



Dawood Hercules

QUARTERLY ACCOUNTS (UN-AUDITED)  
FOR THE QUARTER AND NINE MONTHS PERIOD ENDED  
SEPTEMBER 30, 2016



making  
**food & energy**

Available, Affordable, Sustainable



# CONTENTS

Company Information	2
Directors' Report	3
Directors' Report (Urdu)	6
Unconsolidated condensed interim balance sheet	10
Unconsolidated condensed interim profit and loss account	11
Unconsolidated condensed interim statement of total comprehensive income	12
Unconsolidated condensed interim statement of changes in equity	13
Unconsolidated condensed interim cash flow statement	14
Notes to and forming part of the unconsolidated condensed interim financial statements	15
Consolidated condensed interim balance sheet	27
Consolidated condensed interim profit and loss account	29
Consolidated condensed interim statement of total comprehensive income	30
Consolidated condensed interim statement of changes in equity	31
Consolidated condensed interim cash flow statement	32
Notes to and forming part of the consolidated condensed interim financial statements	33



## COMPANY INFORMATION

### Board of Directors

Mr. Hussain Dawood	Chairman
Mr. Samad Dawood	Chief Executive Officer
Mr. M. Abdul Aleem	Director
Mr. Shahzada Dawood	Director
Ms. Sabrina Dawood	Director
Mr. Parvez Ghias	Director
Mr. Shabbir Hussain Hashmi	Director
Mr. Frank Murray Jones	Director
Mr. Hasan Reza Ur Rahim	Director
Mr. Saad Raja	Director

### Board Audit Committee

Mr. M. Abdul Aleem	Chairman
Mr. Parvez Ghias	Member
Mr. Hasan Reza Ur Rahim	Member

### Board Compensation Committee

Mr. Hussain Dawood	Chairman
Mr. M. Abdul Aleem	Member
Mr. Parvez Ghias	Member

### Chief Financial Officer & Company Secretary

Mr. Shafiq Ahmed

### Registered Office

Dawood Centre, M.T. Khan Road  
Karachi-75530

Tel: +92 (21) 35686001

Fax: +92 (21) 35633972

Email: [shareholders@dawoodhercules.com](mailto:shareholders@dawoodhercules.com)

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

### Bankers

Bank Al-Habib Limited

Habib Bank Limited

Allied Bank Limited

United Bank Limited

Habib Metropolitan Bank Limited

MCB Islamic Bank Limited

### Auditors

A.F. Ferguson & Co.

Chartered Accountants

State Life Building No 1-C

I.I. Chundrigar Road

P.O. Box 4716, Karachi- 74000

Tel: +92 (21) 32426682-6

Fax: +92 (21) 32415007, 32427938

### Shares Registrar

FAMCO Associates (Private) Limited

8-F, Next to Hotel Faran

Nursery, Block 6

P.E.C.H.S, Shahrah-e-Faisal, Karachi

Tel: +92 (21) 34380101-2

Fax: +92 (21) 34380106

### Tax Consultants

A.F. Ferguson & Co.

Chartered Accountants

State Life Building No 1-C

I.I. Chundrigar Road

P.O. Box 4716, Karachi- 74000

Tel: +92 (21) 32426682-6

Fax: +92 (21) 32415007, 32427938

### Legal Advisors

HaidermotaBNR & Co.

(Barristers at law)

D-79, Block – 5, Clifton

KDA Scheme No.5

Karachi- 75600

Tel: +92 (21) 111520000, 35879097

Fax: +92 (21) 35862329, 35871054



# DIRECTORS REPORT

The Directors are pleased to present their report together with the unaudited unconsolidated condensed interim financial statements of the Company and the unaudited condensed consolidated interim financial statements of the Group for the third quarter and nine months ended 30 September 2016.

## ECONOMIC REVIEW

Carrying forward the growth momentum from last year, FY16-17 embarked on optimistic vibe as Pakistan and IMF concluded a three year USD 6.4 billion Extended Fund Facility (EFF) Program in August 2016. Macroeconomic indicators remained stable with Large Scale Manufacturing (LSM) witnessing growth at 2.62% YoY in Jul 2016, private credit offtake escalated by 8% YoY in Aug 2016 and foreign exchange reserves recorded at USD 23 billion as of Sep 2016. Average inflation during third quarter 2016 clocked in at 3.9% as compared to 1.6% in same period last year on the back of rise in food inflation but well below the SBP target of 4.5-5.5% for FY16-17.

On the flip side, the Pakistan Bureau of Statistics reported that exports fell by 9% in third quarter 2016 as against third quarter 2015 increasing the trade deficit to USD 7.1 billion which is 29% higher than last year. Moreover, decelerating remittances by 5.3% YoY in third quarter 2016 may further put pressure on the exchange rate and consequently inflation numbers. In anticipation of surge in inflation going forward, SBP took a cautious stance in September's Monetary Policy Review and announced status quo while emphasizing domestic demand to determine inflationary path in the near future. The government, however is optimistic, as for the FY 2016-17 it has set target of 5.7% with focus on agriculture and energy projects.

## BUSINESS REVIEW

### Strategic initiatives

In continuation of the process of disposal of Engro Foods Limited (EFoods) whereby Royal Friesland Campina (RFC) will buy 51% shareholding in EFoods under a SPA, RFC has sent out an offer for the mandatory tender for 6.5% shares of EFoods at Rs 151.85 per share required under the Companies Ordinance, 1984 and the listing regulations of the Pakistan Stock Exchange. The offer is valid from 28 November 2016 till 5 December 2016. Our subsidiary Engro Corporation Limited (ECL) will continue to be the second largest shareholder in EFoods.

### Business Performance

#### Fertilizers

During the quarter, the fertilizer industry picked up momentum, showing a 55% increase over same period last year, however over a 9-month basis a drop of 12% over last year was observed attributable to performance in the first half of the year which was significantly impacted by price uncertainty and poor crop economics. The drop in prices from Rs. 1,400/bag to 1,200/bag has led to an increase in urea sales and hence a positive impact on cotton and rice crops.

Engro Fertilizers Limited (EFert) urea production stood at 1,397 k tons as against 1,472 k tons for the similar period last year, a decline of 5%. This was mainly attributed to the turnaround of Enven plant. In view of the situation prevailed and stated in the preceding paragraph, the sale of the urea was restricted to 1,022 K tons as against 1,295 k tons in 9M 2015, a decrease of 21%. Other fertilizers such as DAP and Zarkhez showed improvement in the period under review. In financial terms, the EFert profit after tax (PAT) stood at Rs 5.7 billion as against Rs 9.6 billion for the similar period last year, a decline of 40.6%.



## **FOODS**

The Budget 2016-17 has changed the GST regime for dairy industry from zero rating to exempt category which has resulted in increased cost of the product. Further, new entrants in the dairy business increased competition over the price and volumes. In order to shed the increase in cost, it has been partly shared with the consumers. It is good to note that lower milk prices and fuel costs have a compensating impact of the increased cost. The key brands Olpers and Omung continued to be market drivers and achieved strong volumetric growth over the same period last year. On the flip side Tarang offtake remained under pressure because of the other competitors and new entrants. Ice cream business showed a good performance due to product launch and operational excellence in distribution network.

EFoods recorded revenue of Rs 34.3 billion for the nine-month period as against Rs 37.3 billion for the similar period last year. The profit after tax was Rs 2.59 billion as against Rs 2.60 billion for the similar period last year. EFoods achieved earnings per share of Rs 3.38 as against 3.39 for 2015.

## **ENERGY AND ENERGY INFRASTRUCTURE**

Engro Powergen Qadirpur Limited (EPQL) dispatched total net electrical output of 845 GWh to the national grid with a load factor of 60.2% as against 73.9% for the nine months period ended 30 September 2015. The decline in load factor was attributable to the fire in auto transformer of NTDC resulted in forced shut down of the plant. The revenue of EPQL was Rs 8.11 billion as against Rs 9.92 billion for the same period last year, the decline related mainly to load factor. The net profit was Rs 1.53 billion as against 1.39 billion for the same period last year.

The financial close of Thar Mining and Power project was achieved in in April 2016, which envisage 6.5 million tons mine per annum under SECMC and 2x330 MW mine mouth power plants under EPTL. During the period significant headways were made on engineering and procurement activities and the projects are on schedule.

During the period Engro Elengy has handled 32 cargoes and total regasification of 94.5 bcf was undertaken.

Thar Energy Limited (TEL), a wholly-owned subsidiary of Hub Power Company (Hubco), applied for a license with the National Electric Power Regulatory Authority to set up a 330-megawatt local coal-based power generation facility in Thar Desert. The project cost is estimated at US\$ 498mn, based on the debt and equity of 75 and 25 percent. The proposed plant will be set up in Thar Block-II. Hubco, a leading power producer, is already developing 1,320MW power plants based on imported coal.

## **FINANCIAL PERFORMANCE**

During the quarter ended 30 September 2016, the Company earned dividend income of Rs 1,364 million as against Rs 779 million for the quarter ended 30 September 2015. The profit after tax for the third quarter was 5,085 million as against Rs 20,007 million for the same period last year (last year included Rs 18,018 million, a one-time dividend from ex subsidiary). The profit for the nine months ended 30 September 2016 was Rs 3,600 million vs Rs. 18,733 million of 2015.

Earnings per of the Company for the nine months period ended stood at Rs 7.48 (2015: Rs 38.92)



The Group earned consolidated gross profit of Rs 8,872 million in Q3 2016 as compared to a gross profit of Rs 10,989 million for the similar period last year. Consolidated gross profit for the nine months was Rs 26,332 million as against gross profit of 34,926 million for the similar period last year. This decline is mainly due to the low off take of urea as mentioned above and stronger competition in the dairy market. After accounting for share of profit from associate and joint ventures of Rs 954 million, the profit before tax for the nine months stood at Rs 15,747 million as against Rs 15,198 million for 2015.

Consolidated earnings per share attributable to the owners of the Holding Company was Rs 5.67 per share (2015: Rs 5.88 per share)

### **FUTURE OUTLOOK**

The economy is expected to experience upward trajectory driven by smooth progress on CPEC projects, mainly construction and power generation sectors, supported by lower interest rates which shall further provide impetus to economic growth. However, key risks for the economy include deteriorating exports, rise in commodity prices, and reversal in interest rate cycle.

On the business side, continued high level of inventories within the fertilizer industry and lower international prices of fertilizers will continue to put pressure on the fertilizer manufacturers. DAP prices will also be expected to be under pressure due to weak commodity prices.

Due increased competition in the UHT industry, will have an impact on the dairy business which is expected to be mitigated by continued focus of Efoods on growth parameters based on the innovation, brand health and consistent operational brilliance.

The Group continues to explore new opportunities in the energy sector due to its expertise in the engineering and project management skills. This is evidenced from the fact that Group first ever wind energy project of 50 MW was commissioned in record time of 14 months as against the normal time of 18 months setting up new standard for wind energy projects. Engro Powergen as a project manager was instrumental in undertaking this project. The Thar mining and power projects are expected to be on track for completion in the envisaged time period of 3 years to resolve energy crises in the country.

HUBCO has made an announcement that China Power Hub Generation Company (CPHGC) which is undertaking 2\*660 MW imported coal based power project at Hub site is in discussion with GoP for the improvement in the RCOD of said project as desired by GoP. It has further stated that the potential implication of the aforesaid discussion is the reduction in the project to single 660 MW. HUBCO has 26% stake in CPHGC.

**Samad Dawood**  
Chief Executive

## ڈائریکٹرز کا تجزیہ

بورڈ آف ڈائریکٹرز نہایت مسرت کے ساتھ رواں سال کی تیسری سہ ماہی اور 30 ستمبر 2016 کو ختم ہونے والے نو ماہ کے لئے کمپنی کے غیر آڈٹ شدہ، غیر انضمامی مختصر عبوری مالیاتی حسابات اور گروپ کے غیر آڈٹ شدہ، انضمامی مختصر عبوری مالیاتی حسابات بمعہ ڈائریکٹرز کی رپورٹ پیش کرتے ہیں۔

## معیشت کا جائزہ

گزشتہ برس ہونے والی ترقی کے تسلسل کو برقرار رکھتے ہوئے مالی سال 2016-17 کا آغاز ایک حوصلہ افزا انداز سے ہوا جب پاکستان اور آئی ایم ایف نے 6.4 ارب ڈالر کا تین سالہ توسیعی فنڈ فیملیٹی (EFF) پروگرام کامیابی سے مکمل کیا۔ میکرو اکنامک اشاریے بدستور مستحکم رہے اور بڑے پیمانے کی صنعتوں (LSM) میں جولائی 2016 میں 2.62 فیصد سال بہ سال اضافہ دیکھنے میں آیا، نجی قرضوں کے حصول میں اگست 2016 میں 8 فیصد سال بہ سال اضافہ دیکھنے میں آیا اور غیر ملکی زرمبادلہ کے ذخائر ستمبر 2016 تک 23 ارب امریکی ڈالر کی ملکی تاریخ کی بلند ترین سطح پہنچ گئے۔ تیسری سہ ماہی میں افراط زر کی مجموعی شرح گزشتہ سال کی اسی مدت کے 1.6 فیصد کے مقابلے میں 3.9 فیصد ہو گئی جس کی بنیادی وجہ غذائی شعبے میں افراط زر میں اضافہ تھی، اس کے باوجود یہ شرح مالی سال 2016-17 کے لئے اسٹیٹ بینک کے متوقع ہدف 5.5-4.5 فیصد سے بڑی حد تک کم ہے۔

