

2020

THIRD QUARTERLY ACCOUNTS

(UN-AUDITED)

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020



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COMPANY INFORMATION

Board of Directors

Mr. Hussain Dawood - Chairman
Mr. Shahzada Dawood - Vice Chairman
Mr. Samad Dawood - Director
Ms. Sabrina Dawood - Director
Mr. Parvez Ghias - Director
Mr. Shabbir Hussain Hashmi - Director
Mr. Kamran Nishat - Director
Mr. Hasan Reza Ur Rahim - Director
Mr. Imran Sayeed - Director
Mr. Inam ur Rahman - Chief Executive Officer

Board Audit Committee

Mr. Shabbir Hussain Hashmi - Chairman
Mr. Kamran Nishat - Member
Mr. Hasan Reza Ur Rahim - Member

Human Resource & Remuneration Committee

Mr. Hasan Reza Ur Rahim - Chairman
Mr. Shahzada Dawood - Member
Mr. Sabrina Dawood - Member
Mr. Parvez Ghias - Member

Board Investment Committee

Mr. Shahzada Dawood - Chairman
Mr. Samad Dawood - Member
Mr. Imran Sayeed - Member
Mr. Shabbir Hussain Hashmi - Member

Chief Financial Officer

Mr. Mohammad Shamoon Chaudry

Company Secretary

Mr. Asim H. Akhund

Registered Office

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

Auditors

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

Shares Registrar

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

Tax Consultants

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

Legal Advisors

Haidermota & Co.
(Barristers at law)
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KDA Scheme No.5
Karachi- 75600
Tel: +92 (21) 111520000, 35879097
Fax: +92 (21) 35862329, 35871054

Bankers

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

DIRECTORS REVIEW

The Directors are pleased to present their report along with the unaudited unconsolidated condensed interim financial statements of DH Corp and the unaudited consolidated condensed interim financial statements of the Group for the nine months ended 30 September 2020.

Pakistan has been able to fight the 1st wave of COVID-19 successfully with the number of cases of COVID-19 declining by about 78% over the past 3 months. This led to cautious easing of restrictions for business operations, and the ultimate gradual recovery of the economy. In its Economic Outlook update, Asian Development Bank (ADB) has projected that, with the expected decrease of the COVID-19 pandemic and the resumption of structural reforms, Pakistan may experience a broad economic recovery in the fiscal year 2021 with improving sentiment.

In order to fight COVID-19 and its negative impacts on Pakistan, PKR 1 billion, pledged by DH Corp, Engro and the Group Chairman along with his family is being deployed towards disease prevention, protecting healthcare practitioners, enabling patient care and bolstering livelihood and sustenance of the most deserving in society. Under the pledge, PKR 283 million has already been deployed. Information on how and where the funds are allocated from the pledge is open to the public and can be viewed at the pledge website <https://www.hussaindawoodpledge.com>.

The management has responded proactively during this time of crisis and has already taken the necessary steps to minimize any impact to long-term sustainability of cash flows. DH Corp's employees are back to work with all the SOPs in place as safety and health of our employees is paramount.

During the quarter, the stock market remained bullish, registering a gain of about 17.8% during the third quarter of 2020 - meanwhile the DH Corp portfolio registered a gain of 15.5% for the quarter ended 30 September 2020.

Balance funds are placed in both short and long-term money market instruments to take advantage of any volatility in policy rates. The return on these funds for the nine months, ended 30 September 2020 stood at 12.14%.

On a standalone basis, the profit after tax was PKR 1,904 million against a profit of PKR 2,685 million for the same period last year primarily due to lower dividend and interest income. However, PAT for the quarter stood at PKR 1,946 million against PKR 1,137 million for the same period last year. Earnings per share for the period was PKR 3.96 per share.

The consolidated revenue for the period ended 30 September 2020 amounts to PKR 182,506 million compared to PKR **149,401** million for the same period last year, representing an increase of 41% primarily attributable to higher revenue from Thar projects. The consolidated Profit-After-Tax (PAT) for the nine months of 2020 was PKR 29,629 million, up by 41% from the comparative period last year.

The portfolio of Engro Corporation is well-positioned to persevere through challenging times. The philosophy of operating in sectors that help solve some of Pakistan's most pressing issues implies that most of Engro's businesses are critical to day-to-day societal functioning and, hence, must continue to operate in times of lockdown.

The Fertilizer business achieved its highest ever 9-month Urea production of 1,694 KT vs 1,451 KT last year. The business was able to increase its urea market share to 35% vs 31% last year. The domestic PVC market recorded a healthy volumetric increase of 30% in Q3 2020 as a result of increased demand due to resumption of business activities coupled with the Government-announced construction package. Mining operations continued smoothly, and the mine supplied approximately 3 million tons of coal to Engro Powergen Thar during

the period. Thar power plant achieved 86% availability with a load factor of 83%. The Qadirpur power plant operates on permeate gas and is facing gas curtailment due to depletion of the Qadirpur gas field. To make up for this shortfall, the plant has been made available on mixed mode. Profitability of both LNG and Chemicals terminals remained healthy during the current period.

FUTURE OUTLOOK

We foresee an improvement in economic activity and consequently improvement in the results of our businesses and our liquidity position. It is forecast that the construction industry and associated sectors (cement, glass, steel, etc.), will experience a faster recovery. However, Government interventions related to COVID-19 are expected to play a key role in industry performance going forward.

The DH Corp portfolio is diverse enough to sustain large shocks in the medium term. The Board is keeping a close watch on what the Company will need to do to be more agile and proactive. At this stage, the impact on our businesses and results has been limited and is actually recovering. With the hopeful plateauing of the COVID-19 crisis and the recovery of the economy, we expect our business to post positive results by year end albeit lower than last year.

Technology is well poised to play a greater role in the times ahead and fortunately DH Corp is well positioned to take advantage due to the knowledge acquired and investment made in this sector.

The Board places on record its gratitude to shareholders for placing confidence in them and also acknowledges the management and employees for their sincere contributions towards the growth and prosperity of DH Corp.

Shabbir Hussain Hashmi
Director

Inam ur Rahman
Chief Executive

Dated: 27th October 2020

ڈائریکٹر زکی جائزہ روپورٹ

کمپنی کے ڈائریکٹرز نہایت مسرت کے ساتھ 30 ستمبر 2020 کو ختم ہونے والی سماں مدت کیلئے اپنی روپورٹ کے ہمراہ کمپنی کے عبوری، غیر آڈٹ شدہ، غیر اشتمال شدہ مختصر گوشوارے پیش کر رہے ہیں۔

گذشتہ 3 ماہ کے دوران پاکستان COVID-19 کی پہلی لہر سے کامیابی کے ساتھ لڑنے کے قابل رہا اور گذشتہ 3 ماہ کی مدت کے دوران COVID-19 کیسز کی تعداد میں 78 فیصد تک کمی واقع ہوئی ہے۔ اس کے نتیجے میں کاروباری سرگرمیوں پر لگی پابندیوں کو مقتضی اندماز میں نرم کرنے سے آسمانی پیدا ہو گئی، یوں معیشت کی بدتر تجسسی بحالی ممکن ہوئی۔ اپنی اقتصادی جائزہ کی تازہ ترین اپڈیٹ میں، ایشین ڈولپمنٹ بینک (ADB) نے پیش گوئی کی ہے کہ COVID-19 وباً مرض کی متوقع کمی اور اسٹرکچرل اصلاحات کے دوبارہ آغاز سے، پاکستان مالی سال 2021 میں مجموعی کاروباری اظہار یوں کو ہبہ بنا نے کے ساتھ وسیع معاشی بحالی کو یقینی بنائے گا۔

