دوران مختصر مدت کے 11 سیشنز کے ساتھ بہت کامیاب رہا۔ ایک ملازم ترقیاتی پروگرام انفرادی جوش، جذباتی ذہانت اور مؤثر انداز میں غیر یقینی اور تیزی سے بدلتی دنیا میں کام کرنا کا ہنر سیکھنے کے ماڈیول کے مزین ایک ایمپلائی ڈویلپمنٹ پروگرام کی مدد سے سیکھنے کا زبردست موقع فراہم کیا گیا۔ تکنیکی اور مضامین سے متعلق تربیت بھی فراہم کی گئی، جس میں بین الاقوامی تربیت بھی شامل ہے۔

شمولیت اور تنوع

ہم پر یقین ہیں کہ متنوع افرادی قوت اور ایک جامع ثقافت کا ہونا ہماری آرگنائزیشن کی کامیابی کیلئے اہم ہے۔ نتیجتاً ہم شعوری طور پر اس امر کو یقینی بنانے کیلئے کوشاں رہتے ہیں کہ پس منظر، مذہب، صنف یا تنظیمی درجہ بندی سے قطع نظر تمام ملازمین کا احترام کیا جائے اور وہ کمپنی سے اپنے تعلق کو محسوس کریں۔ تمام گریڈ کے ملازمین کو ذمہ دارانہ سرگرمیوں اور انٹرا ایکٹو آئیڈیا جنریشن سیشنز کا حصہ بنایا جاتا ہے جس سے مسائل کو حل کرنے میں ہمیں مدد حاصل ہوتی ہے۔ ڈی ایچ کارپوریشن میں ملازمین کا ایک چوتھائی حصہ خواتین پر مشتمل ہے اور 42 فیصد لوگ کراچی کے علاوہ دیگر شہروں سے تعلق رکھتے ہیں۔ اپنے گروپ میں خواتین کو مربوط کرنے کے ہدف کے ساتھ، ہم نے اپنی پہلی بار رول ماڈل خواتین کے ساتھ خواتین کی اجتماعی گروپ وائیڈ، مؤثر گفتگو کا انعقاد کیا۔

صحت اور تحفظ

ہمارے ملازمین اور دیگر اسٹیک ہولڈرز کی حفاظت اور صحت اہمیت کا حامل ہے۔ سال کے دوران تمام اسٹاف کے لئے رویوں کی بنیاد پر مبنی آفس سیفٹی ٹریننگ جیسے مخصوص اقدامات کیے گئے تھے تا کہ افراد کو ان کی ذمہ داریوں کے بارے میں یاددہانی کے ساتھ ساتھ مخصوص تفصیلات فراہم کی جائیں۔ ایک معروف ایچ ایس ای کنسلٹنٹ کی خدمات ہمارے دفاتر اور اس سے متعلقہ کام کی جگہوں کے حفاظتی پہلوؤں کے بارے میں باقاعدہ فیڈ بیک فراہم کرنے کیلئے حاصل کی گئیں۔ کمپنی کے اندر موجود ڈرائیوروں پر خصوصی توجہ رکھتے ہوئے تمام ملازمین کے لئے 'سیفٹی ڈرائیو' اور 'دفاعی ڈرائیونگ' کی تربیت دی گئی تھی۔ تمام ملازمین کے لئے دفتر کے اندر ہی صحت بخش کھانا تیار کیا جاتا ہے۔ ورزش کرنے کے بارے میں ملازمین کی حوصلہ افزائی کے لئے دفتر کے اندر کھیلوں کی سہولیات کی فراہمی کے لئے نئی عمارت تعمیر کی گئی ہے جو ورزش کے جدید آلات سے لیس ہے۔ ملازمین کو صحت مند طرز زندگی اپنانے کے لئے ایک ورزشی بوٹ کیمپ کا بھی اہتمام کیا گیا تھا۔

III۔ سماجی تعاون

سال کے دوران، ہم نے داؤد فاؤنڈیشن (ٹی ڈی ایف) کے ذریعے انفرادی منصوبوں کے لئے کارپوریٹ سماجی ذمہ داری (سی ایس آر) کے طور پر

سی این جی سیکٹر کے ساتھ ساتھ 500 سے زائد صنعتی یونٹوں کو بحال کیا گیا ہے، جبکہ ایل این جی سے زیادہ مہنگے فرنس آئل اور ڈیزل کی درآمد کو تبدیل کرنے کی وجہ سے ملک نے اب تک 3 ارب ڈالر کی بچت کی ہے۔