دوسری جانب پاکستانی ادارہ شریات کی رپورٹ کے مطابق 2016 کی تیسری سہ ماہی میں، برآمدات میں 2015 کی اسی مدت کے مقابلے میں 9 فیصد کی واقع ہوئی جس سے تجارتی خسارہ 7.1 ارب امریکی ڈالر تک پہنچ گیا، جو گزشتہ سال سے 29 فیصد زیادہ ہے۔ مزید برآں، 2016 کی تیسری سہ ماہی میں 5.3 سال بہ سال کی شرح سے کم ہوتی ہوئی ترسیلات زر سے زرمبادلہ کی شرح پر دباؤ مزید بڑھے گا جس کے نتیجے میں افراط زر میں اضافہ ہوگا۔ آگے چل کر افراط زر کی شرح میں متوقع اضافے کے پیش نظر اسٹیٹ بینک آف پاکستان نے ستمبر کے ماہی پالیسی جائزے میں مقامی موقوف اختیار کرتے ہوئے کوئی تبدیلی نہیں کی جبکہ مستقبل قریب میں افراط زر کے تعین کے لئے مقامی طلب میں اضافے پر زور دیا۔ تاہم حکومت اس حوالے سے پرامید ہے اور مالی سال 2016-17 کے لئے زراعت اور توانائی کے شعبوں پر توجہ مرکوز کرنے کے ساتھ 5.7 فیصد کا ہدف مقرر کیا ہے۔

## کاروبار کا جائزہ

### کلیدی اقدامات

اینگرو فوڈز لمیٹڈ (EFoods) کی فروخت کے عمل کے تسلسل میں، جس کے ذریعے Royal Friesland (RFC) Campina ایک SPA کے تحت اینگرو فوڈز کے 51 فیصد حصص خریدے گئے، RFC نے کمپنیز آرڈیننس 1984





اور پاکستان اسٹاک ایکسچینج کی لسٹنگ ریگولیشنز کے تقاضوں کے مطابق اینگریڈوڈز کے 151.85 روپے فی حصص کے حساب سے 6.5 فیصد حصص کی خریداری کے لئے بولی کی پیشکش کی ہے۔ یہ پیشکش 28 نومبر 2016 سے 5 دسمبر 2016 تک مؤثر ہے۔ ہماری ماتحت کمپنی اینگریڈو کارپوریشن لمیٹڈ (ECL) بدستور اینگریڈوڈز کی دوسری بڑی حصص یافتہ کمپنی رہے گی۔

## کاروباری کارکردگی

### فریٹلائزر

اس سہ ماہی کے دوران فریٹلائزر رائٹسٹری کے کاروبار میں تیزی آئی جو کہ پچھلے سال کی سہ ماہی کے مقابلے میں 55 فیصد زیادہ ہے البتہ نو ماہی نتائج پچھلے سال کے مقابلے میں 12 فیصد کم رہے جیسے گزشتہ سہ ماہی میں قیمتوں میں عدم استحکام اور فصلوں میں معاشی ابتری سے جوڑا جاسکتا ہے۔ یوریا کی فی بوری کی قیمت 1400 روپے سے کم ہو کر 1200 روپے ہو گئی جس سے فریٹلائزر کمپنیوں کے منافع پر دباؤ میں اضافہ ہوا۔

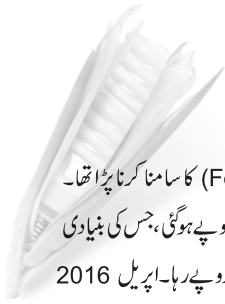
اینگریڈو فریٹلائزر لمیٹڈ (EFert) کی یوریا کی پیداوار گزشتہ سال کی اسی مدت کے 1,472 ہزار ٹن کے مقابلے میں 5 فیصد کمی کے ساتھ 1,397 ہزار ٹن ہو گئی۔ اس کی بنیادی وجہ Enven پلانٹ کا ٹرن اراؤنڈ تھا۔ موجودہ صورتحال (جو گزشتہ پیرا گراف میں بیان کی گئی)، کے تناظر میں یوریا کی فروخت 2015 کے نومبر میں 1,295 ٹن کے مقابلے میں زیرِ جائزہ مدت میں 21 فیصد کمی کے بعد 1,022 ہزار ٹن ہو گئی۔ دیگر فریٹلائزر مثلاً DAP اور زرخیز کی فروخت میں اس مدت میں اضافہ دیکھنے میں آیا۔ مالی اعتبار سے اس مدت میں EFert کا بعد از ٹیکس منافع (PAT) گزشتہ سال کی اسی مدت کے 9.6 ارب روپے کے مقابلے میں 40.6 فیصد کمی کے بعد 5.7 ارب ہو گیا۔

### غذائی اشیاء

بجٹ 2016-17 میں ڈیری مصنوعات کو سبزیوں کیس میں صفر درجہ بندی سے خارج کر کے مستثنیٰ درجہ میں ڈال دیا گیا جس کی وجہ سے ڈیری مصنوعات کی قیمتوں میں اضافہ ہوا۔ قیمتوں میں اضافے کو متوازن کرنے کے لئے اس کا بوجھ جزوی طور پر صارفین کو منتقل کیا گیا ہے۔ یہ امر خوش آئند ہے کہ دو دھارا بنیدھن کی قیمتوں میں کمی کے باعث ڈیری مصنوعات کی قیمتوں میں توازن پیدا ہوگا۔ دونوں اہم برانڈز، اولپر ز اور امگ مارکیٹ میں سرفہرست رہے اور دونوں کے پیداواری حجم میں گزشتہ مدت کے مقابلے میں زبردست اضافہ دیکھنے میں آیا۔ دوسری جانب، تازنگ دیگر مسابقت کاروں اور نئے برانڈز کی آمد کی بدولت بدستور دباؤ کا شکار رہا۔ آئس کریم کے کاروبار کی آمدنی نئی مصنوعات متعارف کرانے اور تقسیم کے نیٹ ورک میں آپریشنل مہارت کے باعث کافی بہتر رہی۔

## توانائی اور توانائی کی بنیادی ڈھانچہ

زیر جائزہ مدت میں اینگریڈو پاور جن قادر پور لمیٹڈ (EPQL) نے قومی گرڈ کو 60.2 فیصد کے لوڈ فیکٹر کے ساتھ مجموعی طور پر 845 گیگا واٹ بجلی فراہم کی جبکہ 30 ستمبر 2015 کو مکمل ہونے والے نومبر میں لوڈ فیکٹر 73.9 فیصد تھا۔ لوڈ فیکٹر میں کمی کی وجہ NTDC



کے آؤٹرائسفا رمر میں لگنے والی آگ تھی جس کے باعث پلانٹ کو جبری بندش (Forced Shutdown) کا سامنا کرنا پڑا تھا۔ EPQL کی فروخت کی آمدنی گزشتہ سال کی اسی مدت کے 9.92 ارب روپے سے کم ہو کر 8.11 ارب روپے ہو گئی، جس کی بنیادی وجہ لوڈ فیکٹر تھا۔ خالص منافع گزشتہ سال کی اسی مدت میں 1.39 ارب روپے کے مقابلے میں 1.53 ارب روپے رہا۔ اپریل 2016 میں تھرمانٹنگ اینڈ پاور پروجیکٹ کا فنانشل کلوز حاصل کر لیا گیا جس سے SECMC کے تحت 6.5 ملین ٹن سالانہ پیداوار اور EPTL کے تحت 2x330 میگا واٹ کے مائن ڈاٹھ پاور پلانٹس کے آغاز کی توقع ہے۔ اس مدت میں انجینئرنگ اور پروجیکٹ منٹ کی سرگرمیوں میں نمایاں پیش رفت ہوئی اور تمام منصوبے مقررہ طریقہ کار کے مطابق جاری ہیں۔

زیر جائزہ مدت میں اینگر وائٹنی نے 32 کا گواٹھائے اور 94.5bcf کی مجموعی Regasification کی۔ تھرمانج لمینڈے، جو حجب پاور کمپنی (Hubco) کی کل ملکیتی ماتحت کمپنی ہے، نیشنل الیکٹرک پاور ریکولیسٹری اتھارٹی کو صحرائے تھر میں 330 میگا واٹ کے مقامی کونسل سے چلنے والے پاور پلانٹ کے قیام کے لئے درخواست دی ہے۔ پروجیکٹ کی لاگت کا تخمینہ 498 ملین امریکی ڈالر لگایا گیا ہے جس میں debt اور ایکویٹی equity کا تناسب 75 اور 25 فیصد ہے۔ مجوزہ پلانٹ تھر بلاک II میں لگایا جائے گا، جکو، جو بجلی کی بڑی پیداواری کمپنی ہے، پہلے ہی برآمدی کونسل سے چلنے والے 1,320 میگا واٹ کے پاور پلانٹ لگا رہی ہے۔

## مالیاتی کارکردگی

30 ستمبر 2016 کو ختم ہونے والی سہ ماہی میں کمپنی کی ڈیویڈنڈ آمدنی 1,364 ملین روپے رہی جو 30 ستمبر 2015 کو ختم ہونے والی سہ ماہی میں 779 ملین روپے تھی۔ تیسری سہ ماہی کے لئے کمپنی کا بعد از ٹیکس منافع گزشتہ سال کی اسی مدت کے 20,007 ملین روپے کے مقابلے میں 5,085 ملین روپے رہا۔ (گزشتہ سال کے منافع میں ہماری سابقہ ماتحت کمپنی کے واحد ڈیویڈنڈ کی 18,018 ملین روپے شامل تھے)۔

مکمل ہونے والے نو ماہ کے لئے کمپنی کی فی حصص آمدنی 7.48 روپے رہی (2015: 38.92 روپے) گروپ نے 2016 کی تیسری سہ ماہی میں 8,872 ملین روپے کا مجموعی منافع حاصل کیا جو گزشتہ سال کی اسی مدت میں 10,989 ملین روپے تھا۔ نو ماہ کا مجموعی منافع گزشتہ سال کی اسی مدت کے 34,926 ملین روپے کے مقابلے میں 26,332 ملین روپے رہا۔ منافع میں کمی کی بنیادی وجوہات یورپا کی فروخت میں کمی اور ڈیری مارکیٹ میں سخت مقابلے کا رجحان تھا، جیسا کہ اوپر بھی ذکر کیا گیا ہے۔ ایسوی ایٹس اور جوائنٹ وینچرز (Joint Ventures) سے ہونے والے 954 ملین روپے کے منافع کو جمع کرنے کے بعد نو ماہ کے لئے کمپنی کا قبل از ٹیکس منافع 2015 کے 15,198 ملین روپے کے مقابلے میں 15,747 ملین روپے رہا۔ انضمامی فی حصص آمدنی 5.67 روپے رہی، (2015: 5.88 روپے فی حصص)



## مستقبل کے آثار

پاک چین اقتصادی راہداری (CPEC) منصوبوں کے ہموار تسلسل، خاص طور پر تعمیرات اور بجلی کی پیداوار کے شعبوں میں اضافے کے باعث معیشت میں مزید بہتری کی توقع ہے، کم شرح سود بھی معاشی ترقی کو مہییز کرنے میں مددگار ثابت ہوگی۔ تاہم برآمدات میں کمی، اشیاء صرف کی قیمتوں میں اضافہ اور شرح سود میں تبدیلی کے باعث معیشت پر منفی اثرات مرتب ہو سکتے ہیں۔

کاروباری حوالے سے، فریٹلائزری صنعت میں انوینٹری کی مسلسل بلند سطح اور بین الاقوامی مارکیٹ میں فریٹلائزری قیمتوں میں کمی کی وجہ سے اس صنعت پر دباؤ برقرار رہے گا۔ اجناس کی کم قیمت کی بدولت DAP کے بھی بدستور دباؤ کا شکار رہنے کی توقع ہے۔

UHT کی صنعت میں بڑھتے ہوئے مقابلے کے رجحان کے باعث ڈیری مصنوعات کی صنعت متاثر ہوگی تاہم توقع ہے کہ EFoods جدت، برانڈ کے استحکام اور مسلسل عملیاتی قابلیت کو بنیاد بنا کر ترقی کے پیمانوں پر توجہ مرکوز کر کے اس صورت حال پر قابو پالے گی۔

گروپ، انجینئرنگ اور پروجیکٹ مینجمنٹ کی مہارتوں کی بدولت توانائی کے شعبے میں نئے مواقع کی تلاش جاری رکھے ہوئے ہے۔ اس حقیقت کا منہ بولتا ثبوت یہ ہے کہ گروپ نے 14 ماہ کی ریکارڈ مدت میں 50 میگاواٹ کا پہلا ونڈ انرجی پروجیکٹ مکمل کیا جبکہ عام طور پر ایسے منصوبے کی تکمیل کا وقت 18 ماہ ہے، جس نے ونڈ انرجی پروجیکٹس کے لئے نئے معیارات مقرر کئے۔ تھرماننگ اور پاور پروجیکٹس کی 3 سال کی مدت میں مکمل ہونے کی توقع ہے جس سے ملک میں توانائی کے بحران پر قابو پانے میں مدد ملے گی۔

Hubco نے اعلان کیا ہے کہ چائنا پاور حب جزییشن کمپنی (CPHGC)، (جو حب سائٹ پر 2x660 میگاواٹ کا درآمدی کونکے سے چلنے والا پاور پروجیکٹ لگا رہی ہے)، حکومت پاکستان سے مذکورہ منصوبے کے RCOD میں اضافے کے لئے مذاکرات کر رہی ہے۔ مزید بتایا گیا ہے کہ مذکورہ بالا مذاکرات پر عمل درآمد کی صورت میں یہ منصوبہ 660 میگاواٹ تک محدود ہو جائے گا۔

CPHGC میں حکو کا 26 فیصد حصہ ہے۔

صمد داؤد

چیف ایگزیکٹو



# Unconsolidated Condensed Interim Balance Sheet

As at September 30, 2016

Note **September 30** December 31,  
**2016** **2015**  
**(Unaudited)** **(Audited)**  
------(Rupees in '000)-----

## ASSETS

### NON CURRENT ASSETS

Property, plant and equipment	6	133,580	130,733
Intangible assets		-	1
Defined benefit asset - funded gratuity		-	2,593
Long term investments	7	37,478,025	37,573,738
		<b>37,611,605</b>	<b>37,707,065</b>

### CURRENT ASSETS

Short term advances, deposits and prepayments		55,133	41,899
Other receivables		1,194,799	114,532
Cash and bank balances		850,792	1,008,059
		<b>2,100,724</b>	<b>1,164,490</b>