COVID-19 اور پاکستان پر اس کے منفی اثرات کے خلاف جنگ کے سلسلے میں داؤ دھر کو لیں کار پوریشن، اینگرو کار پوریشن اور گروپ چیئر میں نے اپنے فیملی مبرز کے ہمراہ ایک بلین روپے کا عطیہ دیا۔ یہ عطیہ بیمار یوں کی روک تھام، ہیلٹھ کیئنٹر کی حفاظت، مریضوں کی دلکھ بھال کو ممکن بنانے، معاش میں استحکام پیدا کرنے اور معاشرے میں انہائی مستحق افراد کی زندگی کی بحالی پر توجہ دینے کیلئے استعمال کیا جا رہا ہے۔ اس سلسلے میں اب تک 283 ملین روپے فراہم کئے جا چکے ہیں۔ ہم اس عطیہ سے فراہم کی گئی رقم کا استعمال کیسے اور کہاں کرتے ہیں اس بارے میں معلومات عموم کیلئے کھلی ہیں اور ہماری ویب سائٹ پر یقینی جا سکتی ہیں۔ <https://www.hussaindawoodpledge.com>

انتظامیہ نے بھر ان کے اس وقت میں بھر پور عمل کا اظہار کیا ہے اور کیش فلو کے طویل المدى استحکام پر کسی بھی اثر کو کم کرنے کیلئے ضروری اقدامات اٹھائے ہیں۔ کمپنی کے ملازمین تمام ایں اوپریز کے ساتھ کام کرنے پر اپس آپسے ہمارے ملازمین کی حفاظت اور صحت ہمارے لئے سب سے اہم ہے۔

حالیہ سماں کے دوران، اسٹاک مارکیٹ میں تیزی رہی، 2020 کی تیسرا سماں کے دوران تقریباً 17.8 فیصد کا اضافہ ریکارڈ کیا گیا، اسی دوران داؤ دھر کو لیں کار پوریشن کے پورٹ فلیو نے 30 ستمبر 2020 کو ختم ہونے والی سماں میں 15.5 فیصد کا اضافہ ریکارڈ کیا۔

پالیسی ریٹس میں کسی قسم کے اتار چڑھاؤ کا فائدہ اٹھانے کیلئے بیلنس فنڈ زمختصر اور طویل المدى منی مارکیٹ انسٹراؤنٹس میں رکھے گئے۔ 30 ستمبر 2020 کو ختم ہونے والے نوماہ کیلئے ان فنڈز کی شرح منافع 12.14 فیصد رہی۔

غیر اشتمال بنا دوں پر اس مدت کے دوران منافع بعد ازاں 1,904 ملین روپے رہا جبکہ گذشتہ سال اسی مدت میں 2,685 ملین روپے منافع تھا جس کی بنا دی وجہ ڈیوبیڈنڈ اور منافع کی کم آمدی رہی۔ تاہم اس مدت کیلئے بعد ازاں 1,946 ملین روپے رہا جو گذشتہ سال کی اسی مدت میں 1,137 ملین روپے تھا۔ اس مدت کیلئے فی حصہ آمدی 3.96 روپے فی شیٹ رہی۔

30 ستمبر 2020 کو ختم ہونے والی اس مدت کیلئے مجموعی آمدی 182,506 ملین روپے رہی، جو پچھلے سال کی اسی مدت کیلئے 149,401 ملین روپے تھی۔ یہ آمدی تقریباً منصوبوں سے حاصل ہونے والی آمدی میں بنا دی طور پر 41 فیصد اضافے کی نمائندگی کرتا ہے۔ 2020 کے نومہینوں کیلئے متحکم منافع بعد ازاں (PAT) 29,629 ملین روپے رہا جو گذشتہ سال کے مقابلی دورانی سے 41 فیصد زیادہ ہے۔

اینگرو کار پورٹ فولیو مشکل حالات میں مضبوط نہیا دوں پر قائم رہنے کیلئے اچھی پوزیشن کا حامل ہے۔ ایسے شعبوں میں کام کرنے کا فلسفہ جو پاکستان کے کچھ اہم مسائل کو حل کرنے میں مدد دیتا ہے، ظاہر کرتا ہے کہ اینگرو کے بیشتر کار و بار روزانہ کی معاشرتی خدمات کیلئے اہم ہیں اور اس لئے لاک ڈاؤن کے اوقات میں بھی کام جاری رہنا چاہئے۔

فریلاائزر کے کار و بار نے پچھلے سال کی 1,451 کلوٹن کے مقابلے میں اس سال سب سے زیادہ 9 ماہی یوریا پیداوار حاصل کی یعنی 1,694 کلوٹن۔ اس سال کمپنی کا یوریا کار و بار اپنے مارکیٹ شیئر کو گذشتہ سال کے 31 فیصد کے مقابلے میں 35 فیصد تک بڑھانے میں کامیاب رہا۔ مقامی پی وی سی مارکیٹ نے حکومت کے اعلان کردہ تعیراتی پیکچ کے ساتھ مل کر کار و باری سرگرمیاں دوبارہ شروع کرنے کی وجہ سے طلب میں اضافے کے نتیجے میں اپنے پیداواری جنم میں 2020 کی تیسری سہ ماہی میں 30 فیصد کا اضافہ ریکارڈ کیا۔ مائنگ آپریشنز آسٹانی سے جاری رہے، اور اس دوران مائنزر سے اینگرو پاور جنریٹریا 3 ملین ٹن کو تلفر اہم کیا گیا۔ تھر پاور پلانٹ نے 83 فیصد لوڈ فیکٹر کے ساتھ 86 فیصد دستیابی حاصل کی۔ قادر پور پاور پلانٹ پر میٹ گیس پر کام کرتا ہے اور اسے قادر پور گیس فیلڈ بند ہونے کی وجہ سے گیس کی قلت کا سامنا ہے۔ اس کی کوپورا کرنے کے لئے، پلانٹ کو مغلوط طرز پر دستیاب کر دیا گیا ہے۔ موجودہ مدت کے دوران ایل این جی اور کمیکلز دونوں ٹرینینگز کا منافع محنت مندر ہا۔

مستقبل کا جائزہ

ہم اقتصادی سرگرمیوں میں بہتری اور اس کے نتیجے میں اپنے کار و بار کے نتائج اور ان کی لیکوئیٹی پوزیشن میں بہتری کی پیش گوئی کرتے ہیں۔ تعمیراتی صنعت اور اس سے وابستہ شعبے (سینٹ، شیشه، اسٹیل وغیرہ) میں تیزی سے بحالی کی پیش گوئی کی گئی ہے۔ تاہم، توقع کی جاتی ہے کہ COVID-19 سے متعلق حکومتی اقدامات، انڈسٹری کی کارکردگی کی ترقی میں کلیدی کردار ادا کریں گے۔

داود ہر کو لیس کار پورٹ فولیو کے درمیانی ٹرم میں بڑے جھٹکے برداشت کرنے کیلئے کافی متنوع ہے۔ بورڈ اس امر پر گہری نظر رکھے ہوئے ہے کہ کمپنی کو اپنے کار و باری میدان میں مزید متحرک ہونے کیلئے کیا کرنے کی ضرورت ہے۔ اس مرحلے پر، ہمارے کار و بار اور نتائج پر اثر محدود ہے اور دراصل میں وہ بہتری کی طرف گامزن ہیں۔ COVID-19 کی خاتمے کی امید اور معیشت اور مارکیٹ کی بحالی کی امید کے ساتھ ہم توقع کرتے ہیں کہ ہمارے کار و بار میں پچھلے سال کے مقابلے میں اس سال کے آخر تک ثابت نتیجہ برآمد ہو گا۔

ٹکنالوجی آنے والے وقت میں زیادہ سے زیادہ کردار ادا کرنے کے لئے اچھی طرح تیار ہے اور خوش قسمتی سے داود ہر کو لیس کار پورٹ فولیو اس شعبے میں حاصل کر دہ تجربے اور سرمایہ کاری کی وجہ سے فائدہ اٹھانے کی بہترین پوزیشن میں ہے۔