پچھلے سال کے دوران کیمیکلز اور ایل پی جی کو ہینڈل کرنے میں 6 فیصد کا زبردست اضافہ دیکھا گیا، جو بنیادی طور پر زیادہ کیمیائی درآمد سے منسوب ہے۔ کاروبار نے کسی چوٹ کے بغیر 22 سال تک محفوظ آپریشنز مکمل کئے اور صحت، حفاظت اور معیار کے اسٹینڈرڈ کو برقرار رکھا۔

VIII۔ فوڈز:

ڈیری اور آئس کریم دونوں سیگمنٹس میں ڈیری کے کاروبار میں مضبوط نمو دیکھنے میں آئی اور اس نے 39 ارب ڈالر کی آمدنی ریکارڈ کی۔ جو گذشتہ سال کے مقابلے میں 20 فیصد زیادہ ہے۔ تاہم، بڑی معاشی رکاوٹوں کی وجہ سے منافع نمایاں طور پر متاثر ہوا۔ خاص طور پر روپے کی قدر میں کمی، زیادہ شرح سود اور مستقبل کے زیادہ کارپوریٹ ٹیکس کی وجہ سے مؤخر ٹیکس چارج کی وجہ سے اجناس کی قیمتوں میں زبردست اضافہ ہوا۔ افراط زر کے اس دباؤ کو ختم کرنے کے لیے کاروبار نے گذشتہ چھ ماہ میں اپنے پورٹ فولیو میں اضافہ کیا ہے۔ کاروبار میں سال کے لیے 955 ملین روپے کا بعداز ٹیکس نقصان ریکارڈ ہوا۔

چاول کے کاروبار پر اضافی توجہ 2019 میں جاری رہی اور اس کاروبار نے اپنی تاریخ میں مسلسل دوسری بار بامنافع سال کا اختتام کیا۔ چاول کی برآمدات میں بھی اضافہ جاری رہا اور 2018 کے مقابلہ میں اس کے حجم میں 22 فیصد اضافہ دیکھا گیا۔ کوالٹی ری سرٹیفیکیشن کے لئے بیورو واریٹاز کی جانب سے ایکسٹرنل آڈٹ کامیابی سے مکمل ہوا، جس میں 'AA' کی ریٹنگ برقرار رہی۔ کمپنی کا چاول کا کاروبار پاکستان میں رائس بزنس میں مصروف اداروں میں سب سے اعلیٰ معیار کا حامل ہے۔

B۔ کارپوریٹ اور سماجی ترقی

I۔ ورلڈ اکنامک فورم (WEF) کے ساتھ شراکت:

سال کے دوران ورلڈ اکنامک فورم نے داؤد ہرکولیس کارپوریشن کو اپنی اعلیٰ ترین ممبرشپ ''پارٹنر لیول'' کے لئے مدعو کیا۔ ورلڈ اکنامک فورم کی تاریخ میں یہ پہلا موقع ہے جب پاکستانی نجی شعبے کی کسی تنظیم کو مدعو کیا گیا ہے، جس کے باعث ہمیں پہلی اور واحد پاکستانی ''پارٹنر'' کمپنی بننے کا موقع ملا ہے۔ اسی کے تحت، بورڈ آف ڈائریکٹرز نے پارٹنر لیول پر ورلڈ اکنامک فورم کے ساتھ مشغول ہونے کی تجویز کو منظور کیا تاکہ ہمیں اسٹریٹجک انٹیلیجنس ٹولز، اور عالمی کاروباری امور کے بارے میں معلومات حاصل ہوسکیں۔ اس زبردست اتحاد کے ذریعے ہمیں سرمایہ کاری کے مواقع تک رسائی حاصل ہوگی اور ہمارے اور ہماری ذیلی کمپنیوں اور/ یا اس سے وابستہ کمپنیوں کے لئے بین الاقوامی سطح پر ممکنہ شراکت داروں سے ملاقات ہوگی۔

ایکٹ 2019 میں متعارف کرائے گئے مستقبل کی زیادہ کارپوریٹ ٹیکس کی شرح پر عائد یک بارگی التوائی ٹیکس کی وجہ سے ہے۔

VI۔ پولیمر اور کیمیکل:

پولیمر کے کاروبار کے لئے 2019ء ایک اہم سال ثابت ہوا۔ کاروبار نے کامیابی کے ساتھ اپنے کاسٹک فلیک پلانٹ سے تجارتی پیداوار کا آغاز کرنے کے ساتھ برآمدات کا آغاز کیا۔ ہائیڈروجن پر آکسائیڈ اور دیگر مختلف اور بہتر کارکردگی کے منصوبوں کا اعلان کیا۔ پی وی سی میں توسیع، وی سی ایم کی مزاحمت کو دور کرنے (de-bottlenecking) اور آکسیجن پر مبنی وی سی ایم پروڈکشن پروجیکٹس پر کام اچھی طرح سے جاری ہے۔ گیس کی اعلیٰ قیمتوں اور حجم میں کمی کے باوجود، کاروباری بنیادی منافع گذشتہ سال کی طرح رہا، تاہم اضافی مالی لاگت اور 2018 میں بک ہونے والے مخصوص یک بارگی فوائد کے باعث گذشتہ سال کے مقابلے میں بعد از ٹیکس منافع میں کمی واقع ہوئی۔