### TOTAL ASSETS

		<b>39,712,329</b>	<b>38,871,555</b>
--	--	-------------------	-------------------

## EQUITY AND LIABILITIES

### SHARE CAPITAL AND RESERVES

Authorized share capital		<b>10,000,000</b>	<b>10,000,000</b>
Issued, subscribed and paid up share capital		4,812,871	4,812,871
Revenue reserves		25,118,468	28,982,384
		<b>29,931,339</b>	<b>33,795,255</b>

### NON CURRENT LIABILITIES

Long term financing	8	3,750,000	3,889,143
Defined benefit liability	9	5,062	587
		<b>3,755,062</b>	<b>3,889,730</b>

### CURRENT LIABILITIES

Current portion of long term financing	8	139,143	103,442
Short term running finance	10	1,077,402	431,808
Trade and other payables	11	4,470,965	446,982
Accrued mark-up		122,773	99,642
Taxation - net		215,645	104,696
		<b>6,025,928</b>	<b>1,186,570</b>

### TOTAL EQUITY AND LIABILITIES

		<b>39,712,329</b>	<b>38,871,555</b>
--	--	-------------------	-------------------

## CONTINGENCIES AND COMMITMENTS

12

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



# Unconsolidated Condensed Interim Profit and Loss Account – Unaudited

For the quarter and nine months period ended September 30, 2016

		Quarter ended		Nine months period ended	
	Note	September 30, 2016	September 30, 2015 (restated)	September 30, 2016	September 30, 2015 (restated)
----- (Rupees in '000) -----					
Income	14	1,364,808	779,890	5,085,135	20,007,589
Administrative expenses		(134,651)	(109,139)	(544,253)	(1,207,337)
Gross profit		1,230,157	670,751	4,540,882	18,800,252
Other operating expenses		(612)	(10)	(1,272)	(220)
Other income		1,334	382,508	10,039	383,014
Operating profit		1,230,879	1,053,249	4,549,649	19,183,046
Finance costs		(84,888)	(39,288)	(254,488)	(92,875)
Profit before taxation		1,145,991	1,013,961	4,295,161	19,090,171
Taxation		(170,602)	(189,417)	(695,012)	(356,740)
Profit after taxation		975,389	824,544	3,600,149	18,733,431
Earnings per share (Rupees) - basic and diluted	15	2.03	1.71	7.48	38.92

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

# Unconsolidated Condensed Interim Statement of Total Comprehensive Income - Unaudited

For the quarter and nine months period ended September 30, 2016

	Quarter ended		Nine months period ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
------(Rupees in '000)-----				
Profit after taxation	975,389	824,544	3,600,149	18,733,431
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Remeasurements of staff retirement benefits	-	(810)	(4,116)	(810)
Other comprehensive (loss) / income for the period	-	(810)	(4,116)	(810)
<b>Total comprehensive income for the period</b>	<b>975,389</b>	<b>823,734</b>	<b>3,596,033</b>	<b>18,733,431</b>

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



# Unconsolidated Condensed Interim Statement of Changes in Equity - Unaudited

For the quarter and nine months period ended September 30, 2016

	Issued, subscribed and paid up share capital	Revenue reserves			Total
		General reserve	Un- appropriated profit	Sub-total	
	----- (Rupees in '000) -----				
Balance as at January 1, 2015	4,812,871	700,000	14,344,945	15,044,945	19,857,816
Comprehensive income					
Profit after taxation - restated	-	-	18,733,431	18,733,431	18,733,431
Other comprehensive income - restated	-	-	(810)	(810)	(810)
Total comprehensive income for the period	-	-	18,732,621	18,732,621	18,732,621
Final cash dividend for the year ended December 31, 2014 (Re 1/- per ordinary share)	-	-	(481,287)	(481,287)	(481,287)
Interim cash dividend for the half year ended June 30, 2015 (Re 12/- per ordinary share)	-	-	(5,775,445)	(5,775,445)	(5,775,445)
Balance as at September 30, 2015 - restated	4,812,871	700,000	26,820,834	27,520,834	32,333,705
Balance as at January 1, 2016	4,812,871	700,000	28,282,384	28,982,384	33,795,255
Comprehensive income					
Profit after taxation	-	-	3,600,149	3,600,149	3,600,149
Other comprehensive income	-	-	(4,116)	(4,116)	(4,116)
Total comprehensive income for the period	-	-	3,596,033	3,596,033	3,596,033
Final cash dividend for the year ended December 31, 2015 (Re 4/- per ordinary share)	-	-	(1,925,148)	(1,925,148)	(1,925,148)
Interim cash dividend for the year ended December 31, 2015 (Re 11.5/- per ordinary share)	-	-	(5,534,801)	(5,534,801)	(5,534,801)
Balance as at September 30, 2016	4,812,871	700,000	24,418,468	25,118,468	29,931,339

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



# Unconsolidated Condensed Interim Cash Flow Statement – Unaudited

For the quarter and nine months period ended September 30, 2016

	Note	Nine months period ended September 30, 2016	September 30, 2015
------(Rupees in '000)-----			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash utilised in operations	16	(639,897)	(755,531)
Finance cost paid		(231,357)	(93,014)
Taxes paid		(413,461)	(117,657)
Staff retirement and other service benefits paid		(2,712)	(3,597)
Net cash utilised in operating activities		(1,287,427)	(969,799)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment		(21,444)	(45,438)
Proceeds from disposal of property, plant and equipment		777	5,247
Proceeds from disposal of subsidiary companies		-	800,000
Long term investments made in associates		-	(18,761,099)
Investment in subsidiary - Bubber Sher (Private) Limited		-	(10)
Income received from bank deposits		8,730	8,566
Dividends received		3,720,327	19,227,701
Net cash generated from investing activities		3,708,390	1,234,967
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Long term financing repaid		(103,442)	(87,880)
Long term financing obtained		-	3,750,000
Dividends paid		(3,120,382)	(479,525)
Net cash generated from / (utilised in) financing activities		(3,223,824)	3,182,595
Net increase in cash and cash equivalents		(802,861)	3,447,763
Cash and cash equivalents at the beginning of the period		576,251	(250,758)
Cash and cash equivalents at the end of the period	17	(226,610)	3,197,005

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





# Notes to and Forming Part of the Unconsolidated Condensed Interim Financial Statements

For the quarter and nine months period ended September 30, 2016

## 1. GENERAL INFORMATION

- 1.1 Dawood Hercules Corporation Limited (the Company) was incorporated in Pakistan on April 17, 1968 as a public limited company under the Companies Act, 1913 (now Companies Ordinance, 1984) and its shares are quoted on Pakistan Stock Exchange Limited. The principal activity of the Company is to manage investments in its subsidiary and associated companies. The registered office of the Company is situated at Dawood Center, M.T. Khan Road, Karachi.
- 1.2 During the year ended December 31, 2015, the Company had reassessed the control conclusion of its investment in Engro Corporation Limited (ECL) as a result of adoption of International Financial Reporting Standards (IFRS) - 10 'Consolidated Financial Statements', by Securities and Exchange Commission of Pakistan (SECP), that although, the Company has less than 50% voting rights in ECL, however, based on the absolute size of the Company's shareholdings, the relative size of other shareholdings and the number of representation on ECL's Board, the Company has the ability to exercise control over ECL as per the terms of IFRS 10. Henceforth, the Company is deemed to be Holding Company of ECL.

## 2. BASIS OF PREPARATION AND PRESENTATION

- 2.1 These unconsolidated condensed interim financial statements of the Company for the nine months period ended September 30, 2016 have been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 - Interim Financial Reporting and provisions of and directives issued under the Companies 1984, (the Ordinance). In case where requirements differ, the provisions of or directives issued under the Ordinance have been followed. These unconsolidated condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2015, which have been prepared in accordance with International Financial Reporting Standards (IFRSs).
- 2.2 These unconsolidated condensed interim financial statements comprise of the condensed interim balance sheet as at September 30, 2016 and the condensed interim profit and loss account, the condensed interim statement of total comprehensive income, the condensed interim statement of changes in equity, the condensed interim cash flow statement and notes thereto for the nine months period then ended. These unconsolidated condensed interim financial statements also include the condensed interim profit and loss account for the quarter ended September 30, 2016.
- 2.3 The comparative balance sheet presented in these unconsolidated condensed interim financial statements as at December 31, 2015 has been extracted from the audited financial statements of the Company for the year then ended. The comparative unconsolidated condensed interim profit and loss account, unconsolidated condensed interim statement of total comprehensive income, unconsolidated condensed interim statement of changes in equity and unconsolidated condensed interim cash flow statement for the nine months period ended September 30, 2015 have been extracted from the unconsolidated condensed interim financial statements of the Company for the nine months period then ended. The comparative condensed interim profit and loss account for the quarter ended September 30, 2015 is also included in these unconsolidated condensed interim financial statements.



# Notes to and Forming Part of the Unconsolidated Condensed Interim Financial Statements

For the quarter and nine months period ended September 30, 2016

## 3. ACCOUNTING POLICIES

- 3.1 The accounting policies and the methods of computation adopted in the preparation of these unconsolidated condensed interim financial statements are the same as those applied in the preparation of the financial statements for the year ended December 31, 2015.
- 3.2 New standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2016 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations and are, therefore, not disclosed in these unconsolidated condensed interim financial statements.

## 4. ACCOUNTING ESTIMATES

The preparation of unconsolidated condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Revision to accounting estimates are recognised prospectively commencing from the period of revision.

In preparing these unconsolidated condensed interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimating uncertainty were the same as those that were applied to the financial statements for the year ended December 31, 2015.

## 5. SEASONALITY OF OPERATIONS

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

September 30, 2016 (Unaudited)	December 31, 2015 (Audited)
----- (Rupees in '000) -----	

## 6. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets	104,280	117,733
Capital work-in-progress - advance to supplier	29,300	13,000
	<u>133,580</u>	<u>130,733</u>

# Notes to and Forming Part of the Unconsolidated Condensed Interim Financial Statements

For the quarter and nine months period ended September 30, 2016

	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)
	------(Rupees in '000)-----	
6.1 Net book value at the beginning of the period / year	117,733	77,926
Add: Additions during the period / year	5,144	61,650
	122,877	139,576
Less: Disposals during the period / year - net book value	2,592	2,581
Depreciation charged during the period / year	16,005	19,262
	18,597	21,843
Net book value at the end of the period / year	104,280	117,733
6.1.1 Additions during the period / year		
Leasehold improvements	274	11,298
Furniture, fittings and equipment	2,142	4,098
Motor vehicles	-	35,947
Data processing equipment	2,728	10,307
	5,144	61,650
6.1.2 Disposals during the period / year - net book value		
Data processing equipment	518	75
Motor vehicles	2,074	2,506
	2,592	2,581
7. LONG TERM INVESTMENTS		
Investment in subsidiary company	23,308,927	23,308,927
Investment in associate	14,169,098	14,169,098
Others at cost - e2e Business Enterprise (Private) Limited - unquoted	-	95,713
	37,478,025	37,573,738
7.1 Investment in subsidiary company		
Engro Corporation Limited (ECL) - quoted 194,972,555 (December 31, 2015: 194,972,555) ordinary shares of Rs 10 each	23,308,927	23,308,927
	23,308,927	23,308,927

Percentage of holding 37.22% (December 31, 2015: 37.22%).

- 7.1.1 The market value of investment in ECL as at September 30, 2016 was Rs 56,786 million (December 31, 2015: Rs 54,473 million).

# Notes to and Forming Part of the Unconsolidated Condensed Interim Financial Statements

For the quarter and nine months period ended September 30, 2016

## 7.1.2 The details of shares pledged as security against finance facilities are as follows:

Bank	As at September 30, 2016			As at December 31, 2015		
	Number of shares pledged (in '000)	Face value of pledged shares ----- (Rupees in '000) -----	Market value of pledged shares	Number of shares pledged (in '000)	Face value of pledged shares ----- (Rupees in '000) -----	Market value of pledged shares
Pledged against corporate guarantee in favor of Fatima Fertilizer Ltd						
Meezan Bank Limited	15,131	151,310	4,406,904	15,131	151,308	4,227,394
				September 30, 2016 (Unaudited)	December 31, 2015 (Audited)	
				----- (Rupees in '000) -----	----- (Rupees in '000) -----	

## 7.2 Investment in associate

The Hub Power Company Limited (HUBCO) - quoted 14,169,098 14,169,098  
172,582,000 (December 31, 2015: 172,582,000)  
ordinary shares of Rs 10 each

14,169,098 14,169,098

Percentage of holding 14.91% (December 31, 2015: 14.91%).

7.2.1 The market value of investment in the HUBCO as at September 30, 2016 was Rs 20,567 million (December 31, 2015: Rs 17,707 million).

7.2.2 The Company has 14.91% (December 31, 2015: 14.91%) of the voting power in HUBCO by virtue of its shareholding. Due to the representation of the Company's nominees on the Board of Directors of HUBCO, the Company has significant influence over HUBCO.

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

Bank	As at September 30, 2016			As at December 31, 2015		
	Number of shares pledged (in '000)	Face value of pledged shares ----- (Rupees in '000) -----	Market value of pledged shares	Number of shares pledged (in '000)	Face value of pledged shares ----- (Rupees in '000) -----	Market value of pledged shares
<b>Long term:</b>						
Allied Bank Limited	82,570	825,700	9,839,867	82,570	825,700	8,471,682
<b>Short term:</b>			2,413,908	31,256	312,560	3,206,866
Bank Al Habib Limited	20,256	202,560	1,865,726	15,656	156,560	1,606,306
United Bank Limited	15,656	156,560	2,883,914	-	-	-
Habib Metropolitan Bank Limited	24,200	242,000	567,488	-	-	-
MCB Islamic Bank Limited	4,762	47,620	567,488	-	-	-

# Notes to and Forming Part of the Unconsolidated Condensed Interim Financial Statements

For the quarter and nine months period ended September 30, 2016

## 7.3 Other investment

e2e Business Enterprises (Private) Limited  
(e2eBE) - unquoted

11,664,633 (December 31, 2015: 23,770,701)  
ordinary shares of Rs 10 each)

Less: Nil (December 31, 2015: 12,106,068) Ordinary  
shares disposed of during the year / period

Less: Provision for impairment

Note September 30, December 31,  
2016 2015  
(Unaudited) (Audited)  
------(Rupees in '000)-----

		<b>95,713</b>	237,707
		-	(121,061)
	7.3.1	<b>(95,713)</b>	(20,933)
11,664,633 (December 31, 2015: 11,664,633)		<b>-</b>	<b>95,713</b>

Percentage of holding 19.14% (December 31, 2015: 19.14%).