بورڈ اپنے تمام شیئر ہولڈر زس سے ان کے اعتماد اور حمایت کیلئے اظہار تشکر کرتا ہے۔ ہم کمپنی کی ترقی و خوشحالی کیلئے مغلصانہ کاوشوں پر کمپنی کی انتظامیہ اور ملازم میں کا شکریہ بھی ادا کرتے ہیں۔

DAWOOD HERCULES CORPORATION LIMITED

UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED

SEPTEMBER 30, 2020

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2020

	Note	Unaudited September 30, 2020	Audited December 31, 2019
----- (Rupees in '000) -----			
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	5	69,977	91,073
Right-of-use assets		41,869	75,560
Long term investments	6	24,914,741	24,698,293
		25,026,587	24,864,926
CURRENT ASSETS			
Advances, deposits and prepayments		20,485	56,695
Dividend receivable		1,715,945	-
Other receivables		92,609	76,694
Accrued mark-up		144,358	332,881
Short term investments	7	13,316,922	16,589,381
Cash and bank balances		1,373,908	337,103
		16,664,227	17,392,754
TOTAL ASSETS		41,690,814	42,257,680
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital		10,000,000	10,000,000
Issued, subscribed and paid up share capital		4,812,871	4,812,871
Revenue reserves		25,330,394	26,790,852
		30,143,265	31,603,723
NON CURRENT LIABILITIES			
Long term financings		5,553,090	7,258,850
Lease liabilities		20,048	54,993
Defined benefit liabilities		4,432	5,666
Deferred tax liability		49,306	98,964
		5,626,876	7,418,473
CURRENT LIABILITIES			
Current portion of long term financings		2,240,000	2,240,000
Current portion of lease liabilities		35,467	36,551
Trade and other payables		121,639	73,375
Unclaimed dividend		127,886	135,980
Unpaid dividend		2,406,436	-
Accrued mark-up		65,118	141,667
Taxation - net		924,127	607,911
		5,920,673	3,235,484
		11,547,549	10,653,957
TOTAL EQUITY AND LIABILITIES		41,690,814	42,257,680
CONTINGENCIES AND COMMITMENTS	8		

The annexed notes 1 to 15 form an integral part of these unconsolidated condensed interim financial statements.

Inam ur Rahman
Chief Executive

Mohammad Shamoon Chaudry
Chief Financial Officer

Shabbir Hussain Hashmi
Director

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED)

FOR THE QUARTER AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020

Note	Quarter Ended		Nine Months Period Ended	
	September 30, 2020		September 30, 2019	
----- (Rupees in '000) -----				
Return on investments	9	2,805,352	2,128,094	4,199,528
Administrative expenses		(226,863)	(215,768)	(738,672)
Gross profit		2,578,489	1,912,326	3,460,856
Other (expense) / income - net		5,029	140	2,971
Operating profit		2,583,518	1,912,466	3,463,827
Finance costs		(183,384)	(377,670)	(813,016)
Profit before taxation		2,400,134	1,534,796	2,650,811
Taxation		(453,693)	(397,709)	(747,179)
Profit / (loss) after taxation		1,946,441	1,137,087	1,903,632
Earnings / (loss) per share (Rupees) - basic and diluted	10	4.04	2.36	3.96
				5.58

The annexed notes 1 to 15 form an integral part of these unconsolidated condensed interim financial statements.

Inam ur Rahman
Chief Executive

Mohammad Shamoon Chaudry
Chief Financial Officer

Shabbir Hussain Hashmi
Director

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF TOTAL COMPREHENSIVE INCOME (UN-AUDITED)

FOR THE QUARTER AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020

	Quarter Ended	Nine Months Period Ended	
	September 30, 2020	September 30, 2019	September 30, 2020
	----- (Rupees in '000) -----		
Profit / (loss) after taxation	1,946,441	1,137,087	1,903,632
Other comprehensive income for the period			
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurements of post-retirement benefits liability	-	4,920	(2,367)
Total comprehensive income / (loss) for the period	1,946,441	1,137,087	1,908,552
			2,682,338

The annexed notes 1 to 15 form an integral part of these unconsolidated condensed interim financial statements.

Inam ur Rahman
Chief Executive

Mohammad Shamoon Chaudry
Chief Financial Officer

Shabbir Hussain Hashmi
Director

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020

	Revenue reserves				
	Issued, subscribed and paid up share capital	General reserve	Un-appro- priated profit	Sub-total	Total
(Rupees in '000)					
Balance as at January 1, 2019	4,812,871	700,000	29,451,555	30,151,555	34,964,426
Total comprehensive Income					
Profit for the period	-	-	2,684,705	2,684,705	2,684,705
Other comprehensive income	-	-	(2,367)	(2,367)	(2,367)
Total comprehensive income for the period	-	-	2,682,338	2,682,338	2,682,338
Transaction with owners					
Final cash dividend @ 40% for the year ended December 31, 2018 (Rs 4 per ordinary share)	-	-	(1,925,148)	(1,925,148)	(1,925,148)
Interim cash dividend @ 50% for the year ended December 31, 2019 (Rs 5 per ordinary share)	-	-	(2,406,436)	(2,406,436)	(2,406,436)
Interim cash dividend @ 30% for the year ended December 31, 2019 (Rs 3 per ordinary share)			(1,443,861)	(1,443,861)	(1,443,861)
Balance as at September 30, 2019	4,812,871	700,000	26,358,448	27,058,448	31,871,319
Balance as at January 1, 2020	4,812,871	700,000	26,090,852	26,790,852	31,603,723
Total comprehensive Income					
Loss for the period	-	-	1,903,632	1,903,632	1,903,632
Other comprehensive income	-	-	4,920	4,920	4,920
Total comprehensive loss for the period	-	-	1,908,552	1,908,552	1,908,552
Interim cash dividend @ 20% for the year ending December 31, 2020 (Rs 2 per ordinary share)	-	-	(962,574)	(962,574)	(962,574)
Interim cash dividend @ 50% for the year ending December 31, 2020 (Rs 5 per ordinary share)			(2,406,436)	(2,406,436)	(2,406,436)
Balance as at September 30, 2020	4,812,871	700,000	24,630,394	25,330,394	30,143,265

The annexed notes 1 to 15 form an integral part of these unconsolidated condensed interim financial statements.

Inam ur Rahman
Chief Executive

Mohammad Shamoon Chaudry
Chief Financial Officer

Shabbir Hussain Hashmi
Director

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020

	Note	Nine Months Period Ended	
		September 30, 2020	September 30, 2019
----- (Rupees in '000) -----			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (utilised in) / generated from operations	11	(611,426)	854,820
Finance cost paid		(869,040)	(995,466)
Taxes paid		(480,621)	(549,953)
Employees retirement and other service benefits paid		(10,389)	(2,882)
Net cash utilised in operating activities		(1,971,476)	(693,481)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(8,979)	(12,598)
Interest received on bank deposits and investments		1,391,480	1,747,010
Proceeds from disposal of property, plant and equipment		312	3,134
Long term investments made		(216,448)	(1,329,282)
Short term investment purchased and redeemed - net		2,897,021	(6,638,968)
Dividends received		1,560,789	1,925,776
Net cash generated from / (utilised in) investing activities		5,624,175	(4,304,928)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financings repaid		(1,720,000)	(1,120,000)
Lease rentals paid during the period		(25,227)	-
Dividends paid		(970,668)	(5,753,680)
Net cash utilised in financing activities		(2,715,895)	(6,873,680)
Net increase / (decrease) in cash and cash equivalents		936,805	(11,872,089)
Cash and cash equivalents at the beginning of the period		7,337,103	21,731,666
Cash and cash equivalents at the end of the period	12	8,273,908	<u>9,859,577</u>

The annexed notes 1 to 15 form an integral part of these unconsolidated condensed interim financial statements.