VII۔ توانائی اور توانائی کا بنیادی ڈھانچہ:

توانائی کے میدان میں، تھر بلاک II، سے 3.8 ملین ٹن سالانہ پیداوار کے ترقیاتی کام کا پہلا مرحلہ 03 جون 2019 کو مکمل ہوا۔ اس کے بعد مائننگ اور 2x330 میگاواٹ صلاحیت کے تھر بجلی گھر کے دونوں یونٹس کیلئے سی او ڈی کا اعلان 10 جولائی 2019 کو کیا گیا۔ مائن نے بجلی گھر کو 2.28 ملین ٹن کوئلہ فراہم کیا۔ مزید یہ کہ مائننگ کے منصوبے میں مائن کی توسیع کے دوسرے مرحلے کی تعمیر کا کام شروع کیا اور 31 دسمبر 2019 کو اس سلسلے میں مالی معاہدہ طے پا گیا ہے، جس سے مائن سے کوئلے کی پیداوار میں 7.6 ملین ٹن سالانہ اضافہ ہوگا۔ سال کے دوران، پاور پلانٹ نے 79 فیصد لوڈ فیکٹر کے ساتھ 87 فیصد دستیابی حاصل کی۔ اپنے آپریشنز کے آغاز کے بعد سے ہی پلانٹ کی کارروائی مستقل رہی، اور ~2000 گیگاواٹ آور بجلی قومی گرڈ کو فراہم کی گئی۔

قادر پور پاور پلانٹ سال کے دوران پلانٹ میں ہونے والے اسٹریٹیجک آپریشنل اور ایچ آر ٹرانسفارمیشن اور تخمینہ کے طریقہ کار کے دوبارہ تعین کی وجہ سے عمدہ کارکردگی کا مظاہرہ کرتا رہا۔ پلانٹ نے 2019 کے دوران 99.9 فیصد کا اعلانیہ دستیابی فیکٹر ظاہر کیا۔ تاہم، اس نے قومی گرڈ میں مجموعی طور پر 1,097 گیگاواٹ بجلی قومی گرڈ کو فراہم کی جو پچھلے سال کے 81.9 فیصد کے مقابلے میں 58.8 فیصد کا لوڈ فیکٹر ظاہر کرتا ہے۔ لوڈ فیکٹر میں کمی بنیادی طور پر میرٹ آرڈر کی کم رینکنگ کی وجہ سے تھی اور اس کے نتیجے میں قومی گرڈ کو کم بجلی فراہم کی گئی۔ اس کی وجہ یہ بھی ہے کہ زیر جائزہ سال کے دوران نئے پلانٹس لگائے گئے۔ گھریلو توانائی کے شعبے میں سرکلر ڈیٹ مستقل مسئلہ رہا ہے۔

اینگی ٹرمینل نے سال کے دوران 74 کارگو کو ہینڈل کیا۔ اس نے 216.6 بلین کیوبک فٹ ری گیسفائڈ ایل این جی، ایس ایس جی سی نیٹ ورک کو فراہم کی۔ دستیابی کا فیکٹر سال کے لئے 97.4 فیصد رہا۔ ایل این جی ٹرمینل اس وقت ملک کی گیس کی 12 فیصد سے زائد ضروریات کو پورا کرتا ہے۔ مارچ 2015 میں اس کے آغاز کے بعد سے، ٹرمینل نے 17 ملین ٹن ایل این جی کو ہینڈل کیا ہے۔ ایل این جی کی درآمد کے ذریعے گیس کی مستقل فراہمی سے فرٹیلائزر اور

سے فائدہ اٹھایا جا سکے، جس کے نتیجے میں 12.82 فیصد کا مؤثر منافع حاصل ہوا۔

III۔ لسٹڈ ایکویٹی پورٹ فولیو

کمپنی نے بورڈ آف ڈائریکٹرز کی منظور کردہ حدود کے اندر پاکستان اسٹاک ایکسچینج میں بلیو چپ لسٹڈ کمپنیوں کے حصص میں سرمایہ کاری جاری رکھی۔ دوراندیش اور بروقت سرمایہ کاری کی وجہ سے اس پورٹ فولیو نے مارکیٹ کے مقابلے میں بہتر کارکردگی کا مظاہرہ کیا، جس کے نتیجے میں 682 ملین روپے کا فائدہ ہوا، جو سرمایہ کاری پر 19 فیصد منافع ہے۔ مدت کے دوران موصول ہونے والے منافع کو شامل کرنے کے بعد، (اینگرو کے علاوہ) کے ایس ای 100 انڈیکس کے 9.90 فیصد کے مقابلے میں پورٹ فولیو کا منافع 22.5 فیصد رہا۔