- 7.3.1** The Company had made an investment in e2eBE which was set up for the production, sale and marketing of Rice Bran Oil (RBO) and was planned to start commercial operations in 2014. However, due to certain technical issues it has not been able to start the commercial operations of the project till date. Further, due to serious financial and liquidity crises, it has not been able to service its outstanding loans and working capital requirement.

The Company has assessed the carrying amount of its investment in e2eBE in accordance with the requirements of IAS 36 'Impairment of Assets' and recorded an impairment loss of Rs 95.713 million representing the full amount of its investment as the possibility of turnaround of e2eBE operations is remote.

## 8. LONG TERM FINANCING

Long term finance under mark-up arrangement  
Syndicated term finance arrangement

Note September 30, December 31,  
2016 2015  
(Unaudited) (Audited)  
------(Rupees in '000)-----

	8.2	<b>139,143</b>	242,585
	8.3	<b>3,750,000</b>	3,750,000
	8.1	<b>3,889,143</b>	3,992,585
Less : Current portion of long term financing		<b>139,143</b>	103,442
		<b>3,750,000</b>	<b>3,889,143</b>
<b>8.1. Balance as at January 1</b>		<b>3,992,585</b>	330,465
Availed during the period / year		-	3,750,000
Repayment during the period / year		<b>(103,442)</b>	(87,880)
Balance as at September 30 / December 31		<b>3,889,143</b>	<b>3,992,585</b>

# Notes to and Forming Part of the Unconsolidated Condensed Interim Financial Statements

For the quarter and nine months period ended September 30, 2016

- 8.2** This represents utilised portion of long term finance facility under mark-up arrangement (conventional financing facility) from Allied Bank Limited (ABL) aggregating Rs 380 million (December 31, 2015: Rs 380 million). The finance facility is secured by way of hypothecation charge over all assets of the Company with 25% margin and pledge of HUBCO shares with 50% margin as more fully explained in note 7.2.3. The facility carries mark-up at the rate of six months KIBOR plus 200 basis points per annum. The facility is for the period of 5 years and is payable semi annually in arrears with the first principal repayment made on July 5, 2013. The facility will be repaid in full by July 2017.
- 8.3** This represents utilized portion of syndicated term finance facility (conventional financing facility) sanctioned by a syndicate of banks led by Allied Bank Limited aggregating to Rs 4,000 million (December 31, 2015: 4,000). The facility is secured against shares of HUBCO at 50% margin as detailed in note 7.2.3. The facility carries mark-up at the rate of six months KIBOR plus 200 basis points per annum payable semi annually. The facility is for a period of 5 years and is payable semi annually with the first principal repayment to be made after the expiry of the 2 years grace period commencing from November 2017.

September 30, 2016 (Unaudited)      December 31, 2015 (Audited)  
----- (Rupees in '000) -----

## 9. DEFINED BENEFIT LIABILITY

- Funded gratuity
- Unfunded gratuity

3,739	-
1,323	587
5,062	587

## 10. SHORT TERM RUNNING FINANCE

Running finance under mark-up arrangement

1,077,402	431,808
-----------	---------

- 10.1.** This represents utilized portion of short-term finance facilities (conventional financing facility) aggregating to Rs 5,300 million (2015: Rs 3,000 million) obtained under mark-up arrangements from various banks. The facilities are secured by way of Pledge of HUBCO shares (2015: HUBCO shares) as more fully explained in note 7.2.3. The rates of mark-up applicable to the facilities range from three months KIBOR plus 65 basis points to three months KIBOR plus 95 basis points (2015: three months KIBOR plus 90 basis points to three months KIBOR plus 95 basis points) per annum.

September 30, 2016 (Unaudited)      December 31, 2015 (Audited)  
----- (Rupees in '000) -----

## 11. TRADE AND OTHER PAYABLES

- Creditors
- Accrued expenses
- Dividend payable
- Unclaimed dividend
- Others

85	354,052
64,686	44,371
4,331,584	-
59,855	48,371
14,754	188
4,470,965	446,982

# Notes to and Forming Part of the Unconsolidated Condensed Interim Financial Statements

For the quarter and nine months period ended September 30, 2016

## 12. CONTINGENCIES AND COMMITMENTS

### Contingent liabilities

- 12.1 The Company has pledged 15.131 million shares of ECL with Meezan Bank Limited (as Agent) in favour of Fatima Fertilizer Company Limited (Fatima) and a corporate guarantee in favour of DHFL and Fatima against potential tax liabilities of DHFL in respect period ending on or prior to June 30, 2015. The pledged shares will 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. The corporate guarantee will remain in full force and effect for five years and will be released on the later of September 30, 2021 or the date on which subject tax liabilities are finally settled / disposed off or withdrawn.

September 30, 2016  
(Unaudited)  
December 31, 2015  
(Audited)  
------(Rupees in '000)-----

- 12.2 Commitments in respect of operating lease  
not later than one year

**19,875** 7,885

## 13. FINANCING STRUCTURE / MODE

Conventional mode:

Assets

Cash and bank balances

**850,792** 1,008,059

Liabilities

Long term financing

**3,889,143** 3,992,585

Short term running finance

**1,077,402** 431,808

**4,966,545** 4,424,393

Shariah compliant mode:

Assets

- -

Liabilities

- -

Nine months period ended

September 30, 2016  
(Unaudited)  
September 31, 2015  
(Unaudited)  
------(Rupees in '000)-----

## 14. DIVIDEND INCOME

Subsidiary - Engro Corporation Limited

**3,704,479** 1,829,965

Former Subsidiary - DH Fertilizers Limited

- 18,018,796

Associate - The Hub Power Company Limited

**1,380,656** 158,828

**5,085,135** 20,007,589

# Notes to and Forming Part of the Unconsolidated Condensed Interim Financial Statements

For the quarter and nine months period ended September 30, 2016

## 15. EARNINGS PER SHARE

	Quarter ended September 30, 2016	Quarter ended September 30, 2015	Nine months period ended September 30, 2016	Nine months period ended September 30, 2015
	----- (Rupees in '000) -----			
Profit after taxation	<b>975,389</b>	824,544	<b>3,600,149</b>	18,733,431
	----- (Number of shares) -----			
Weighted average number of ordinary shares outstanding during the period	<b>481,287</b>	481,287	<b>481,287</b>	481,287
	----- (Rupees) -----			
Earnings per share	<b>2.03</b>	1.71	<b>7.48</b>	38.92

- 15.1 There were no dilutive potential ordinary shares outstanding as at September 30, 2016 or 2015.

Note Nine months period ended  
 September 30, 2016    September 30, 2015  
 (Unaudited)    (Unaudited)  
 ----- (Rupees in '000) -----

## 16. CASH UTILISED IN OPERATIONS

Profit before taxation		<b>4,295,161</b>	19,090,171
Adjustments for non cash expenses and other items:			
Depreciation and amortisation		<b>16,005</b>	14,034
Finance cost		<b>254,488</b>	92,875
Gain on disposal of property, plant and equipment		<b>(494)</b>	(2,577)
Gain on disposal of subsidiary companies			(376,883)
Impairment charge		<b>95,713</b>	-
Other Receivable written off		<b>920</b>	-
Unrealised exchange (gain) / loss		<b>(14)</b>	5,603
Dividend income		<b>(5,085,135)</b>	(20,007,589)
Provision for staff retirement and other service benefits		<b>10,555</b>	4,036
Income on bank deposits	16.1	<b>(8,730)</b>	(8,566)
Working capital changes	16.2	<b>(218,366)</b>	433,365
		<b>(4,935,058)</b>	(19,845,702)
Cash utilised in operations		<b>(639,897)</b>	(755,531)



# Notes to and Forming Part of the Unconsolidated Condensed Interim Financial Statements

For the quarter and nine months period ended September 30, 2016

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

Nine months period ended	
September 30, 2016	September 30, 2015
(Unaudited)	(Unaudited)
----- (Rupees in '000) -----	

## 16.2 Working capital changes

Decrease / (increase) in current assets

Short term advances, deposits  
and prepayments

Other receivables

Interest accrued on bank deposits  
and investments

(13,234)	(75,838)
113,940	1,540
-	915
100,706	(73,383)
(319,072)	506,748
(218,366)	433,365

Decrease in trade and other payables

- 16.2.1 The advances provided to employees, contractors and suppliers, and deposits do not carry any mark up.

Nine months period ended	
September 30, 2016	September 30, 2015
(Unaudited)	(Unaudited)
----- (Rupees in '000) -----	

## 17. CASH AND CASH EQUIVALENTS

Cash and bank balance

Short term running finance

850,792	3,209,684
(1,077,402)	(12,679)
(226,610)	3,197,005

## 18. FINANCIAL RISK MANAGEMENT AND FINANCIAL DISCLOSURES

### 18.1 Financial risk factors

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

These unconsolidated condensed interim financial statements do not include all financial risk management information and disclosures which are required in the annual financial statements and should be read in conjunction with the Company's annual financial statements as at December 31, 2015. There have been no changes in any risk management policies since the year end.

# Notes to and Forming Part of the Unconsolidated Condensed Interim Financial Statements

For the quarter and nine months period ended September 30, 2016

## 18.2 Fair value of financial assets and liabilities

The carrying value of all financial assets and liabilities reflected in this unconsolidated condensed interim financial statements approximate their fair values.

## 19. RELATED PARTY TRANSACTIONS

Significant transactions with related parties are as follows:

	<u>Nine months period ended</u>	
	September 30, 2016	September 30, 2015
	(Unaudited)	(Unaudited)
	----- (Rupees in '000) -----	
<b>Subsidiary companies</b>		
Reimbursement of expenses by the Company	-	46
Reimbursement of expenses to the Company	3130	1,287
Sale of goods and services	-	159
Purchase of goods and services	-	12
Purchase of investments	-	18,018,796
Dividend income	3,704,479	18,018,796
Investment in subsidiary - Bubber Sher (Private) Limited	-	10
<b>Associates</b>		
Purchase of goods and services	18,455	16,517
Sale of goods and services	4,218	3,984
Dividend income	1,380,656	1,988,793
Reimbursement of expenses from associates	6,012	3,496
Reimbursement of expenses to associates	2,502	1,904
Commitment in respect of operating lease	-	5,332
Membership fee and other subscriptions	-	-
<b>Key management personnel</b>		
Salaries and other short term employee benefits	217,843	142,356
Sale of property, plant and equipment	777	75
<b>Other related parties</b>		
Reimbursement of expenses to the Company	825	327
Membership fee and other subscriptions	4	1,586
Contribution to staff gratuity fund	5140	4,036
Contribution to staff provident fund	9,255	7,366



# Notes to and Forming Part of the Unconsolidated Condensed Interim Financial Statements

For the quarter and nine months period ended September 30, 2016

## 20. GENERAL

- 20.1 All financial information, except as otherwise stated, has been rounded to the nearest thousand of rupees.
- 20.2 These unconsolidated condensed interim financial statements were authorised for issue by the Board of Directors on 28, October 2016.

## 21. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on 28, October 2016 has proposed an interim cash dividend of Rs 2/- per share amounting to (2015: Rs 12/- per share) for the nine months ended September 30, 2016. These financial statements do not recognise the proposed dividend from unappropriated profit as it has been proposed subsequent to balance sheet.

Consolidated  
Financial

Statements

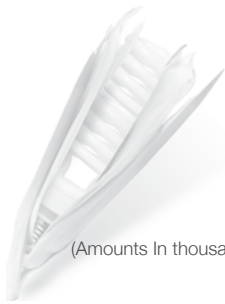


# Consolidated Condensed Interim Balance Sheet

As at September 30, 2016

(Amounts in thousand)

	Note	September 30 2016 Unaudited	December 31, 2015 Audited
-----Rupees-----			
ASSETS			
Non-current assets			
Property, plant and equipment	5	128,699,097	128,534,524
Biological assets		-	1,024,251
Intangible assets		4,706,899	4,777,248
Deferred taxation		1,016,797	982,699
Deferred employee compensation expense		71,172	147,456
Long term investments	6	9,935,474	9,598,639
Defined benefit asset - funded gratuity		-	2,593
Long term loans and advances	7	10,341,238	3,758,094
		154,770,677	148,825,504
Current assets			
Stores, spares and loose tools		7,604,959	7,679,172
Stock-in-trade	8	20,328,619	14,088,701
Trade debts	9	11,906,439	6,733,613
Deferred employee compensation expense		-	92,986
Derivative financial instruments		-	29,207
Loans, advances, deposits and prepayments		1,652,687	1,549,898
Other receivables		8,904,101	8,049,202
Taxes recoverable		404,320	2,245,086
Short term investments	10	23,842,716	14,050,112
Cash and bank balances		8,975,699	5,120,357
		83,619,540	59,638,334
Assets Attributable to discontinued operations	13.1	26,207,461	-
TOTAL ASSETS		264,597,678	208,463,838



# Consolidated Condensed Interim Balance Sheet

As at September 30, 2016

(Amounts In thousand)

	Note	September 30 2016 Unaudited	December 31, 2015 Audited
-----Rupees-----			
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		4,812,871	4,812,871
Employee share compensation reserve		190,232	225,217
Revaluation reserve on business combination		9,644	20,655
Maintenance reserve		60,117	60,117
Exchange revaluation reserve		15,977	11,412
Hedging reserve		(35,042)	(34,459)
General reserve		700,000	700,000
Unappropriated profit		25,246,112	27,221,478
Share of income of associate		(2,853)	(3,269)
Remeasurement of post-employment benefits		(53,265)	(48,665)
		26,130,922	28,152,486
		30,943,793	32,965,357
Non-controlling interest		87,276,073	59,901,520
<b>Total Equity</b>		<b>118,219,866</b>	<b>92,866,877</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	12	56,859,581	40,882,279
Derivative financial instruments		8,462	17,382
Deferred taxation		8,381,823	8,696,201
Deferred liabilities		116,261	161,829
Staff retirement and other service benefits		5,062	-
		65,371,189	49,757,691
<b>Current liabilities</b>			
Trade and other payables		39,647,767	34,618,973
Accrued interest / mark-up		1,246,003	1,427,789
Current portion of :			
- borrowings		18,711,943	22,692,902
- deferred liabilities		93,894	98,083
Short term borrowings		12,059,086	6,608,453
Derivative financial instruments		193,940	393,070
Provision for taxation		215,645	-
		72,168,278	65,839,270
<b>Total Liabilities</b>		<b>137,539,467</b>	<b>115,596,961</b>
Liabilities associated with discontinued operations	13.1	8,838,345	-
<b>Contingencies and Commitments</b>	14		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>264,597,678</b>	<b>208,463,838</b>

The annexed notes 1 to 24 form an integral part of this consolidated condensed interim financial information.