Inam ur Rahman
Chief Executive

Mohammad Shamoon Chaudry
Chief Financial Officer

Shabbir Hussain Hashmi
Director

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020

1. THE COMPANY AND ITS OPERATIONS

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

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

- 2.1 These unconsolidated condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:
 - (a) International Accounting Standard(IAS)34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 (the Act); and
 - (b) Provisions of and directives issued under the Act.Where the provisions of, and directives issued under the Act differ with the requirements of IAS 34, the provisions of and directives issued under the Act have been followed.
- 2.2 These unconsolidated condensed interim financial statements should be read in conjunction with the unconsolidated audited financial statements of the Company for the year ended December 31, 2019 (December 2019 / unconsolidated financial statements) as these provide an update of previously reported information.
- 2.3 These unconsolidated condensed interim financial statements include the unconsolidated condensed interim statement of financial position as at September 30, 2020 and the unconsolidated condensed interim statement of profit or loss, the unconsolidated condensed interim statement of total comprehensive income, the unconsolidated condensed interim statement of changes in equity, the unconsolidated condensed interim statement of cash flows and notes thereto for the nine months period then ended. These unconsolidated condensed interim financial statements also include the unconsolidated condensed interim statement of profit or loss and the unconsolidated condensed interim statement of total comprehensive income for the quarter ended September 30, 2020.
- 2.4 The comparative statement of financial position presented in these unconsolidated condensed interim financial statements as at December 31, 2019 has been extracted from December 2019 unconsolidated financial statements of the Company for the year ended December 31, 2019. The comparative unconsolidated condensed interim statement of profit or loss, unconsolidated condensed interim statement of total comprehensive income, unconsolidated condensed interim statement of changes in equity and unconsolidated condensed interim statement of cash flows for the nine months period ended September 30, 2019 have been extracted from the unconsolidated condensed interim financial statements of the Company for the nine months period then ended. The comparative condensed interim statement of profit or loss and condensed interim statement of total comprehensive income for the quarter ended September 30, 2019 are also included in these unconsolidated condensed interim financial statements.

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020

2.5 Significant accounting policies

2.5.1 The accounting policies and the methods of computation adopted in the preparation of these unconsolidated condensed interim financial statements are consistent with those applied in the preparation of December 2019 unconsolidated financial statements, except relating to the matters stated in notes 2.5.2 and 2.5.3 below.

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

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

There are certain amendments to published standards and interpretations that become applicable to the Company during the current period. These did not have any significant effect on the Company financial reporting and operations and are, therefore not disclosed in these unconsolidated condensed interim financial statements.

2.5.4 Standard, amendments to published accounting standards and an interpretations that are not yet effective.

There is a new standard, certain amendments and an interpretation to the accounting and reporting standards that will be mandatory for the Company's annual accounting periods beginning on or after January 1, 2021. However, the standard, amendments and interpretation will not have any significant impact on the financial reporting of the Company and, therefore, have not been disclosed in these unconsolidated condensed interim financial statements.

3. SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

During the preparation of these unconsolidated condensed interim financial statements, significant judgments made by management in applying the Company's accounting policies and the key sources of estimating were same as those that were applied in the December 2019 unconsolidated financial statements.

The financial risk management objectives and policies are consistent with those disclosed in the December 2019 unconsolidated financial statements.

4. SEASONALITY OF OPERATIONS

The principal activity of the Company is to manage investments including in its subsidiaries 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 subsidiaries and associated companies regarding the declaration and approval of dividends. Whereas the majority of costs of the Company are fixed and hence are more evenly spread throughout the year.

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020

	Note	Unaudited September 30, 2020	Audited December 31, 2019
----- (Rupees in '000) -----			
5. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets (WDV) - opening balance		91,073	137,107
Add: Additions during the period / year	5.1	8,979	21,151
		100,052	158,258
Less: Disposals during the period / year (WDV)		8,201	31,268
Depreciation charged during the period / year		21,874	35,917
Operating fixed assets (WDV) - closing balance		69,977	91,073
 5.1 Additions during the period		 Unaudited September 30, 2020	 Unaudited September 30, 2019
Furniture, fittings and equipment		1,196	5,617
Vehicles		2,974	3,058
Data processing equipment		4,809	3,923
		8,979	12,598
 5.2 Disposals during the period - net book value			
Furniture, fittings and equipment		1,732	102
Vehicles		-	30,881
Leasehold improbvements		6,308	
Data processing equipment		161	35
		8,201	31,018
 6. LONG TERM INVESTMENTS			
Investment in subsidiaries - at cost	6.1	23,408,927	23,308,927
Government securities - Pakistan			
Investment Bonds - at amortised cost	6.2	1,505,814	1,389,366
Other investment - at fair value through profit or loss	6.3	 24,914,741	 -
 6.1 Investment in subsidiaries - at cost			
Engro Corporation Limited (ECL) - quoted			
214,469,810 (December 31, 2019: 214,469,810) ordinary shares of Rs 10 each. Percentage of holding 37.22% (December 31, 2019: 37.22%)	6.1.1 & 6.1.2	23,308,927	23,308,927
Empiric AI (Private) Limited (EAPL) - unquoted			
9,999,998 (December 31, 2019: Nil) Percentage of holding 100% ordinary shares of Rs 10 each.	6.1.3	 100,000 23,408,927	 - 23,308,927

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020

6.1.1 The market value of investment in ECL as at September 30, 2020 was Rs 64,561.847 million (December 31, 2019: Rs 74,045.702 million).

6.1.2 The details of shares pledged as security are as follows:

Bank	As at September 30, 2020			As at September 30, 2019		
	Number of shares pledged	Face value of pledged shares	Market value of pledged shares	Number of shares pledged	Face value of pledged shares	Market value of pledged shares
-----(Rupees in '000) -----			-----(Rupees in '000) -----			
Pledged in favour of Fatima Fertilizer Company Limited against potential liabilities of DH Fertilizer Limited						
Meezan Bank Limited - as agent	10,491,800	104,918	3,158,347	10,491,800	104,918	2,800,157
Pledged in favor of JS Bank Limited against issuance of Sukusks						
JS Bank Limited	66,256,039	662,560	19,945,055	78,271,975	782,720	20,890,007

6.1.3 On May 19, 2020, the Company incorporated a wholly owned subsidiary, Empiric AI (Private) Limited (EAPL). The Company's two nominees hold 2 ordinary shares of EAPL. EAPL's business comprises of analysing potential opportunities and making available digital and technology services and products inside and outside Pakistan.

6.2 At amortised cost	Note	Unaudited	Audited
		September 30, 2020	December 31, 2019
Government securities - Pakistan Investment Bonds (PIBs)	7.2.1	1,505,814	1,389,366

6.2.1 These securities have original tenor of 3 years and are maturing on June 19, 2023. The yield on these securities is 8.27% per annum.

6.3 Other investment - at fair value through profit or loss	Note	Unaudited	Audited
		September 30, 2020	December 31, 2019
e2e Business Enterprises (Private) Limited-unquoted [23,770,701 (December 31, 2019: 11,664,633) ordinary shares of Rs 10 each]	6.3.1	237,707	116,646
Less: Accumulated impairment		(237,707)	(116,646)

Percentage of holding 39.00% (December 31, 2019: 19.14%).

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020

6.3.1 The Company had made aggregate investment amounting to Rs 238 million during the years 2013 and 2014 in e2e Business Enterprises (Private) Limited (e2eBE) representing an equity interest of 39%. e2eBE was set up for the production, sale and marketing of Rice Bran Oil (RBO) and commercial operations were planned to start in year 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 financial and liquidity issues, it has not been able to service its outstanding loans and working capital requirements.

The Company had disposed of part of its shareholding i.e. 19.86% in e2eBE during the year 2015. However, the said disposal had not been recorded by e2eBE in its register of members. The Company had informed the Securities and Exchange Commission of Pakistan (the SECP) in this respect through its letters dated May 12, 2016 and January 22, 2018.