ہماری بڑی سرمایہ کاری، اینگرو کارپوریشن نے بھی معقول کارکردگی کا مظاہرہ کیا۔ کمپنی کی مجموعی آمدنی میں 2018 کے دوران ہونے والے منافع 171,568 ملین روپے کے مقابلے میں اس سال 32 فیصد اضافہ ہوا جو 225,920 ملین روپے رہا۔ یہ اضافہ بنیادی طور پر جولائی 2019 کے دوران آن لائن آنے والے انرجی پروجیکٹس اور فرٹیلائزر اور پیٹروکیمیکل کاروبار کے زیادہ ٹرن اوور کی وجہ سے ممکن ہوا۔

ہم اینگرو میں اپنی سرمایہ کاری کو اعلیٰ نمو کی صلاحیت کی حامل طویل المیعاد سرمایہ کاری کے طور پر دیکھتے ہیں۔ ہم اس کمپنی اور اس کے ذیلی اداروں کی کارکردگی پر نظر رکھے ہوئے ہیں، اور اس رپورٹ کے بعد کے حصوں میں کچھ جھلکیاں پیش کی گئی ہیں۔

IV۔ اینگرو کارپوریشن لمیٹڈ:

کمپنی کے ذیلی ادارے اینگرو کارپوریشن لمیٹڈ (ای سی ایل) نے گزشتہ سال ہونے والے منافع 23,625 ملین روپے کے مقابلے میں اسی مدت کیلئے 32 فیصد اضافے کے ساتھ 31,125 ملین روپے کا مجموعی منافع حاصل کیا۔ 2018 میں 22.06 روپے فی شیئر کے مقابلے میں اس سال فی شیئر آمدنی 30.82 روپے رہی۔ اینگرو نے 2019 کیلئے 24 روپے فی شیئر منافع کا اعلان کیا، جس کے نتیجے میں کمپنی کیلئے 4,375 ملین روپے کا بعد از ٹیکس منافع حاصل ہوا۔

V۔ فرٹیلائزر:

پلانٹ کی بہتر کارکردگی اور گیس کی مسلسل دستیابی کی وجہ سے فرٹیلائزر کے کاروبار نے اب تک کی سب سے زیادہ یوریا کی پیداوار کا تاریخی سنگ میل حاصل کیا یعنی 2,003 کلوٹن۔ بڑھتی ہوئی پیداوار کے ساتھ ساتھ فرٹیلائزر کی زیادہ قیمتوں کی وجہ سے پروڈکٹ کی بہتر فراہمی اور پچھلے سال کے مقابلے میں 11 فیصد کا اضافہ دیکھا گیا۔ اس کاروبار میں 16.9 بلین روپے کا منافع بعد از ٹیکس ریکارڈ کیا گیا۔ جو گذشتہ سال کی نسبت 3 فیصد کم ہے۔ یہ کمی بنیادی طور پر فنانس

داؤد ہرکولیس کارپوریشن لمیٹڈ

ڈائریکٹرز کی جائزہ رپورٹ برائے اختتام سال 31 دسمبر 2019

داؤد ہرکولیس کارپوریشن لمیٹڈ (کمپنی) کے ڈائریکٹرز مسرت کے ساتھ 31 دسمبر 2019 کو ختم ہونے والے سال کیلئے اپنی سالانہ رپورٹ مع کمپنی کے آڈٹ شدہ، مجموعی مالی حسابات پیش کرتے ہیں۔

A۔ پرنسپل ایکٹیویٹی

کمپنی کی بنیادی سرگرمی سرمایہ کاری کا حصول اوراس کی مینجمنٹ تک ہی محدود نہیں بلکہ قومی اور بین الاقوامی سطح پر کمپنی کی ذیلی کمپنیوں اور/ یا اس سے وابستہ کمپنیوں میں سرمایہ کاری کرنا اوراس مقصد کے حصول کیلئے تمام ضمنی کاموں اورضروری امورکوانجام دینا ہے۔

I۔ کاروباری جائزہ:

ہمارا پورٹ فولیو پاکستانی معیشت کیلئے اس مشکل سال میں بہتر رہا۔ 2019 کے دوران میکرو معاشی ماحول مشکل رہا کیونکہ ملک کوخسارے کے دوہرے خدشات اورافراط زر کے دباؤ کا سامنا رہا ہے۔ان مسائل کوحل کرنے کیلئے ،حکومت کی توجہ مالیاتی اور مالی پالیسیاں سخت کرنے کے ساتھ ساتھ مارکیٹ کی بنیاد پرمبنی شرح تبادلہ میکنزم کی طرف رہی جس کے نتیجے میں پاکستانی روپے کی قدر میں کمی واقع ہوئی۔