Karachi  
October 28, 2016

Samad Dawood  
Chief Executive

M. A.Aleem  
Director

# Consolidated Condensed Interim Profit and Loss Account (Unaudited)

For the quarter and nine months ended September 30, 2016

(Amounts in thousand except for earnings per share)

	Quarter ended		Nine months ended	
	September 30,	September 30,	September 30,	September 30,
	2016	2015 (Restated)	2016	2015 (Restated)
Note	Rupees			
Net sales	41,065,515	37,163,054	107,834,006	124,917,603
Cost of sales	(32,192,736)	(26,173,471)	(81,501,983)	(89,991,431)
<b>Gross profit</b>	<b>8,872,779</b>	<b>10,989,583</b>	<b>26,332,023</b>	<b>34,926,172</b>
Selling and distribution expenses	(2,798,934)	(2,549,188)	(7,508,528)	(7,673,563)
Administrative expenses	(1,104,091)	(3,712,737)	(3,597,235)	(6,682,703)
	4,969,754	4,727,658	15,226,260	20,569,906
Other income	2,813,135	886,815	5,586,899	2,779,522
Other operating expenses	(410,125)	(628,993)	(1,272,896)	(2,309,914)
Finance cost	(1,518,868)	(2,056,812)	(4,746,525)	(6,605,342)
Share of income from associate & joint ventures	(515,363)	(609,666)	953,736	764,381
<b>Profit before taxation</b>	<b>5,338,533</b>	<b>2,319,002</b>	<b>15,747,474</b>	<b>15,198,553</b>
Taxation	(2,243,550)	(1,682,452)	(5,910,339)	(5,450,051)
<b>Profit for the period</b>	<b>3,094,983</b>	<b>636,550</b>	<b>9,837,135</b>	<b>9,748,502</b>
Profit attributable to:				
- continuing operations	2,461,529	471,147	7,242,351	7,605,514
- discontinued operations	633,454	165,403	2,594,784	2,142,988
	3,094,983	636,550	9,837,135	9,748,502
Profit attributable to:				
- Owners of the Holding Company	751,033	44,654	1,709,544	2,030,856
- Non-controlling interest	2,343,950	591,896	8,127,591	7,717,646
	3,094,983	636,550	9,837,135	9,748,502
Earnings per share:	16			
- Basic	1.56	0.09	3.55	4.22
- Continuing operations	1.13	(0.33)	1.81	2.47
- Discontinued operations	0.43	0.42	1.75	1.75
- Diluted	1.56	0.09	3.51	4.22
- Continuing operations	1.13	(0.33)	1.76	2.47
- Discontinued operations	0.43	0.42	1.75	1.75

The annexed notes 1 to 24 form an integral part of this consolidated condensed interim financial information.

Karachi  
October 28, 2016

Samad Dawood  
Chief Executive

M. A.Aleem  
Director

# Consolidated Condensed Interim Statement of Comprehensive Income (Unaudited)

For the quarter and nine months ended September 30, 2016

(Amounts in thousand)

	Quarter ended		Nine months ended	
	September 30, 2016	September 30, 2015 (Restated)	September 30, 2016	September 30, 2015 (Restated)
	----- Rupees -----			
<b>Profit for the period</b>	<b>3,094,983</b>	<b>636,550</b>	<b>9,837,135</b>	<b>9,748,502</b>
<b>Other comprehensive income</b>				
<b>Items that may be reclassified subsequently to profit or loss</b>				
<b>Hedging reserve - cash flow hedges</b>				
- Losses arising during the period	(41,225)	7,409	(158,827)	(69,787)
- Reclassification adjustments for losses included in profit or loss	41,490	2,406	166,987	120,568
- Adjustments for amounts transferred to initial carrying amount of hedged items	-	-	-	37,621
	265	9,815	8,160	88,402
<b>Share of other comprehensive income of associate</b>	-	-	416	7,868
<b>Revaluation reserve on business combination</b>	(5,095)	(5,330)	(15,753)	(15,988)
<b>Exchange differences on translation of foreign operations</b>	(7,500)	34,989	(12,264)	35,304
	(12,595)	29,659	(28,017)	19,316
<b>Income tax relating to:</b>				
- Hedging reserve - cash flow hedges	(831)	(2,773)	(6,607)	(31,763)
- Revaluation reserve on business combination	1,524	1,950	5,041	5,276
	693	(823)	(1,566)	(26,487)
	(11,637)	38,651	(21,007)	89,099
<b>Items that will not be reclassified to profit or loss</b>				
Remeasurement of post employment benefits obligation	52	891	(4,600)	891
Deferred tax charge relating to revaluation of equity	-	(4,946)	-	(4,946)
	52	(4,055)	(4,600)	(4,055)
	(11,585)	34,596	(25,607)	85,044
<b>Total Comprehensive income for the period</b>	<b>3,083,398</b>	<b>671,146</b>	<b>9,811,528</b>	<b>9,833,546</b>
<b>Total comprehensive income for the period</b>				
<b>Total comprehensive income attributable to:</b>				
- Continuing operations	2,449,944	48,637	7,214,974	7,205,716
- Discontinued operations	633,454	622,509	2,596,554	2,627,830
	<b>3,083,398</b>	<b>671,146</b>	<b>9,811,528</b>	<b>9,833,546</b>
<b>Total comprehensive income attributable to:</b>				
- Owners of the Holding Company	748,222	47,081	1,698,331	2,051,269
- Non-controlling interest	2,335,176	624,065	8,113,197	7,782,277
	<b>3,083,398</b>	<b>671,146</b>	<b>9,811,528</b>	<b>9,833,546</b>

The annexed notes 1 to 24 form an integral part of this consolidated condensed interim financial information.

Karachi  
October 28, 2016

Samad Dawood  
Chief Executive

M. A.Aleem  
Director



# Consolidated Condensed Interim Statement of Changes in Equity

For the quarter and nine months ended September 30, 2016

(Amounts in thousand)

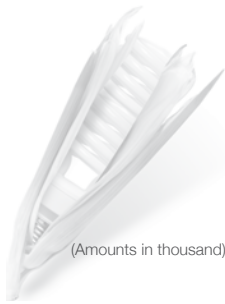
	Attributable to owners of the Holding Company—											Non-controlling interest	Total
	Capital reserves					Revenue reserves							
	Share capital	Share premium	Employee share compensation reserve	Revaluation reserve on business combination	Maintenance reserve	Exchange revaluation reserve	Hedging reserve	General reserve	Un-appropriated profit	Share of other comprehensive income of associates	Share of other post employment benefits—Actual gain / (loss)	S/o total	
Balance as at December 31, 2014 (audited) / January 01, 2015 (restated)	4,812,871	-	152,488	24,453	68,475	1,919	(55,041)	700,000	22,034,014	(1,942)	(21,075)	27,716,162	
Total comprehensive income / (loss) for the half year ended June 30, 2015 (unaudited)	-	-	-	(3,927)	-	315	15,897	-	2,030,856	8,398	-	7,717,648	
Other comprehensive income	-	-	-	(3,927)	-	315	15,897	-	2,030,856	8,398	-	7,717,648	
Transactions with owners	-	-	-	6,361	-	-	-	-	-	-	-	-	
Shares issued to FC on exercise of conversion rights of convertible preference shares in connection with business combination	-	-	-	6,361	-	-	-	-	-	-	-	-	
Exchange revaluation reserve	-	-	-	-	-	-	-	-	-	-	-	-	
Hedging reserve	-	-	-	-	-	-	-	-	-	-	-	-	
Transfer of Maintenance reserve to NCI	-	-	-	-	(6,359)	-	-	-	1,942,865	-	-	1,942,865	
Gain on disposal of shares of subsidiary company	-	-	-	-	-	-	-	-	-	-	-	-	
Dividend in Specie declared during the period in the ratio of 1 share of Ergo Fertilizers Limited for every 10 shares of the Company held	-	-	-	-	-	-	-	-	-	-	-	-	
Effect of Dividend in specie (shares of Subsidiary Company transferred to owners of Holding Company)	-	-	98,436	-	-	-	-	-	-	-	-	98,436	
Employees Share Option Scheme of Subsidiary Company	-	-	25,032	20,456	60,117	8,399	-	-	2,933,931	-	-	2,957,935	
Balance as at September 30, 2015 (unaudited)	4,812,871	-	250,920	20,456	60,117	2,234	(39,341)	700,000	25,271,771	-	(21,075)	32,551,884	
Balance December 31, 2015 (audited) / January 01, 2016	4,812,871	-	225,217	20,655	60,117	11,412	(34,459)	700,000	27,221,478	(3,269)	(48,665)	32,965,357	
Total Comprehensive income / (loss) for the half year ended June 30, 2016	-	-	-	-	-	-	-	-	-	-	-	-	
Profit for the period	-	-	-	(11,011)	-	4,955	(593)	-	1,709,544	416	(4,600)	1,709,544	
Other comprehensive income	-	-	-	(11,011)	-	4,955	(593)	-	1,709,544	416	(4,600)	1,709,544	
Transaction with owners	-	-	(34,958)	-	-	-	-	-	3,775,040	-	-	(34,958)	
Employee Share Option Scheme of subsidiary company	-	-	-	-	-	-	-	-	-	-	-	-	
Effect of change in shareholding of the Group	-	-	-	-	-	-	-	-	-	-	-	-	
Share capital issued to Non Controlling Interest	-	-	-	-	-	-	-	-	-	-	-	-	
Dividend by subsidiary company allocable to non controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	
- First cash dividend for the year ended December 31, 2015	-	-	-	-	-	-	-	-	-	-	-	-	
- 1st interim cash dividend for the year ending December 31, 2016	-	-	-	-	-	-	-	-	-	-	-	-	
Final cash dividend for the year ended December 31, 2015 (Rs.4/- per ordinary share)	-	-	-	-	-	-	-	-	(1,925,148)	-	-	(1,925,148)	
Interim cash dividend for the year ended December 31, 2015 (Rs.1.5/- per ordinary share)	-	-	-	-	-	-	-	-	(3,945,965)	-	-	(3,945,965)	
Share issue cost	-	-	(34,958)	-	-	-	-	-	(5,534,802)	-	-	(5,534,802)	
Balance as at June 30, 2016	4,812,871	-	190,259	9,644	60,117	15,977	(35,042)	700,000	25,246,112	2,859	(59,265)	30,945,763	
Balance as at June 30, 2016												118,219,868	

The annexed notes 1 to 24 form an integral part of this consolidated condensed interim financial information.

Karachi

October 28, 2016

M. A. Aleem  
Director



# Consolidated Condensed Interim Statement of Cash Flows (Unaudited)

For the quarter and nine months ended September 30, 2016

(Amounts in thousand)

Note	Nine months period ended	
	September 30, 2016	September 30, 2015
----- Rupees -----		
<b>Cash flows from operating activities</b>		
Cash utilized in operations	17 (280,461)	(10,743,903)
Retirement and other service benefits paid	(92,046)	(56,139)
Finance cost paid	(4,445,494)	(5,922,777)
Taxes paid	(3,324,277)	(2,514,076)
Payment against provision for contractual commitments	(23,604)	(40,817)
Long term loans and advances - net	(7,982,701)	(1,605,707)
Discontinued operations	3,448,277	2,629,088
Net cash utilized in operating activities	(12,700,306)	(18,254,331)
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment (PPE) and Biological assets	(19,652,294)	(4,246,647)
Treasury bills	(13,006,209)	(3,102,674)
Sale proceeds on disposal of PPE and biological assets	33,839	103,766
Proceeds on disposal of investments	20,611,199	7,919,874
Income on deposits / other financial assets	806,403	1,438,369
Placement of Term Deposits	(4,005,000)	-
Advance received against disposal of DH Fertilizers Limited	-	800,000
Proceeds from short term investments	242,300	25,738,474
Investment made during the period	-	(18,973,335)
Dividends received	2,100,656	19,835,201
Discontinued operations	(864,838)	(711,029)
Net cash (utilized in)/ generated from investing activities	(13,733,944)	28,801,999
<b>Cash flows from financing activities</b>		
Proceeds from/repayment of borrowings - net	18,333,281	(5,736,843)
Repayment of short term borrowings	(525,300)	(4,750,000)
Payment of finance cost	-	-
Proceeds from issuance of shares	10,398,234	-
Proceeds from advance against issue of right shares to NCI	839,070	-
Share issuance cost	(560,100)	-
Unclaimed dividend	(16,321)	-
Dividends paid	(8,159,268)	(4,872,398)
Discontinued operations	(2,462,938)	(1,259,031)
Net cash generated from/(utilized) in financing activities	17,846,658	(16,618,272)
Net (decrease) in cash and cash equivalents	(8,587,592)	(6,070,604)
Cash and cash equivalents at beginning of the period	11,832,739	8,237,879
Cash and cash equivalents at end of the period	18 3,245,147	2,167,275

The annexed notes 1 to 24 form an integral part of this consolidated condensed interim financial information.