In view of the pending registration of the transfer of shares in the name of the transferee, during the period the Company, on the basis of legal advice, had entered into an agreement dated May 8, 2020 with the transferee whereby it was agreed to reverse the original share sale-purchase transaction in a manner that the disposed 19.86% shares shall revert to the Company as if those were never held or sold to the transferee. Accordingly, the sales proceeds amounting to Rs 2 million received by the Company for against the disposal of 19.86% shares in e2eBE were returned to the transferee. In this regard, the Company had through its letter dated April 10, 2020 withdrawn its complaints lodged with the SECP against e2eBE related to its failure to transfer 19.86% shares in the name of the transferee. Further, an intimation to this effect has been made to e2eBE through the Company's letter dated May 15, 2020.

Further, the Company has assessed the carrying amount of its investment in e2eBE in accordance with the requirements of the applicable accounting standard and the investment has been fully impaired as the possibility of start of e2eBE operations is considered remote.

Note	Unaudited September 30, 2020	Audited December 31, 2019
	----- (Rupees in '000) -----	

7. SHORT TERM INVESTMENTS

At amortised cost

- Term Deposit Receipts (TDRs)	7.1 & 7.2	8,418,000	10,457,700
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At fair value through profit and loss

- Market Treasury bills (T-Bills)	-	1,831,299
- Quoted shares	4,898,922	4,300,382
	13,316,922	16,589,381

7.1 These carry profit ranging from 7.10% to 12.00% per annum (December 31, 2019: 8.75% to 14.25% per annum).

7.2 As of September 30, 2020, the Company held TDR with a commercial bank carrying profit at the rate of 7.10% per annum. The TDR is due to mature on April 27, 2021. The Bank has marked lien over this TDR against Corporate Credit Card facilities.

8. CONTINGENCIES AND COMMITMENTS

8.1 There has been no significant change in the status of matters stated in notes 16.1 to 16.2 to the December 2019 unconsolidated financial statements, except for the fact the matter disclosed in note 9.2 below.

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020

8.2 During the period on June 18, 2020, the Company received an income tax demand amounting to Rs 201.196 million in relation to the tax year 2019. Out of such demand, an amount of Rs 92 million seems an apparent error for which a rectification application has been submitted to the tax authorities against which order is awaited as yet. The remaining demand of Rs 109 million was made to the Company as the taxation authorities are of the view that the Company's interest income does not meet the criteria of the 'income from business' and should be treated as 'income from other sources'. As a result of which the common expenses incurred by the Company cannot be allocated to 'income from other sources' resulting in increased tax liability. However, the Company is of the view that the earning interest / money market income is one of the principal revenue streams of the Company and should be treated as 'income from business'. An appeal has been filed by the Company before the Commissioner Inland Revenue (Appeals), the decision of which is pending to date. The Company in view of the tax consultant's advice is expecting a favourable outcome of the appeal. However, on a prudent basis tax charge amounting to Rs 109 million has been recorded in these unconsolidated condensed interim financial statements.

	Note	Quarter Ended		Nine Months Period Ended	
		September 30, 2020		September 30, 2019	
		(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
9. RETURN ON INVESTMENTS					
				(Rupees in '000)	
Dividend income	9.1	1,718,770	1,739,917	3,276,734	3,662,121
Interest income	9.2	323,639	576,505	1,128,942	1,749,295
Others	9.3	762,943	(188,328)	(206,148)	(204,955)
		2,805,352	2,128,094	4,199,528	5,206,461
9.1 Dividend income					
Subsidiary - Engro Corporation Limited		1,715,758	1,715,758	3,217,047	3,606,992
Other investments on quoted shares		3,012	24,159	59,687	55,129
		1,718,770	1,739,917	3,276,734	3,662,121
9.2 Interest income					
Income on T-Bills		88,099	346,188	354,775	1,022,351
Return on TDRs		129,254	210,625	569,402	612,852
Income on PIBs		103,550	54,821	191,866	85,695
Profit on saving accounts		2,736	(35,129)	12,899	28,397
		323,639	576,505	1,128,942	1,749,295
9.3 Others					
Gain on sale of quoted shares		84,958	-	124,908	4,061
Unrealised loss on quoted shares		677,985	(188,328)	(331,056)	(209,016)
		762,943	(188,328)	(206,148)	(204,955)

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020

10. EARNINGS PER SHARE

	Quarter Ended	Nine Months Period Ended	
	September 30, 2020	September 30, 2019	September 30, 2020
	(Rupees in '000)		
Profit after taxation	<u>1,946,441</u>	1,137,087	<u>1,903,632</u>
Weighted average number of ordinary shares outstanding during the period	<u>481,287,116</u>	481,287,116	<u>481,287,116</u>
Earnings per share	<u>4.04</u>	2.36	<u>3.96</u>
		----- (Rupees in '000) -----	
	5.58		

11. CASH (UTILISED IN) / GENERATED FROM OPERATIONS

	Note	Nine Months Period Ended	
		September 30, 2020 (Un-audited)	September 30, 2019 (Un-audited)
Profit before taxation		2,650,811	3,604,120
Adjustments for non cash expenses and other items:			
Depreciation on property, plant and equipment		21,874	27,927
Depreciation on right-of-use assets		17,172	-
Finance cost		812,641	1,034,652
Return on investments		(4,199,528)	(5,206,461)
Provision for staff retirement and other service benefits		9,155	4,462
Loss on disposal of operating fixed assets		7,890	27,884
Working capital changes	11.1	68,559	1,362,236
Cash (utilised in) / generated from operations		(611,426)	854,820

11.1 Working capital changes

Decrease in current assets			
Advances, deposits and prepayments		36,210	(18,412)
Other receivables		(15,915)	1,719,823
Increase in trade and other payables		20,295	1,701,411
		48,264	(339,175)
		68,559	1,362,236

12. CASH AND CASH EQUIVALENTS

Cash at bank	1,373,908	232,577
Short term investments	6,900,000	9,627,000
	8,273,908	9,859,577

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020

13. RELATED PARTY TRANSACTIONS

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

Significant transactions with related parties are as follows:

	Nine Months Period Ended	
	September 30, 2020 (Un-audited)	September 30, 2019 (Un-audited)
Subsidiaries		(Rupees in '000)
Reimbursement of expenses made to the Company	4,135	2,451
Reimbursement of expenses made by the Company	64,402	65,486
Dividend income	3,217,047	3,606,992
Sale of goods and services	91	-
Investment in subsidiary	100,000	-
Associated companies		
Purchase of goods & services	25,980	25,436
Sale of services	11,543	10,966
Reimbursement of expenses made to associates	13,255	1,750
Reimbursement of expenses made by associates	37,428	36,703
Donation	152,980	55,395
Waived late payment surcharge	175	-
Dividend paid	221,219	1,172,703
Other related parties		
Membership fee and other subscriptions	-	2,360
Purchase of services	563	1,715
Contribution to staff gratuity fund	9,155	4,462
Contribution to staff provident fund	8,780	9,475
Reimbursement of expenses from the Company	204	-
Sale of goods and services	5,081	-
Other payments	-	209
Key management personnel		
Salaries and other short term employee benefits	241,866	301,312
Directors' fee	13,750	8,000
Post retirement benefit plans	3,680	4,857
Dividend paid	137,760	811,975
Loss on sale of an item of operating fixed asset	-	30,132

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020

14. GENERAL

- 14.1 All financial information has been rounded to the nearest thousand of rupees, except as otherwise stated.
- 14.2 These unconsolidated condensed interim financial statements were authorised for issue by the Board of Directors on October 27, 2020.

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

The Board of Directors in its meeting held on October 27, 2020 approved an interim cash dividend of Rs 2 per share amounting to Rs 963 million for the nine months period ended September 30, 2020. (Rs 5 per share amounting to Rs 2406 million for the nine months period ended September 30, 2019) These unconsolidated condensed interim financial statements do not recognise the proposed interim dividend from unappropriated profit as it has been declared subsequent to the reporting date.