اس سال کے دوران، ملک باضابطہ طور پرآئی ایم ایف کے ایک پروگرام میں شامل ہوااورتقریباً6 بلین امریکی ڈالرکی مالی سہولت حاصل کی۔ملکی معیشت کو استحکام بخشنے اوردُہرے خسارے کوکم کرنے کیلئے اسٹیٹ بینک کو بڑھتے ہوئے افراطِ زر کے مناسب انتظام کیلئے اپنا پالیسی ریٹ 13.25 فیصد تک بڑھایا۔ اسٹیٹ بینک نے بھی مارکیٹ کی بنیاد پرشرح تبادلہ کی جانب پیش رفت کی جس کی وجہ سے کرنسی کی شرح تبادلہ 11 فیصد کمی سے 154.9 روپے ہوگئی (زیادہ سے زیادہ 163.8 روپے)۔ بینک نے مالی سال 2020 کیلئے اپنی جی ڈی پی نموکو 2.4 فیصد پردوبارہ مرتب کیااورزراعت میں معمولی نموکی صورت میں ممکنہ کمی کا اشارہ دیا۔ بڑے پیمانے پرمینوفیکچرنگ انڈیکس (ایل ایس ایم) میں مندی برقراررہی، جس سے سال 2019 میں 3.64 فیصد کمی ریکارڈ کی گئی۔ سخت شرائط کے باوجود، سال کے دوران ہماری سمجھ داری سے کی گئی سرمایہ کاری بڑے پیمانے پرمتاثرنہیں ہوئی۔

II۔ منی مارکیٹ پورٹ فولیو

شرح سود میں اضافے کے ساتھ، سرپلس فنڈز سرکاری سیکیورٹیز اورقلیل المدتی بینک ڈپازٹس میں رکھے گئے تھے تاکہ پالیسی ریٹ کی شرح میں کسی اضافے

Proxy Form

Dawood Hercules

I/We____
of ___________________________ being a member of Dawood Hercules Corporation Limited and holder
of ________________________ Ordinary Shares, as per:

Share Register Folio No. ___________________ and/or
CDC Participant IDNo. ________________________ Sub A/c No. ___________________________________
hereby appoint ___________________ of ___________________ ,or failing him/her ____________________
of _________________, as my/our proxy to attend, speak and vote for me/us and on my/our behalf, at the 52nd Annual General Meeting (AGM) of the Company to be held at The Dawood Foundation Business Hub, Ground Floor, Dawood Centre, M.T. Khan Road, Karachi on Thursday, May 21, 2020 at 11:00 a.m. and at any adjournment thereof.

Signed this ____________________ day of ___________ 2020.

WITNESSES -1:

Signature: ____
Name: ____
Address: ____
CNIC No. or ____
Passport No. ____

WITNESSES -2:

Signature: ____
Name: ____
Address: ____
CNIC No. or ____
Passport No. ____

Signature should agree with the specimen signature with the Company.

IMPORTANT:

1. This Proxy Form, duly completed, must be deposited at the Company's Registered Office, not less than forty eight hours before the meeting.

2. CDC shareholders and their proxies are each requested to attach an attested photocopy of their Computerized National Identity Card (CNIC) or Passport with this proxy form before submission to the Company.

3. All proxies attending the AGM are requested to bring their original CNIC/Passport for identification.

AFFIX
CORRECT
POSTAGE

Dawood Hercules Corporation Limited

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

Dawood Hercules

نمائندگی کا فارم

میں / ہم ____________ ساکن ____________

بحیثیت ممبر داؤد ہرکولیس کارپوریشن لمیٹڈ کے رکن وحامل ____________ عام حصص بمطابق شیئر رجسٹرڈ فولیو نمبر ____________

اور / یا سی ڈی سی کے شراکتی آئی ڈی نمبر ____________ اور ذیلی کھاتہ نمبر ____________ محترم / محترمہ ____________

ساکن ____________ یا بصورتِ دیگر محترم / محترمہ ____________

ساکن ____________ کو اپنی جگہ بروز جمعرات مورخہ ۲۱ مئی، ۲۰۲۰ بوقت ۱۱:۰۰ بجے صبح بمقام داؤد فاؤنڈیشن بزنس حب، گراؤنڈ فلور، داؤد سینٹر، ایم ٹی خان روڈ، کراچی میں منعقد یا ملتوی ہونے والے کمپنی کے ۵۲ واں سالانہ اجلاسِ عام میں رائے دہندگی کے لئے اپنا نمائندہ مقرر کرتا / کرتی ہوں۔