Karachi  
October 28, 2016

Samad Dawood  
Chief Executive

M. A.Aleem  
Director



# Notes to the Consolidated Condensed Interim Financial Information (Unaudited)

For the quarter and nine months ended September 30, 2016

(Amounts in thousand)

## 1. LEGAL STATUS AND OPERATIONS

**1.1** Dawood Hercules Corporation Limited (the Holding Company) was incorporated in Pakistan on April 17, 1968 as a public limited company under the Companies Act 1913 (now Companies Ordinance, 1984) (the Ordinance) and its shares are quoted on Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange in which Lahore and Islamabad stock exchanges have merged). The principal activity of the Holding Company is to manage investments in its subsidiary and associated companies. The registered office of the Holding Company is situated at Dawood Center, M.T. Khan Road, Karachi.

## 1.2 The "Group" consists of:

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

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

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

	%age of direct holding	
	2016	2015
- Engro Corporation Limited (ECL)	37.22	37.22

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

	%age of direct holding	
	September 30, 2016	December 31, 2015
- Engro Powergen Limited	100	100
- Elengy Terminal Pakistan Limited (note 1.4.1)	80	100
- Engro Eximp Agriproducts (Private) Limited	100	100
- Engro Foods Limited (note 1.4.2)	87.06	87.06
- Engro Fertilizers Limited (note 1.4.3)	56.45	78.78
- Engro Polymer and Chemicals Limited (note 1.4.4)	56.19	56.19

**Joint Venture Company:**

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



# Notes to the Consolidated Condensed Interim Financial Information (Unaudited)

For the quarter and nine months ended September 30, 2016

(Amounts in thousand)

## 1.4 Other Subsidiary companies

### 1.4.1 Elengy Terminal Pakistan Limited (ETPL)

During the period, ETPL issued 190,572,852 ordinary shares of Rs. 10 each as fully paid right shares, out of which 150,035,215 shares were subscribed by the Holding Company and the balance 40,537,637 right shares were renunciated by the Holding Company in favor of International Finance Corporation (IFC). As a result, the Holding Company, as at the balance sheet date, holds 80% of the issued share capital of ETPL.

### 1.4.2 Engro Foods Limited

During the period, on March 3, 2016, the Holding Company notified the Pakistan Stock Exchange (PSX) that it has received a public announcement of intention by a potential acquirer to acquire up to 51% of the total issued ordinary shares of EFoods through a share purchase agreement (SPA) and through a mandatory tender offer (MTO) to the remaining shareholders of EFoods. Pursuant to the aforementioned notification, the Holding Company, on July 4, 2016, informed the PSX that the SPA has been entered into between FrieslandCampina Pakistan Holding B.V. (FCP), a wholly owned subsidiary of Royal FrieslandCampina N.V. (RFC) and the Holding Company with respect to the sale of up to 51% of the total issued shares of EFoods.

Further, the shareholders of the Holding Company in its Extra Ordinary General Meeting, held on August 5, 2016, have unanimously approved the disposal of up to 51% of the Holding Company's shareholding in EFoods.

Furthermore, as required by the takeover laws, FCP has made a Mandatory Tender Offer (MTO) on October 5, 2016, to acquire upto 49.8 million ordinary shares of EFoods, representing 6.5% of the total issued ordinary shares of EFoods at an offer price of Rs. 151.85 per share.

### 1.4.3 Engro Fertilizers Limited

During the period, ECL sold 297,196,000 ordinary shares of Rs. 10 each held in EFert, representing 28.32% of its investment, through private placement, at a price of Rs. 65.47 per share, determined through a book building mechanism. These shares were placed to local / foreign institutional investors and high net-worth individuals.

As a result of the aforementioned events, ECL, as at the balance sheet date, holds 56.47% of the issued share capital of EFert.

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

During the period, pursuant to the public announcement of intention to the stock exchange by the potential acquirer on November 24, 2015, to acquire the entire shareholding of the Holding Company in EPCL and commencement of due diligence, the potential acquirer was granted an extension in time for making the public announcement of offer by the Securities and Exchange Commission of



# Notes to the Consolidated Condensed Interim Financial Information (Unaudited)

For the quarter and nine months ended September 30, 2016

(Amounts in thousand)

Pakistan (SECP) to complete the due diligence and finalize certain outstanding commercial matters. However, on August 20, 2016, the potential acquirer informed the SECP and the Pakistan Stock Exchange Limited that it was not in a position to make the offer in the time period allocated by the SECP, as the negotiations had not reached completion and as the time period to make the offer has lapsed, it is withdrawing its intention to acquire the aforesaid shares whilst reserving its right to make a further announcement of intention should this be deemed viable.

Further, during the period, ECL, in its Annual General Meeting held on April 15, 2016, has obtained shareholders approval for the disposal of ECL's entire shareholding in EPCL amounting to 56.19% i.e. 372,810,000 shares, in the event the discussions with potential acquirer are successful.

## 2. BASIS FOR PREPARATION

- 2.1 This consolidated condensed interim financial information is unaudited and has been prepared in accordance with the requirements of the International Accounting Standard 34 - 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984 (the Ordinance). In case where requirements differ, the provisions of or directives issued under the Ordinance have been followed. This consolidated condensed interim financial information should be read in conjunction with the annual consolidated financial statements of the Company for the year ended December 31, 2015.
- 2.2 The preparation of this consolidated condensed interim financial information in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its 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. Actual results may differ from these estimates.
- 2.3 During the preparation of this consolidated condensed interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation and uncertainty were the same as those that apply to the consolidated financial statements of the Group for the year ended December 31, 2015.

## 3. BASIS OF CONSOLIDATION

The condensed interim financial information of the subsidiary company has been consolidated on a line by line basis. The carrying value of investments held by the Holding Company is eliminated against the subsidiary share capital and pre-acquisition reserves.

Non-controlling interest has been presented as a separate item in this consolidated condensed interim financial information. All material intercompany balances and transactions have been eliminated.



# Notes to the Consolidated Condensed Interim Financial Information (Unaudited)

For the quarter and nine months ended September 30, 2016

(Amounts in thousand)

The Group's interest in jointly controlled entities, Engro Vopak Terminal Limited, Sindh Engro Coal Mining Company Limited and EngroGen Energy Services Limited, has been accounted for using the equity method.

The Group's investment in associated entities, The Hub Power Company Limited (HUBCO), GEL Utility Limited and Sindh Engro Coal Mining Company Limited, are accounted for using the equity method of accounting whereby investment is initially recognized at cost and the carrying amount is increased or decreased to recognize the investor's share of profit and loss of the investee after the date of acquisition.

The consolidated condensed interim financial information is presented in Pakistan Rupees, which is the Holding Company's functional currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income, except where such gains and losses are directly attributable to the acquisition, construction or production of a qualifying asset, in which case, such gains and losses are capitalized as part of the cost of that asset.

## 4. ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of this consolidated condensed interim financial information are the same as those applied in the preparation of audited annual consolidated financial statements of the Group for the year ended December 31, 2015.

There are certain new International Financial Reporting Standards (standards), amendments to published standards and interpretations that are mandatory for the financial year beginning on January 1, 2016. These are considered not to be relevant or to have any significant effect on the Group's financial reporting and operations and are, therefore, not disclosed in the condensed interim financial information.

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

## 5. PROPERTY, PLANT AND EQUIPMENT

	<b>Unaudited September 30, 2016</b>	Audited December 31, 2015
	------(Rupees)-----	
Operating assets, at net book value	117,757,344	123,743,680

Capital work-in-progress

- Expansion and other projects	22,500,543	3,708,782
- Capital spares	1,701,423	1,082,062
- Others	(13,260,213)	-
	<b>128,699,097</b>	<b>128,534,524</b>



# Notes to the Consolidated Condensed Interim Financial Information (Unaudited)

For the quarter and nine months ended September 30, 2016

(Amounts in thousand)

## 6 LONG TERM INVESTMENTS

During the period, Engro Powergen Limited (EPL) acquired 3,359,331 additional ordinary shares of the Sindh Engro Coal Mining Company Limited (SECMC), out of the total 219,698,267 ordinary shares issued during the period. EPL's percentage shareholding in SECMC as at September 30, 2016 was 11.9%.

### Further, during the period:

- subscription of right shares has been made by the sponsors of SECMC for initial equity contribution;
- financial close of SECMC has been achieved on April 4, 2016;
- post financial close, loan disbursements against local financing agreements have been received;
- notice to proceed dated April 13, 2016 has been issued by SECMC; and
- mobilization advance of US\$ 69,228 has been paid to EPC Contractor of SECMC.

## 7. LONG TERM LOANS, ADVANCES AND OTHER RECEIVABLES

This includes:

- receivable from Sui Southern Gas Company Limited (SSGCL), amounting to Rs. 1,075,200. Engro Elengy Terminal (Private) Limited, the subsidiary company, as per the terms of LNG Operations and Services Agreement (LSA), completed the construction and transferred the pipeline to SSGCL on March 29, 2015, for which the Certificate of Acceptance has been received from SSGCL. The subsidiary company is entitled to recover the cost of construction of the pipeline through charges to be billed to SSGCL over the term of LSA. The receivable represents construction costs, net of recoveries to date.
- Rs. 1,182,382 representing customs duty on import of FSRU for its use in storage and regasification of LNG. The amount is being expensed over the period of operating lease, i.e. 15 years.
- Rs. 7,094,310 paid to China Export and Credit Insurance Corporation (Sinasure) in respect of credit insurance policy issued in respect of Engro Powergen Thar (Private) Limited (EPTL) financing from Chinese Lenders.



# Notes to the Consolidated Condensed Interim Financial Information (Unaudited)

For the quarter and nine months ended September 30, 2016

(Amounts in thousand)

	Unaudited September 30, 2016	Audited December 31, 2015
	------(Rupees)-----	
<b>8. STOCK IN TRADE</b>		
Raw materials and packing materials	5,425,732	5,459,117
Unprocessed rice	155,811	369,320
Fuel stock	381,520	382,085
Work-in-process	1,314,553	213,415
Finished goods:		
- own manufactured product	9,944,365	3,950,386
- purchased product	7,406,997	3,714,378
	17,351,362	7,664,764
Relating to discontinued operations	4,300,359	-
	20,328,619	14,088,701
<b>9. TRADE DEBTS</b>		
Considered good	11,685,124	6,297,449
- secured	291,116	436,164
- unsecured	11,976,240	6,733,613
	24,400	24,682
Considered doubtful	12,000,640	6,758,295
Less: Provision for impairment	(24,400)	(24,682)
Less: Relating to discontinued operations	(69,801)	-
	11,906,439	6,733,613
<b>10. SHORT TERM INVESTMENT</b>		
At fair value through profit or loss		
Fixed income placements	-	52,000
Treasury Bills	15,484,316	11,775,935
	15,484,316	11,827,935
Held to maturity		
Fixed income placements	5,957,000	1,117,643
Treasury Bills	500,022	488,700
Term deposit receipts	1,901,378	-
Eurobonds	-	615,834
	8,358,400	2,222,177
	23,842,716	14,050,112

- 10.1** Primarily includes proceeds received against divestment of 28.34% of ECL's investment in Engro Fertilizer's Limited, a subsidiary company.





# Notes to the Consolidated Condensed Interim Financial Information (Unaudited)

For the quarter and nine months ended September 30, 2016

(Amounts in thousand)

## 11. PREFERENCE SHARE CAPITAL

During the period, EPTL issued and allotted 417,313,568 preference shares of Rs. 10 each as fully paid right shares to CMEC Thar Power Investment Limited. These preference shares are cumulative, non-redeemable, non-convertible, non-participatory, non-voting and carry dividend at the rate of 11% US Dollars internal rate of return. These preference shares have been classified as equity, as per the requirements of the Companies Ordinance, 1984.

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

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

In addition, there would be no payment of dividend before commencement of commercial operations. Cumulative dividend on preference shares for the period ended September 30, 2016 amounted to Rs. 251,062 which is not recognized in this consolidated condensed interim financial information.

## 12. BORROWINGS

### 12.1 Engro Fertilizers Limited (EFert)

During the period:

EFert exercised the call option of the Privately Placed Term Finance Certificates (PPTFCs). As a result, EFert paid Rs. 6,000,000 to the holders of PPTFCs and refinanced this amount through three bilateral loans from Muslim Commercial Bank, Allied Bank Limited and Standard Chartered Bank amounting to Rs. 3,000,000, Rs. 2,000,000 and Rs. 1,000,000, respectively. These loans are repayable in a single installment in March 2018 and carry mark up / profit at the rate of 6 months KIBOR plus 0.80% per annum. These loans are part of senior debts of EFert.

The pricing of the IFC loans have been revised to 6 months LIBOR + 3.0% from 6 months LIBOR + 6.0% effective February 15, 2016;

Habib Bank Limited bought out SAMBA Financial Group's portion in the USD portion of the Offshore Islamic Finance Facility of USD 36,000.

During the period, EFert availed three bilateral loans for a total of Rs. 10,000,000 from MCB, United Bank Limited and ABL amounting to Rs. 4,000,000 Rs. 4,000,000 and Rs. 2,000,000 respectively. The new loans have a pricing of 6months KIBOR plus 0.15% and will mature in September 2021.

# Notes to the Consolidated Condensed Interim Financial Information (Unaudited)

For the quarter and nine months ended September 30, 2016

(Amounts in thousand)

## 12.2 Engro Polymer & Chemicals Limited (EPCL)

Under the terms of the agreements for long term borrowings from International Finance Corporation (IFC) and Syndicate banks and under the bilateral loans agreements, EPCL is required to comply with certain debt covenants. As at September 30, 2016, EPCL is not in compliance with some of these debt covenants and has accordingly notified the concerned financial institutions. EPCL is considering various measures, including issuance of preference shares, as approved by shareholders in the previous year, to improve the EPCL's financial position and ratios.