Inam ur Rahman
Chief Executive

Mohammad Shamoon Chaudry
Chief Financial Officer

Shabbir Hussain Hashmi
Director

DAWOOD HERCULES CORPORATION LIMITED

CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED

SEPTEMBER 30, 2020

CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2020

	Note	Consolidated	
		Unaudited September 30, 2020	Audited December 31, 2019
----- (Rupees in '000) -----			
ASSETS			
Non-current assets			
Property, plant and equipment	5	261,111,299	253,465,387
Right-of-use assets		4,912,894	4,926,781
Intangible assets		5,615,602	5,461,267
Deferred taxation		255,081	228,024
Long term investments	6	32,534,751	37,273,516
Net investment in lease		47,054,806	45,563,942
Financial asset at amortized cost		4,830,000	-
Long term loans and advances		2,093,643	3,305,027
		358,408,076	350,223,944
Current assets			
Stores, spares and loose tools		9,836,456	7,637,331
Stock-in-trade		17,334,362	19,913,340
Trade debts		54,059,774	51,816,893
Loans, advances, deposits and prepayments		6,513,595	4,925,076
Other receivables		16,390,666	17,299,368
Accrued Income		564,654	817,106
Contract asset		4,532,353	5,313,283
Current portion of net investment in lease		3,341,098	2,543,927
Dividend receivable		187	-
Short term investments		104,115,146	90,593,525
Cash and bank balances		25,236,340	21,229,837
		241,924,631	222,089,686
Asset classified as held for sale		1,325,595	1,325,595
TOTAL ASSETS		601,658,302	573,639,225

CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2020

	Note	Unaudited September 30, 2020	Audited December 31, 2019
----- (Rupees in '000) -----			
EQUITY AND LIABILITIES			
Equity			
Share capital		4,812,871	4,812,871
Revaluation reserve on business combination		5,463	5,463
Maintenance reserve		60,117	60,117
Exchange revaluation reserve		357,377	226,682
Hedging reserve		(11,261)	(10,980)
General reserve		700,000	700,000
Unappropriated profit		60,282,442	58,265,869
Remeasurement of investments		8,334	-
Remeasurement of post-employment benefits		(34,157)	(39,077)
		61,368,315	59,208,074
Non-controlling interest		66,181,186	64,020,945
		157,887,511	144,023,629
Total Equity		224,068,697	208,044,574
Liabilities			
Non-current liabilities			
Borrowings		150,403,014	145,858,867
Deferred taxation		13,838,542	13,498,354
Lease liabilities		51,000,503	50,996,209
Deferred liabilities		2,403,627	2,344,875
		217,645,686	212,698,305
Current liabilities			
Trade and other payables	7	105,806,416	103,382,190
Accrued interest / mark-up		3,466,595	3,457,429
Current portion of :			
- borrowings		23,516,964	22,096,424
- lease liabilities		5,409,599	4,443,548
- deferred liabilities		588,139	430,358
Taxes payable		5,807,516	3,438,915
Short term borrowings		9,541,612	15,511,348
Unclaimed dividends		507,095	135,980
Unpaid dividend		5,299,983	-
Derivative financial instruments		-	154
		159,943,919	152,896,346
Total Liabilities		377,589,605	365,594,651
Contingencies and Commitments	8		
TOTAL EQUITY AND LIABILITIES		601,658,302	573,639,225

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

Inam ur Rahman
Chief Executive

Mohammad Shamoon Chaudry
Chief Financial Officer

Shabbir Hussain Hashmi
Director

CONSOLIDATED CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UNAUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

(Amounts in thousand except for earnings per share)

	Note	Quarter Ended		Nine Months Ended	
		September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
		----- (Rupees) -----			
Net sales		75,333,480	63,411,459	182,505,534	149,400,575
Cost of sales		(53,512,499)	(43,901,199)	(127,796,052)	(104,911,349)
Gross profit		21,820,981	19,510,260	54,709,482	44,489,226
Selling and distribution expenses		(2,352,657)	(1,911,804)	(5,528,201)	(5,009,066)
Administrative expenses		(2,036,177)	(2,324,270)	(5,481,340)	(5,052,251)
		17,432,147	15,274,186	43,699,941	34,427,909
Other income		2,965,747	4,328,209	9,877,979	11,903,804
Other operating expenses		(226,538)	(975,515)	(4,026,726)	(3,718,385)
Finance cost		(2,861,115)	(5,095,408)	(14,755,776)	(10,396,311)
Share of income from associates & joint ventures		803,938	472,437	1,947,034	1,162,624
Profit before taxation		18,114,179	14,003,909	36,742,452	33,379,641
Taxation	9	(2,438,039)	(4,178,156)	(7,112,501)	(12,415,065)
Profit for the period		15,676,140	9,825,753	29,629,951	20,964,576
Profit attributable to:					
- Owners of the Holding Company		3,588,751	1,710,371	5,385,582	3,925,850
- Non-controlling interest		12,087,389	8,115,382	24,244,369	17,038,726
		15,676,140	9,825,753	29,629,951	20,964,576
Earnings per share - basic and diluted	10	7.46	3.55	11.19	8.16

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

Inam ur Rahman
Chief Executive

Mohammad Shamoon Chaudry
Chief Financial Officer

Shabbir Hussain Hashmi
Director

CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020

	Quarter Ended	Nine Months Ended
	September 30, 2020	September 30, 2019
	----- (Rupees in '000) -----	----- (Rupees in '000) -----
Profit for the period	15,676,140	9,825,753
Other comprehensive income		29,629,951
Items that may be reclassified subsequently to profit or loss		20,964,576
Hedging reserve - cash flow hedges		
- Losses arising during the period	-	-
- Reclassification adjustments for losses included in profit or loss	(320)	(282,176)
	(320)	(220)
	(309,870)	(282,396)
Revaluation reserve on business combination	10,058	-
Exchange differences on translation of foreign operations	-	(5,252)
Income tax relating to:		
- Hedging reserve - cash flow hedges	-	-
- Revaluation reserve on business combination	(2,917)	(97,245)
	(2,917)	(102,497)
Items that will not be reclassified to profit or loss		
Remeasurement of post employment benefits obligation	-	81,833
	-	1,681
	(2,917)	83,514
	-	-
	-	-
	4,920	(2,367)
Total Comprehensive income for the period	(353,671)	(301,379)
	15,322,469	9,524,374
Total comprehensive income attributable to:		377,698
- Owners of the Holding Company	3,463,597	1,676,133
- Non-controlling interest	11,858,872	7,848,241
	15,322,469	9,524,374
	30,007,649	311,586
	30,007,649	21,276,162