دستخط ____________ بروز ____________ ۲۰۲۰

گواہ (۱)

دستخط گواہ: ____________

نام: ____________

پتہ: ____________

قومی شناختی کارڈ نمبر یا: ____________

پاسپورٹ نمبر: ____________

دستخط کمپنی کے پاس پہلے سے محفوظ دستخطی نمونہ کے مطابق ہونے ضروری ہیں۔

گواہ (۲)

دستخط گواہ: ____________

نام: ____________

پتہ: ____________

قومی شناختی کارڈ نمبر یا: ____________

پاسپورٹ نمبر: ____________

نوٹ:

- تمام نامزدگیاں اسی صورت میں موثر ہوں گی جب پراکسی فارم بنام کمپنی کے رجسٹرڈ آفس میں اجلاس کے مقررہ وقت سے ۴۸ گھنٹے قبل موصول ہوں۔
- سی ڈی سی شیئر ہولڈرز اور ان کے نمائندوں سے فرداً فرداً درخواست ہے کہ وہ اپنے کمپیوٹرائزڈ قومی شناختی کارڈ کی تصدیق شدہ نقل یا پاسپورٹ، نمائندگی فارم داخل کرنے سے قبل اس کے ساتھ منسلک کریں۔
- تمام پراکسی ہولڈرز اپنی شناخت کے لئے اجلاس کے وقت اپنا اصل شناختی کارڈ یا پاسپورٹ ضرور پیش کریں۔

AFFIX
CORRECT
POSTAGE

Dawood Hercules Corporation Limited
Dawood Centre, M.T. Khan Road, Karachi - 75530
Tel: +92-21-35686001 Fax: +92-21-35644147
www.dawoodhercules.com

ELECTRONIC DIVIDEND MANDATE FORM

In accordance with the provisions of Section 242 of the Companies Act, 2017, dividend payable in cash shall only be paid through electronic mode directly into the bank account designated by the entitled shareholders.

Shareholders are requested to send the attached Form dully filled and signed, along with attested copy of their CNIC to the Company's Share Registrar, Messrs. FAMCO Associates (Private) Limited, 8-F, Near to Hotel Faran, Block-6, P.E.C.H.S, Shahra-e-Faisal, Karachi. CDC shareholders are requested to submit their Dividend Mandate Form and attested copy of CNIC directly to their broker (participant) / CDC.

Electronic Dividend Mandate Form:

	Details of Shareholder
Name of shareholder	
Folio No.	
CNIC No.	
Cell number of shareholder	
Landline number of shareholder, if any	
Details of Bank Account	
Title of Bank Account International Bank Account Number (IBAN) “Mandatory”	PK ________________________________ (24 digits) (Kindly provide your accurate IBAN number after consulting with your respective bank branch since in case of any error or omission in given IBAN, the company will not be held responsible in any manner for any loss or delay in your cash dividend payment).
Bank's name	
Branch name and address	

It is stated that the above-mentioned information is correct and in case of any change therein, I / we will immediately intimate Participant / Share Registrar accordingly.

____

Signature of Shareholder

Date:____________________

REQUEST FORM FOR HARD COPY OF ANNUAL AUDITED ACCOUNTS

The Securities and Exchange Commission of Pakistan, vide S.R.O 470(I)/2016 dated May 31, 2016, has allowed companies to circulate their annual balance sheet, profit and loss account, auditor's report, directors' report, chairman's report and ancillary statements/notes/documents ("Annual Audited Accounts") along with notice of general meeting to the registered addresses of its shareholders in electronic form through CD/DVD/USB.

However, Shareholders may request a hard copy of the Annual Audited Accounts along with notice of general meetings to be sent to their registered address instead of receiving the same in electronic form on CD/DVD/USB. If you require a hard copy of the Annual Audited Accounts, please fill the following form and send it to our Share Registrar or Company Secretary at the address given below.

Date:

I/We ___________________________________ request that a hard copy of the Annual Audited Accounts along with notice of general meetings be sent to me through post. My/our particulars in this respect are as follows:

Folio /CDC A/c No.	
Postal Address:	
Email Address:	
Contact No:	
CNIC No.	
Signature	

The form may be sent directly to Dawood Hercules Corporation Limited Share Registrar or Company Secretary at the following address:

FAMCO Associates (Private) Limited
8-F, Near Hotel Faran, Nursery, Block-6
P.E.C.H.S., Shahra-e-Faisal, Karachi, Pakistan
Tel: +92 (21) 34380101-5
Karachi-75650
Email: info.shares@famco.com.pk
Website: www.famco.com.pk

Dawood Hercules Corporation Limited
Dawood Centre, M.T. Khan Road
Karachi, Pakistan
Tel: +92 (21) 35686001
Karachi-75530
Email: shareholders@dawoodhercules.com
Website: www.dawoodhercules.com

ELECTRONIC TRANSMISSION CONSENT FORM

The Securities & Exchange Commission of Pakistan through SRO 787(I)/2014 of September 8, 2014 allowed the Company to circulate its annual balance sheet and profit & loss accounts, auditor's report and directors' report, chairman's report etc. (Audited Financial Statements) along with the Company's Notice of Annual General Meeting to its shareholders through email. Those shareholders who wish to receive the Company's Annual Report through email are requested to complete the requisite form below.