## 12.3 Engro Elengy Terminal Private Limited (EETPL)

In 2015, EETPL, a wholly owned subsidiary company of Elengy Terminal Pakistan Limited (ETPL), entered into a Common Terms Agreement (CTA) and financing agreements with Asian Development Bank (ADB), International Finance Corporation (IFC), Askari Bank Limited (AKBL) and NIB Bank Limited (NIB) as arrangers and ADB, IFC, AKBL, NIB and Pak Brunei Investment Company Limited (PBICL) as lenders. During the period, EETPL has drawn the amounts thereagainst. The details of the loans are as follows:

Title	Mark-up Rate Per Annum	Installments		Unaudited September 30, 2016	Audited September 30, 2015
		Number	Commencing		
IFC(USD 20,000)	6 month LIBOR + 5%	16 half yearly	June15,2016	2,769,023	-
ADB(USD 30,000)	6 month LIBOR + 5%	16 half yearly	June15,2016	1,846,015	-
Local Syndicate Loan -note 9.3.2	6 month KIBOR + 1.8%	16 half yearly	June15,2016	3,546,475	-
				8,161,513	-
Less: Current portion shown under current liabilities				(1,251,001)	-
				6,910,512	-

**12.3.1** The proceeds from the aforementioned loans are carried net of transaction costs amounting to Rs 490,314.

**12.3.2** The amount represents disbursement of loan amounting to Rs. 4,031,672 out of a total facility of Rs. 4,210,000 obtained from PBICL, NIB and AKBL.

**12.3.3** The facility has been secured by way of the following:

- Pledge of 51% holding in ETPL by ECL
- Pledge of 100% holding in EETPL by ETPL; and
- Mortgage by EETPL of its land and hypothecating all its project assets



# Notes to the Consolidated Condensed Interim Financial Information (Unaudited)

For the quarter and nine months ended September 30, 2016

(Amounts in thousand)

## 12.4 Engro Powergen Thar (Private) Limited (EPTL)

**12.4.1** On December 18, 2015, EPTL entered into a Bilateral Facility Agreement with National Bank of Pakistan for an aggregate amount of Rs. 3,134,000 for a period of 14 years. As at September 30, 2016, EPTL has made draw down of Rs. 526,499 against this facility while the undrawn amount is equal to Rs. 2,607,501.

**12.4.2** Further, on December 21, 2015, EPTL entered into following loan agreements:

- USD Facility Agreement 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 621,000 for a period of 14 years. As at September 30, 2016, EPTL has made draw down of USD 81,292 against this facility while the undrawn amount is equal to USD 539,708.
- Rupee Facility Agreement with HBL-led consortium (comprising HBL, United Bank Limited, Bank Alfalah Limited, Askari Bank Limited, Soneri Bank Limited, Sindh Bank Limited, Bank of Punjab, NIB Bank Limited and Pak Brunei Investment Company Limited) for an aggregate amount of Rs.17,016,000 for a period of 14 years. As at September 30, 2016, EPTL has made draw down of Rs. 2,858,617 from this facility while the undrawn amount is equal to Rs. 14,157,382.
- Islamic Facility Agreement with three banks namely Meezan Bank Limited, Faysal Bank Limited and Habib Bank Limited for an aggregate amount of Rs. 4,000,000 for a period of 14 years. As at September 30, 2016, EPTL has made draw down of Rs. 671,983 against this facility while the undrawn amount is equal to Rs. 3,328,017.

**12.4.3** 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 June 1 or December 1 of any year. These loans carry mark-up / profit at the rate of 3 months KIBOR plus 3.5% per annum except for the USD facility which carries mark-up at the rate of 6 months LIBOR plus 4.2% per annum. These facilities are secured primarily through first ranking hypothecation charge over project assets of EPTL. Further, the shareholders of EPTL have committed to provide cost overrun support for 10% of entire debt and have pledged shares in favor of the Security Trustee. Additionally, shareholders other than HBL have also provided Stand By Letter of Credits (SBLs) as coverage for their equity commitments in the project.

**12.4.4** Transaction cost - prepaid amounting to Rs. 9,042,789 has been paid in connection with these loan agreements. The cost, to the extent the amount was drawn as at September 30, 2016 in proportionate to the total amount of borrowings, amounting to Rs. 1,200,218 is recognized as transaction cost and deducted from the amount of borrowings. The remaining amount of Rs. 7,976,088 have been carried forward as long term advances and prepayments (note 6) as at September 30, 2016 and will be recognized as transaction costs as and when the draw downs are made against remaining balance of loan facilities.

# Notes to the Consolidated Condensed Interim Financial Information (Unaudited)

For the quarter and nine months ended September 30, 2016

(Amounts in thousand)

**12.4.5** Habib Bank Limited (HBL) has issued a guarantee of Rs. 4,725,000 on behalf of EPTL in favour of Sindh Engro Coal Mining Company Limited (SECMC) to secure company's payment obligations under the Coal Supply Agreement. The guarantee expires on July 20, 2017 and is secured by way of first pari passu charge over asset of the company.

**12.4.6** A Corporate Guarantee amounting to USD 3,500 for principal plus interest amount had been issued on December 19, 2015 by EPL on behalf of Engro Power Investments International B.V (EPII) in favor of UBL Switzerland AG against term loan. As of September 30, 2016, EPII has not utilized this facility.

## 13. DISCONTINUED OPERATIONS

As explained in note 1.4.2, the Holding Company has classified its investment in EFoods as held for sale. As a result, assets and liabilities of EFoods have been classified as assets and liabilities attributable to discontinued operations.

**13.1** An analysis of the assets and liabilities attributable to discontinued operations as at the balance sheet date is as follows:

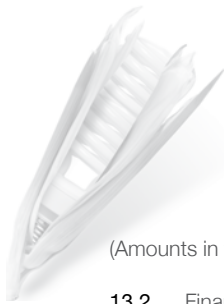
(Unaudited)  
September 30,  
2016  
Rupees

### Assets attributable to discontinued operations

Property, plant and equipment	13,289,513
Biological assets	980,736
Intangible assets	44,775
Long term advances and deposits	135,113
Deferred employee share option compensation expense	124,520
Stores, spares and loose tools	847,028
Stock-in-trade	4,300,359
Trade debts	69,801
Advances, deposits and prepayments	196,480
Other receivables	140,029
Sales tax recoverable	4,169,834
Taxes recoverable	1,608,297
Cash and bank balances	300,976
	<b>26,207,461</b>

### Liabilities associated with discontinued operations

Long term finances	2,907,806
Short term finances	301,183
Deferred taxation	1,777,352
Deferred income	1,124
Accrued interest / mark-up	78,470
Accrued and other liabilities	3,772,410
	<b>8,838,345</b>
<b>Net assets attributable to discontinued operations</b>	<b>17,369,116</b>



# Notes to the Consolidated Condensed Interim Financial Information (Unaudited)

For the quarter and nine months ended September 30, 2016

(Amounts in thousand)

## 13.2 Financial performance of discontinued operations (EFoods)

	(Unaudited)			
	Quarter ended		Nine months ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
	-----Rupees-----		-----Rupees-----	
Net sales	10,980,105	12,520,900	34,311,032	37,263,092
Cost of sales	(8,730,626)	(9,885,081)	(25,664,383)	(28,250,847)
Gross profit	2,249,479	2,635,819	8,646,649	9,012,245
Distribution and marketing expenses	(1,051,426)	(1,221,122)	(3,612,469)	(3,664,553)
Administrative expenses	(226,138)	(502,623)	(649,182)	(1,085,245)
Other operating expenses	(24,059)	(59,164)	(296,754)	(269,922)
Other income	31,036	115,665	87,213	249,205
Operating profit	978,892	968,575	4,175,457	4,241,730
Finance costs	(79,403)	(195,507)	(293,050)	(734,514)
Profit before taxation	899,489	773,068	3,882,407	3,507,216
Taxation	(266,035)	(149,524)	(1,287,623)	(906,087)
Profit after tax from discontinued operations	633,454	623,544	2,594,784	2,601,129

## 13.3 Cash flows attributable to discontinued operations (EFoods)

	(Unaudited)	
	September 30, 2016	September 30, 2015
	-----Rupees-----	
Net cash generated from operating activities	3,448,277	2,629,088
Net cash utilized in investing activities	(864,838)	(711,029)
Net cash utilized in financing activities	(2,462,938)	(1,259,031)
Net increase in cash and cash equivalents	120,501	659,028



# Notes to the Consolidated Condensed Interim Financial Information (Unaudited)

For the quarter and nine months ended September 30, 2016

(Amounts in thousand)

## 14. CONTINGENCIES AND COMMITMENTS

Significant changes in the status of contingencies and commitments since December 31, 2015 are mentioned below :

- 14.1 During the period, corporate guarantees extended on behalf of Engro Fertilizers Limited (EFert), a subsidiary company, other than those extended to (IFC) under the C Loan Agreement (Original Agreement) and the Amended Facility Agreement have been released.
- 14.2 During the period, ECL has pledged shares of EFert and EFoods against the Standby Letters of Credit (Equity SBLCs) provided by Engro Powergen Limited (EPL), a subsidiary company, through National Bank of Pakistan amounting to USD 18,900 and USD 51,100 (in PKR equivalent) for its equity commitments related to the Sindh Engro Coal Mining Company Limited (SECMC), its associated company, and Engro Powergen Thar (Pvt.) Limited (EPTL), its subsidiary company, in favour of the Intercreditor Agent (Habib Bank Limited) and the Project Companies (i.e. SECMC and EPTL). Equity SBLCs expire on earlier of (i) four years after the issuance of SBLCs i.e. March 21, 2020; and (ii) fulfillment of sponsor obligations under Sponsor Support Agreements.
- 14.3 During the period, ECL has pledged shares of EFert and EFoods against a Standby Letter of Credit (Put Option SBLC) provided by EPL, the subsidiary company, through Allied Bank of Pakistan amounting to USD 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) June 30, 2017; and (ii) fulfillment of sponsor obligations pursuant to Put Option SSA.
- 14.4 ECL, as Sponsor Support, had permitted United Bank Limited (UBL) to mark lien on its treasury bills amounting to USD 1,000 against the Letter of Guarantee provided by Engro Elengy Terminal (Private) Limited, a subsidiary company, through UBL in favour of Port Qasim Authority (PQA) to guarantee the performance of the obligations of the subsidiary company under the Implementation Agreement. During the period, the letter of Guarantee has expired.
- 14.5 During the period, Faysal Bank Limited (FBL) has issued a performance guarantee of USD 16,517 on behalf of Engro Powergen Thar (Private) Limited (EPTL) in favour of National Transmission and Dispatch Company (NTDC) to secure EPTL's performance obligations under the Power Purchase Agreement. The performance guarantee expires on July 25, 2019 and is secured by way of performance bonds issued under the Supply and Services Agreement and ranking charge over fixed assets of EPTL.
- 14.6 During the period, EPL has also provided sponsor support contractual commitment, among other commitments, in favor of Senior Lenders amounting to USD 5,400 and USD 41,600 as cost overrun support pursuant to the Sponsor Support Agreements (SSA); and the Amendment and Restatement Agreement relating to the SSA in case of EPTL.



# Notes to the Consolidated Condensed Interim Financial Information (Unaudited)

For the quarter and nine months ended September 30, 2016

(Amount in thousand)

- 14.7** Engro Elengy Terminal (Private) Limited (EETPL), has arranged a facility with NIB Bank Limited for opening letters of credit amounting to Rs. 350,000 (December 31, 2015: Nil). The total amount utilized against the facility for letters of credit as at September 30, 2016 amounts to Rs. 17,236 (December 31, 2015: Nil).
- 14.8** Engro Eximp Agriproducts (Private) Limited (EEAPL), has entered into export selling contracts of 1,400 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. 78,935 (2015: Rs. 498,382).
- 14.9** During the period, ECL divested 28.34% of its shareholding in EFert. ECL held such shareholding in EFert since 2010 i.e. more than six years. Under the income tax laws, capital gain on sale of securities held for more than 48 months do not attract any income tax. However, the Holding Company was informed by the National Clearing Company of Pakistan Limited (NCCPL) that their clearing system shall deduct capital gain tax on such disposal and NCCPL shall deposit the same with the tax authorities. ECL has obtained a stay thereagainst from High Court of Sindh and has also provided a bank guarantee amounting to Rs. 925,000 in this respect in favor of Nazir of High Court of Sindh.
- 14.10** Capital expenditure contracted for but remaining to be executed amounted to Rs. 68,609,773 (December 31, 2015: Rs. 1,789,212) out of which Rs. 66,425,408 (December 31, 2015: Nil) pertains to the contract for civil works construction and equipment procurement of EPTL.
- 14.11** The holding Company has pledged 15.131 million shares of ECL with Meezan Bank Limited (as Agent) in favour of Fatima Fertilizer Company Limited (Fatima) and a corporate guarantee in favour of DHFL and Fatima against potential tax liabilities of DHFL in respect period ending on or prior to June 30, 2015. The pledged shares will 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. The corporate guarantee will remain in full force and effect for five years and will be released on the later of September 30, 2021 or the date on which subject tax liabilities are finally settled / disposed off or withdrawn.

## **15. TAXATION**

Significant changes since December 31, 2015 in respect of different tax matters in which the Group companies are involved are as follows:

### **15.1 Engro Corporation Limited**

In 2015, in respect of pending tax assessment for tax year 2012, ECL received notice of demand amounting to Rs. 250,773, whereby the Deputy / Additional Commissioner Inland. Revenue - Audit again disallowed allocation of expenses against interest income and apportioned expenses against dividend income and capital gains. ECL filed an appeal thereagainst with the CIR - Appeals and also obtained stay from the High Court of Sindh from initiating any recovery proceedings



# Notes to the Consolidated Condensed Interim Financial Information (Unaudited)

For the quarter and nine months ended September 30, 2016

(Amounts in thousand)

in respect of tax year 2012. During the period, the CIR - Appeals accepted ECL's plea and annulled the order passed by the DCIR. However, the CIR has filed an appeal thereagainst with the Appellate Tribunal, Inland Revenue.

## 15.2 Engro Polymer & Chemicals Limited (EPCL)

During the period, the Deputy Commissioner Inland Revenue (DCIR) through his order dated January 8, 2016, raised a sales tax demand of Rs. 524,589 against EPCL on account of alleged short payment of sales tax due on the finished products that would have been produced and sold from the excess wastage of raw material.