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

Inam ur Rahman
Chief Executive

Mohammad Shamoon Chaudry
Chief Financial Officer

Shabbir Hussain Hashmi
Director

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

	Attributable to owners of the Holding Company											Total	
	Share capital	Revaluation reserve on business combination	Maintenance reserve	Capital reserves		Revenue reserves							
				Exchange revaluation reserve	Hedging reserve	General reserve	Unappropriated Profit	Remeasurement of investments	Remeasurement of post employment benefits - Actuarial gain / (loss)	Sub total	Non-Controlling Interest		
(Rupees in '000)													
Balance December 31, 2018 (audited) / January 01, 2019	4,812,871	9,261	60,117	147,583	(10,980)	700,000	61,197,392	-	(30,023)	66,886,221	134,856,918	201,743,139	
Total comprehensive income / (loss) for the nine months ended September 30, 2019 (unaudited)													
Profit for the period							3,925,850			3,925,850	17,038,726	20,964,576	
Other comprehensive income				102,353	10,332				(2,367)	107,470	204,116	311,586	
							3,925,850			4,033,320	17,242,842	21,276,162	
Transaction with owners													
Dividend by subsidiaries allocable to Non-Controlling interest											(12,003,696)	(12,003,696)	
Shares issued during the period - net of transaction cost											2,532,804	2,527,058	
Preference shares issued during the period - net of transaction cost											1,229,759	1,229,759	
Advance against issue of share capital											1,031,430	1,031,430	
Final cash dividend for the year ended December 31, 2018: 40% (Rs 4 per ordinary share)							(5,746)					(1,925,148)	
Interim cash dividend for the year ended December 31, 2019: 50% (Rs 5 per ordinary share)												(2,406,436)	
Interim cash dividend for the year ended December 31, 2019: 30% (Rs 3 per ordinary share)												(1,443,861)	
Balance as at September 30, 2019 (unaudited)	4,812,871	6,413	60,117	249,936	(648)	700,000	59,342,051			(32,390)	65,138,350	144,890,057	212,434,843
Balance December 31, 2019 (audited) / January 01, 2020	4,812,871	5,463	60,117	226,682	(10,980)	700,000	58,265,869		(39,077)	64,020,945	144,023,629	208,044,574	
Total Comprehensive income / (loss) for the Nine months ended September 30, 2020 (unaudited)													
Profit for the period													
Other comprehensive income				130,695	(281)		5,385,582		8,334	4,920	5,385,582	24,244,369	
												29,629,951	
Transaction with owners													
Dividend by subsidiaries allocable to Non-Controlling interest				130,695	(281)		5,385,582		8,334	4,920	5,529,250	24,478,399	
Interim cash dividend @ 20% for the year ending December 31, 2020 (Rs 2 per ordinary share)												(10,614,517)	
Interim cash dividend @ 50% for the year ending December 31, 2020 (Rs 5 per ordinary share)												(962,574)	
Balance as at September 30, 2020	4,812,871	5,463	60,117	357,377	(11,261)	700,000	60,282,442	8,334	(34,157)	66,181,186	157,887,511	224,068,697	

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

Inam ur Rahman
Chief Executive

Mohammad Shamoon Chaudry
Chief Financial Officer

Shabbir Hussain Hashmi
Director

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

	Note	Nine Months Ended	
		September 30, 2020	September 30, 2019
----- (Rupees in '000) -----			
Cash flows from operating activities			
Cash generated from operations	11	50,203,734	58,086,832
Retirement and other service benefits paid		(167,958)	(193,507)
Finance cost paid		(12,957,281)	(13,960,914)
Taxes paid		(4,469,258)	(9,702,581)
Proceeds from net investment in lease		1,934,381	-
Finance cost paid on lease liability		(2,981,217)	-
Finance income received on net investment in lease		4,108,616	-
Repayment of lease liability		(2,326,742)	-
Deferred income		(668,949)	-
Bank Balance held as margin		353,830	-
Long term loans and advances - net		178,585	(10,346)
Net cash generated from operating activities		33,207,741	34,219,484
Cash flows from investing activities			
Purchase of property, plant and equipment (PPE)		(11,270,802)	(41,402,165)
Sale proceeds on disposal of PPE		68,457	61,558
Income on deposits / other financial assets		7,631,884	9,801,381
Long term Investment made		(165,501)	(1,329,282)
Short term investment purchased and redeemed - net		14,287,730	(28,707,484)
Dividends received		329,500	844,542
Net cash generated from / (utilised in) investing activities		10,881,268	(60,731,450)
Cash flows from financing activities			
Proceeds from/repayment of borrowings - net		2,769,336	6,497,200
Repayment against Engro Islamic Rupiya Certificates		(1,423,674)	(1,000,000)
Lease rentals paid during the period		206,221	(1,140,615)
Repayment of loan by joint venture		2,625,000	-
Proceeds from issuance of shares		-	3,793,809
Advance against issuance of shares		-	1,031,430
Share issuance cost		-	(36,992)
Unclaimed dividend paid		-	-
Dividends paid		(9,269,352)	(11,442,327)
Net cash (utilised in) financing activities		(5,092,469)	(2,297,495)
Net increase/(decrease) in cash and cash equivalents		38,996,540	(28,809,461)
Cash and cash equivalents at beginning of the period		31,520,994	93,371,304
Cash and cash equivalents at end of the period	12	70,517,534	64,561,843

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

Inam ur Rahman
Chief Executive

Mohammad Shamoon Chaudry
Chief Financial Officer

Shabbir Hussain Hashmi
Director

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

1. LEGAL STATUS AND OPERATIONS

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

1.2 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	2020	2019
- Empiric AI (Private) Limited (EMPAK)	1.2.1	100	-
- Engro Corporation Limited (ECL)	37.22	37.22	

1.2.1 On May 19, 2020, the Holding Company incorporated a wholly owned subsidiary, Empiric AI (Private) Limited (EMPAK). The Holding Company's two nominees hold 2 ordinary shares of EMPAK. EMPAK is engaged in technology led businesses.

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, 2020	December 31, 2019
- Engro Energy Limited	100	100	100
- Engro Eximp Agriproducts (Private) Limited	100	100	100
- Engro Eximp FZE	100	100	100
- Engro Infiniti (Private) Limited	100	100	100
- Engro Fertilizers Limited	56.27	56.27	56.27
- Engro Polymer and Chemicals Limited	56.19	56.19	56.19
- Elengy Terminal Pakistan Limited	56	56	56

Joint Venture Company:

- Engro Vopak Terminal Limited	50	50
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Associated Company:

- FrieslandCampina Engro Pakistan Limited	39.9	39.9
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2. BASIS FOR PREPARATION

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

- International Accounting Standards (IAS) 34, Interim Financial Reporting, issued by the International Accounting

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

- Standards Board (IASB) as notified under the Companies Act, 2017: and
- Provisions of and directives issued under the Companies Act, 2017.

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

- 2.2 The preparation of these consolidated condensed interim financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.
- 2.3 During the preparation of these consolidated condensed interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation and uncertainty were the same as those that apply to the consolidated financial statements of the Group for the year ended December 31, 2019.
- 2.4 These consolidated condensed interim financial statements do not include all the information required for consolidated annual financial statements and therefore should be read in conjunction with the audited consolidated annual financial statements of the Group for the year ended December 31, 2019.
- 2.5 On 11 March 2020, the World Health Organization declared Coronavirus disease (COVID-19) a pandemic, and its spread has gained momentum. During the period, COVID-19 has spread throughout the country and lockdowns were imposed in most parts of the country. The measures taken to reduce the spread have resulted in an overall economic slowdown and disruptions to various businesses.

On March 31, 2020, the management of Engro Polymer and Chemicals Limited (EPCL), a subsidiary company, reported a foreseeable delay in the Liner Alkyl Benzene Sulphonic Acid (LABSA) and Hydrogen Peroxide, through PSX, on account of COVID-19 in Pakistan. Further, on April 23, 2020, the management of EPCL reported foreseeable delays in PVC III & VCM Debottlenecking projects through PSX and has issued Force Majeure Notices to its contractors working on these projects, on account of COVID-19 in Pakistan. Moreover, EPCL's management remains committed to these projects.

Expansion projects of EPCL were also impacted as some of the equipment deliveries and project construction work was also suspended as a precautionary measure. From May, production and sales were resumed and business has recovered well to date. Activities on expansion projects have also been resumed and work is now progressing as per the revised schedule. Based on EPCL's management assessment no impairment loss has been recognized.

Except for the above, the management of the Holding Company has evaluated and concluded that there are no material implications of COVID 19 that require specific disclosures in these consolidated condensed interim financial statements.

3. BASIS OF CONSOLIDATION

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

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

4. ACCOUNTING POLICIES

- 4.1 The significant accounting policies adopted in the preparation of these consolidated condensed interim financial statements are the same as those applied in the preparation of audited annual consolidated financial statements of the Group for the year ended December 31, 2019, except for the following:

Foreign currency transactions and translations

These consolidated condensed interim financial statements are presented in Pakistan Rupees which is the Group's functional currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at period end exchange rates are capitalized as permissible under SRO 986 (I) 2019 dated September 02, 2019 issued by the Securities and Exchange Commission of Pakistan. This SRO has granted exemption from the requirements of International Accounting Standard (IAS) 21 - 'The Effects of Changes in Foreign Exchange Rates' to the extent of Capitalisation of exchange differences to all companies that have executed their Power Purchase Agreements before January 1, 2019. Accordingly, the Group has capitalized all related exchange differences as per IAS 21 related to its power projects and has concluded that the retrospective application of this change is not material to these consolidated condensed interim financial statements.