Shareholders are requested to submit their Electronic Transmission Consent Form along with copy of their CNIC to the Company's Registrar, FAMCO Associates (Pvt) Limited, 8-F, Block 6, P.E.C.H.S, Near to Hotel Faran, Nursery, Shahrah-e-Faisal, Karachi.

Electronic Transmission Consent Form

Pursuant to the directions given by the Securities & Exchange Commission of Pakistan through its SRO 787(I)/2014 of September 8, 2014, I Mr./Ms.________________________________S/o, D/o, W/o ____ hereby consent to have the Dawood Hercules Corporation Limited Audited Financial Statements and Notice of Annual General Meeting delivered to me via email on my email address provided below:

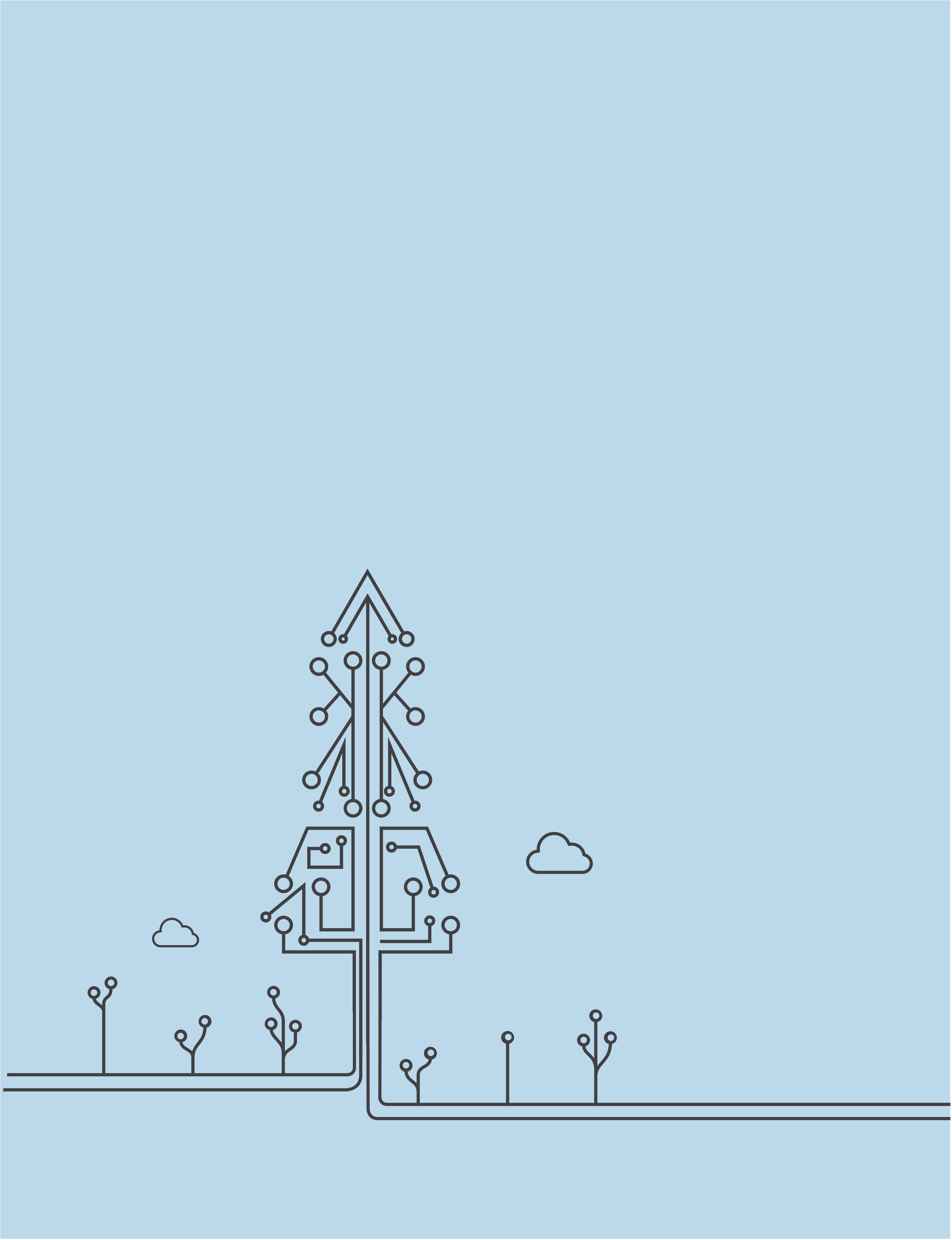
Folio /CDC A/c No.	
Postal Address:	
Email Address:	
Contact No:	
CNIC No.	