EPCL filed an appeal against the order before Commissioner Inland Revenue Appeals [CIR(A)] on the grounds that the order passed against it 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 EPCL. However, the department has challenged the said order of CIR(A) before Appellate Tribunal Inland Revenue (ATIR). No proceedings regarding the case has been carried out by ATIR, till the period end.

## 15.3 Engro Eximp Agriproducts (Private) Limited (EEAPL)

EEAPL's return of income for tax year 2011 was selected for audit by the tax authorities through balloting under section 214C of Income Tax Ordinance, 2001, (ITO). As a result of the audit, the assessing officer passed an amended assessment order under section 122 of ITO, whereby it disallowed total depreciation including initial allowance amounting to Rs. 569,062 and also disallowed certain manufacturing and trading expenses amounting to Rs. 26,900. The Company, in response to the amended assessment order, had filed an appeal before Commissioner Inland Revenue (Appeals), which has been disposed off in favor of the tax department.

In this respect, EEAPL had filed an appeal to Appellate Tribunal Inland Revenue (ATIR), which reverted the case to the Commissioner and directed to assess the case in the light of evidences and supports available with the management. During the period, the remanded back proceedings have been concluded and EEAPL has succeeded in establishing substantial claim of depreciation amounting to Rs. 569,062 while for disallowed depreciation of Rs. 87,345 it is in the course of filing an appeal. The management of EEAPL based on advice of tax consultant, is confident that these matters will be decided in favor of EEAPL. Accordingly, no provision has been recognized in this respect in the consolidated condensed interim financial information.

## 15.4 Engro Foods Limited (EFoods)

During the period, the Deputy Commissioner Inland Revenue raised a demand of Rs. 541,221 for tax year 2013 by disallowing loss on sales of raw milk, stocks written-off, finance cost against advance for purchase of Engro Foods Netherlands and certain other items, research and business expenses, adjustment of tax losses for tax year 2011 and minimum turnover tax credit for tax years 2008, 2010 and





# Notes to the Consolidated Condensed Interim Financial Information (Unaudited)

For the quarter and nine months ended September 30, 2016

(Amount in thousand)

2011 etc. EFoods intends to file an appeal against the aforementioned order 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.

During the period, the Additional Commissioner Inland Revenue raised a demand of Rs. 59,772 for tax year 2010, primarily on account of disallowance of sales promotion and freight expenses. EFoods has filed an appeal against the order 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.

## 15.5 Engro Elengy Terminal Private Limited (EETPL)

EETPL, during 2015, 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 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 with the High Court of Sindh (the 'Court') which through its order dated June 29, 2015 had restrained Customs Authorities from collection of customs duty and advance income tax. However, EETPL, based on the merits of the case and opinion of its legal advisor had provided for the potential exposure relating to customs duty amounting to Rs. 1,297,737, being 5% of the value of FSRU.

The Court, in judgement passed during the period, held EETPL liable to custom duty and remanded the matter related to advance tax to Custom Authorities with directions. EETPL in response to the aforementioned judgement and demand raised by Custom Authorities has paid an amount of Rs. 1,325,103 in respect of custom duty.

The Custom Authorities in pursuance of the aforementioned judgement reassessed the matter relating to advance tax and raised a demand of Rs. 1,530,494. EETPL in response to the above has filed an appeal which is pending. EETPL, based on the merits of the case and opinion of its tax consultant and legal advisor, considers the possibility of matter being decided against EETPL to be remote.

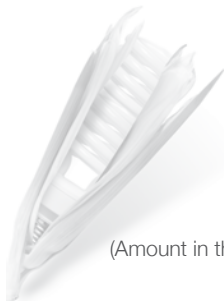
# Notes to the Consolidated Condensed Interim Financial Information (Unaudited)

For the quarter and nine months ended September 30, 2016

(Amounts in thousand)

## 16. EARNINGS PER SHARE - BASIC AND DILUTED

	----- (Unaudited) -----			
	Quarter ended		Nine months ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
	-----Rupees-----			
Profit for the period (attributable to the owners of the Holding Company) from:				
- continuing operations	545,770	(157,397)	868,737	1,187,993
- discontinued operations	205,263	202,051	840,807	842,863
	<u>751,033</u>	<u>44,654</u>	<u>1,709,544</u>	<u>2,030,856</u>
The information necessary to calculate basic and diluted earnings per share is as follows:				
Profit for the period from continuing operations	545,770	(157,397)	868,737	1,187,993
Add:				
- Finance cost related to IFC loan and derivative - net of tax	139	-	578	-
- (Gain) / Loss on revaluation of IFC loan conversion option	(1,385)	-	(21,897)	-
	<u>544,524</u>	<u>(157,397)</u>	<u>847,418</u>	<u>1,187,993</u>
	-----Number in thousands-----			
Weighted average number of ordinary shares for basic and diluted EPS	481,287	481,287	481,287	481,287



# Notes to the Consolidated Condensed Interim Financial Information (Unaudited)

For the quarter and nine months ended September 30, 2016

(Amount in thousand)

		------(Unaudited) -----	
		Nine months ended	
		September 30,	September 30,
		2016	2015
		-----Rupees -----	
<b>17. CASH (UTILIZED IN) / GENERATED FROM OPERATIONS</b>			
Profit before taxation	15,747,474	15,198,553	
Less: Profit before taxation attributable to discontinued operations	(3,882,407)	(3,507,216)	
Profit before taxation from continuing operations	11,865,067	11,691,337	
Adjustment for non-cash charges and other items:			
Depreciation and amortization	5,727,257	5,888,998	
Gain on disposal of:			
- property, plant and equipment and biological assets	(6,968)	(44,039)	
- investments - net	(72,314)	(382,016)	
Impairment charge	95,713	2,138,000	
Other receivable -written off	920	-	
Unrealised exchange (gain) / loss on	(14)	5,603	
Provision for retirement and other service benefits	119,376	48,494	
Income on deposits / other financial assets	(960,206)	(1,464,256)	
Share of income from joint venture companies	(953,736)	(764,381)	
Finance cost	4,453,475	5,870,830	
(Gain) / Loss on foreign currency translations	(23,296)	15,566	
Working capital changes (note 14.1)	(20,525,735)	(33,748,039)	
	(280,461)	(10,743,903)	
<b>17.1 Working capital changes</b>			
(Increase) in current assets			
- Stores, spares and loose tools	(719,148)	(297,673)	
- Stock-in-trade	(9,300,365)	(6,731,679)	
- Trade debts	(5,289,286)	(732,273)	
- Loans, advances, deposits and prepayments	(236,788)	(1,382,513)	
- Other receivables - net	(3,983,688)	397,290	
	(19,529,275)	(8,746,848)	
Decrease in current liabilities			
- Trade and other payables, including other service benefits - net	(996,460)	(25,001,191)	
	(20,525,735)	(33,748,039)	



# Notes to the Consolidated Condensed Interim Financial Information (Unaudited)

For the quarter and nine months ended September 30, 2016

(Amounts in thousand)

------(Unaudited) -----  
 Nine months ended  
**September 30,** September 30,  
**2016** 2015  
 -----Rupees -----

## 18. CASH AND CASH EQUIVALENTS

Cash and bank balances	<b>9,276,675</b>	7,810,191
Short term investments	<b>6,028,741</b>	2,203,158
Short term borrowings	<b>(12,060,269)</b>	(7,846,074)
	<b><u>3,245,147</u></b>	<u>2,167,275</u>

## 19. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

### 19.1 Financial risk factors

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

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

### 19.2 Fair value estimation

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (level 3)



# Notes to the Consolidated Condensed Interim Financial Information (Unaudited)

For the quarter and nine months ended September 30, 2016

(Amount in thousand)

	Level 1	Level 2	Level 3
	----- Rupees -----		
<b>Assets</b>			
Financial assets at fair value through profit and loss			
- Short term investments	-	15,484,316	-
<b>Liabilities</b>			
Derivatives			
- Derivative financial instruments	-	32,473	-
- Conversion option on IFC loans	-	168,689	-
	-	201,162	-

**19.3** There were no transfers between Levels 1 and 2 during the period. Further, there were no changes in valuation techniques during the period.

## **19.4 Valuation techniques used to derive Level 2 fair values**

Level 2 fair valued instruments comprise short term investments and hedging derivatives which include forward exchange contracts, interest rate swaps and conversion option on IFC loans. These forward foreign exchange contracts have been fair valued using forward exchange rates that are received from the contracting banks and financial institutions. Interest rate swaps are fair valued using mark to market rates received from the banks and financial institutions. The fair value of conversion options on IFC loan is determined using the option pricing model where its determinants are derived from observable market inputs.

Short term investments comprise of fixed income placements and treasury bills which are valued using discounted cash flow model.

## **19.5 Fair value of financial assets and liabilities**

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

## **20. TRANSACTIONS WITH RELATED PARTIES**

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



# Notes to the Consolidated Condensed Interim Financial Information (Unaudited)

For the quarter and nine months ended September 30, 2016

(Amounts in thousand)

Nine months ended	
September 30, 2016	September 30, 2015
-----Rupees-----	

## Associated companies and joint ventures

Purchases and services	3,212,340	7,122,342
Services rendered / sale of goods	159,751	137,018
Dividends received	2,100,656	607,500
Dividends paid	1,201,341	-
Payment of interest on Term Finance Certificates and repayment of principal amount	57,577	12,553
Profit on Term Finance Certificates	23,092	-
Investment from Associated Companies	9,984,463	-
Contribution for corporate social responsibility	73,767	67,518
Investment in mutual funds and treasury bills	-	1,098,070
Payment against EPC contract	12,938,979	-
Redemption of investments in mutual funds and treasury bills	-	1,210,911
Reimbursements from associates	35,062	44,758
Reimbursements to associates	74,279	5,111
Utilization of overdraft facility	130,000	467,112
Repayment of overdraft facility	130,000	467,112
Loan received	293,993	-
Repayment of loan	78,317	-
Mark-up on utilization of overdraft facility	45,066	-
Commitment fee	9,325	4,332
Interest on deposit	433	1,504
Bank charges	1	4

## Key Management Personnel

Remuneration paid to key management personnel / directors	1,062,858	653,199
Directors Fees		
Dividends paid		
Reimbursement of expenses	8,600	5,745
<b>Balances due from Joint Ventures</b>	<b>1,922</b>	<b>804</b>
<b>Contribution for retirement benefits</b>	<b>633,917</b>	<b>481,236</b>



# Notes to the Consolidated Condensed Interim Financial Information (Unaudited)

For the quarter and nine months ended September 30, 2016

(Amount in thousand)

## 21. SEGMENT REPORTING

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

Type of segments	Nature of business
Fertilizer	Manufacture, purchase and market fertilizers.
Polymer	Manufacture, market and sell Poly Vinyl Chloride (PVC), PVC compounds, Caustic Soda and related chemicals.
Food	Manufacture, process and sell dairy and other food products.
Power	Includes Independent Power Projects (IPP).
Other operations	Includes LNG and engineering business.

----- (Unaudited) -----			
Quarter ended		Half year ended	
September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
----- Rupees -----			

### Revenue

Fertilizer	18,633,189	13,974,678	40,910,757	56,951,864
Polymer	5,448,348	4,646,758	16,609,561	17,063,768
Food	11,238,489	13,056,763	34,978,418	39,292,311
Power	3,399,304	3,243,630	8,129,363	9,944,071
Other operations	4,372,422	4,201,047	13,118,428	11,427,946
Elimination - net	(2,026,237)	(1,959,822)	(5,912,521)	(9,762,357)
Consolidated	41,065,515	37,163,054	107,834,006	124,917,603

### Profit / (loss) for the period

Fertilizer	2,927,878	2,750,564	5,745,131	8,329,543
Polymer	(8,144)	(379,288)	31,848	(812,702)
Food	514,743	303,608	2,238,346	1,641,980
Power	278,921	475,970	1,316,134	1,487,141
Other operations	898,381	1,169,327	21,151,724	12,425,390
Elimination - net	(1,516,796)	(3,683,631)	(20,646,048)	(13,322,850)
Consolidated	3,094,983	636,550	9,837,135	9,748,502



# Notes to the Consolidated Condensed Interim Financial Information (Unaudited)

For the quarter and nine months ended September 30, 2016

(Amounts in thousand)

(Unaudited) September 30, 2016	(Audited) December 31, 2015
-----Rupees-----	

## Assets

Fertilizer	112,083,283	110,817,000
Polymer	23,376,993	24,211,764
Food	28,679,346	29,152,843
Power	51,193,288	23,996,126
Other operations	72,761,523	55,416,352
Elimination - net	(23,496,755)	(35,130,247)
Consolidated	<u>264,597,678</u>	<u>208,463,838</u>

## 22. NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors of the Holding Company in its meeting held on October 28, 2016 has approved an interim cash dividend of Rs. 2/- per share for the year ending December 31, 2016. This consolidated condensed interim financial information does not include the effect of the said interim dividend.

## 23. CORRESPONDING FIGURES

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

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

## 24. DATE OF AUTHORIZATION

This consolidated condensed interim financial information is authorized for issue on 28 October 2016 by the Board of Directors of the Holding Company.



www.jamapunji.pk



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

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

**Key features:**

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

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



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

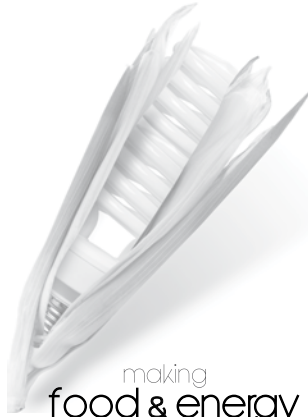
jamapunji.pk

@jamapunji\_pk

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

## This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.





making  
food & energy

Available, Affordable, Sustainable



Dawood Hercules

**Dawood Hercules Corporation Limited**

Dawood Centre, M.T. Khan Road, Karachi - 75530

Tel: +92-21-35686001 Fax: +92-21-35633972

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