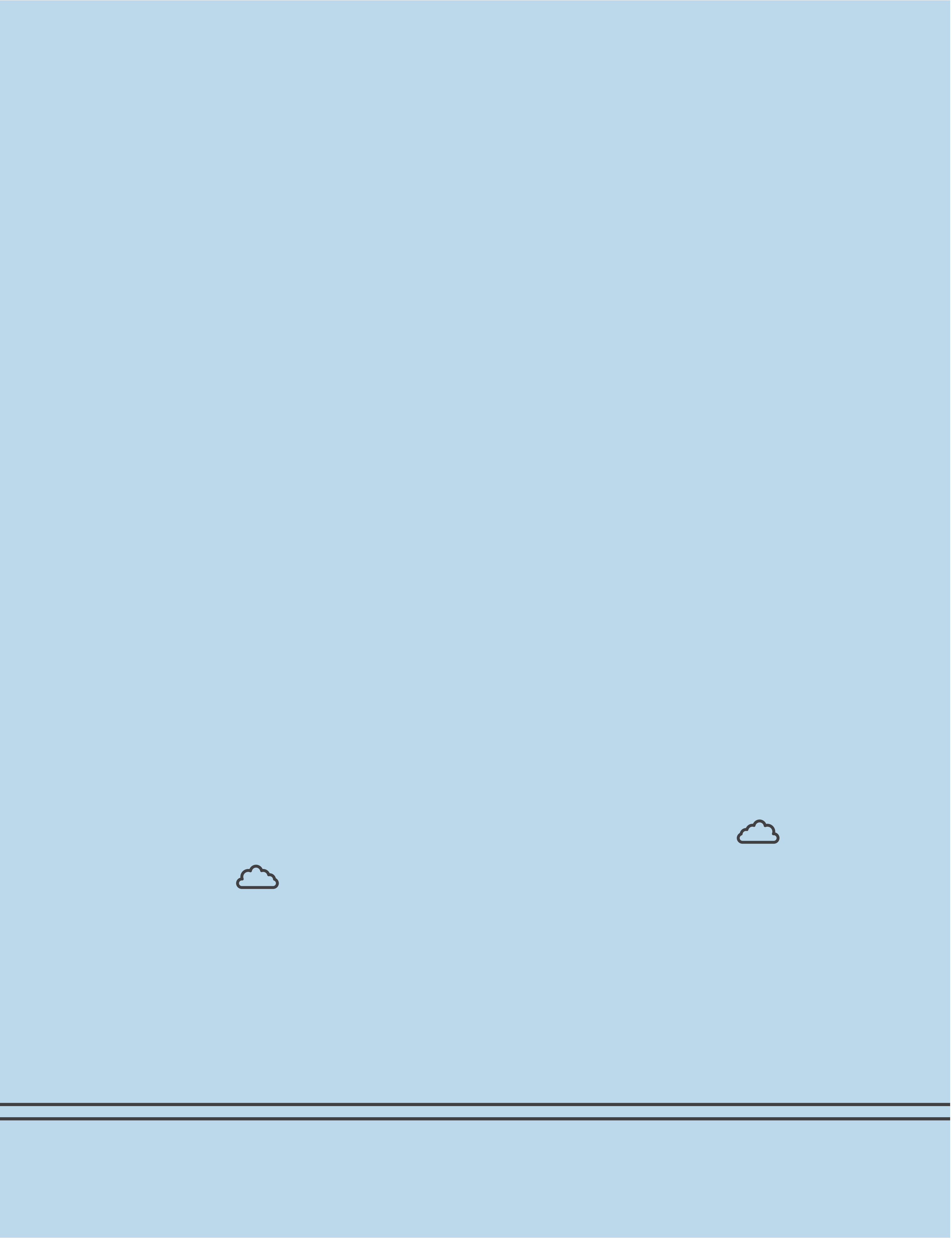
It is stated that the above mentioned information is true and correct and that I shall notify the Company and its Share Registrar in writing of any change in my email address or withdrawal of my consent to email delivery of the Company's Audited Financial Statements and Notice of the Meeting.

____

Signature of Member/Shareholder

Date:____________________





CORPORATION
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