Unaudited September 30 2020	Audited December 31, 2019
----- (Rupees in '000) -----	----- (Rupees in '000) -----

5. PROPERTY, PLANT AND EQUIPMENT

Operating assets, at net book value	232,758,219	233,566,594
Capital work in progress - Expansion and other projects	25,651,124	17,508,521
Capital spares and standby equipments	2,701,956	2,390,272
	261,111,299	253,465,387

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

Unaudited September 30 2020	Audited December 31, 2019
----- (Rupees in '000) -----	----- (Rupees in '000) -----
Land	18,524
Plant and machinery	8,659,288
Building and civil works including pipelines	1,462,344
Furniture, fixture and equipment	1,728,489
Catalyst	-
Vehicles	836,058
Jetty	-
Dredging	-
	67,617
	12,704,703
	139,912,858

- 5.2 During the period, assets costing Rs. 217,052 (December 31, 2019: Rs. 1,164,290), having net book value of Rs. 91,101 (December 31, 2019: Rs. 32,322) were disposed / written-off for Rs. 68,457 (December 31, 2019: 97,513).

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

6. LONG TERM INVESTMENTS

- 6.1 The Holding Company had made aggregate investment amounting to Rs 238 million during the years 2013 and 2014 in e2e Business Enterprises (Private) Limited (e2eBE) representing an equity interest of 39%. e2eBE was set up for the production, sale and marketing of Rice Bran Oil (RBO) and commercial operations were planned to start in year 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 financial and liquidity issues, it has not been able to service its outstanding loans and working capital requirements.

The Holding Company had disposed of part of its shareholding i.e. 19.86% in e2eBE during the year 2015. However, the said disposal had not been recorded by e2eBE in its register of members. The Holding Company had informed the Securities and Exchange Commission of Pakistan (the SECP) in this respect through its letters dated May 12, 2016 and January 22, 2018.

In view of the pending registration of the transfer of shares in the name of the transferee, during the period the Holding Company, on the basis of legal advice, had entered into an agreement dated May 8, 2020 with the transferee whereby it was agreed to reverse the original share sale-purchase transaction in a manner that the disposed 19.86% shares shall revert to the Holding Company as if those were never held or sold to the transferee. Accordingly, the sales proceeds amounting to Rs 2 million received by the Holding Company for against the disposal of 19.86% shares in e2eBE were returned to the transferee. In this regard, the Holding Company had through its letter dated April 10, 2020 withdrawn its complaints lodged with the SECP against e2eBE related to its failure to transfer 19.86% shares in the name of the transferee. Further, an intimation to this effect has been made to e2eBE through the Holding Company's letter dated May 15, 2020.

Further, the Holding Company has assessed the carrying amount of its investment in e2eBE in accordance with the requirements of the applicable accounting standard and the investment has been fully impaired as the possibility of start of e2eBE operations is considered remote.

- 6.2 During the period, Engro Energy Limited, subscribed to an additional 4,905,281 ordinary shares of Siddiqsons Energy Limited (SEL) while maintaining its percentage shareholding as at September 30, 2020 at 19%.
- 6.3 During the period, Engro Infiniti Limited, subscribed to 8,333,000 ordinary shares of TPL Trakker Ltd. at an issue price of PKR 12 per share by participation in its Initial Public Offer.

7. TRADE AND OTHER PAYABLES

7.1 Engro Fertilizers Limited (EFert)

The Honorable Supreme Court of Pakistan ("SCP") through its judgment dated August 13, 2020 ("Judgment") declared that the levy imposed under the Gas Infrastructure Development Cess ("GIDC") Act, 2015 ("the Act") is valid and in accordance with the provisions of the Constitution of Pakistan 1973. The SCP in its Judgment stated that the Government has already collected Rs. 295 billion and this amount combined with the outstanding amount would be in the vicinity of Rs. 700 billion. The SCP, therefore, issued the following directions:

- It restrained the Federal Government from collecting further GIDC until such time that the GIDC already collected and accrued (but not yet collected), is expanded on the projects listed under the Act;
- As all industrial and commercial entities which consume gas for their business activities pass on the burden to their customers, therefore, GIDC that has become due upto 31.07.2020 and has not been recovered so far shall be recovered by the Companies responsible under the Act to recover from their consumers;
- Gas companies responsible to collect GIDC under the Act should collect the unpaid GIDC (which has accrued but yet not collected) in twenty-four equal monthly installments, without the component of Late Payment Surcharge ("LPS");
- LPS shall only become payable for the delays that may occur in the payment of any of the twenty-four installments; and

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

- The Federal Government shall take all steps to commence work on the laying of the pipelines. In case, no work is carried out on the pipelines (in the manner and/or time specified in the Judgment), the purpose of levying GIDC shall be deemed to have been frustrated and the Act would become completely in-operational and considered dead for all intents and purposes.

Efert aggrieved by the Judgment has filed a review petition before the SCP. Further, after SNGPL issued an invoice for the first installment of GIDC on feed gas supplied to Efert under a fixed price gas sale and purchase agreement dated April 11, 2007 ("GSPA"), Efert also approached the Sindh High Court ("SHC") to challenge this imposition. Efert has obtained a stay order in its favour and the SHC has restrained SNGPL from taking any coercive against Efert on collecting GIDC on feed stock gas supplied to the Efert under the GSPA.

As of September 30, 2020, Efert carries a provision of Rs. 19,581 in respect of GIDC on supply of non-concessionary gas (i.e. gas other than the feed gas supplied under the GSPA). Efert has made an assessment (and as also confirmed by the legal advisor) there are reasonable chances of a favourable outcome in relation to the legal proceedings filed against SNGPL for feed gas supplied under the GSPA. Hence no provision on account of GIDC has been recorded by Efert in respect of feed gas received under the GSPA.

7.2 Engro Polymer and Chemicals Limited (EPCL)

On August 13, 2020, the Honorable Supreme Court of Pakistan announced the decision rendering the GIDC Act 2015 intra virus to the constitution and directs the Gas supply companies to recover the dues in 24 monthly instalments. EPCL, aggrieved of the decision has filed a review petition in Honorable Supreme Court against its decision.

8. CONTINGENCIES AND COMMITMENTS

8.1 Contingencies

As at September 30, 2020, there is no material change in the status of matters reported as contingencies in audited financial statements of the Group for the year ended December 31, 2019, except for the matter disclosed below:

Dawood Hercules Corporation Limited

During the period on June 18, 2020, the Holding Company received an income tax demand amounting to Rs 201.196 million in relation to the tax year 2019. Out of such demand, an amount of Rs 92 million seems an apparent error for which a rectification application has been submitted to the tax authorities against which order is awaited as yet. The remaining demand of Rs 109 million was made to the Holding Company as the taxation authorities are of the view that the Holding Company's interest income does not meet the criteria of the 'income from business' and should be treated as 'income from other sources'. As a result of which the common expenses incurred by the Holding Company cannot be allocated to 'income from other sources' resulting in increased tax liability. However, the Holding Company is of the view that the earning interest / money market income is one of the principal revenue streams of the Holding Company and should be treated as 'income from business'. An appeal has been filed by the Holding Company before the Commissioner Inland Revenue (Appeals), the decision of which is pending to date. The Holding Company in view of the tax consultant's advice is expecting a favourable outcome of the appeal. However, on a prudent basis tax charge amounting to Rs 109 million has been recorded in these consolidated condensed interim financial statements.

8.2 Commitments

Commitments in respect of capital and revenue expenditure contracted but not incurred amount to Rs. 14,436,066.

9. TAXATION

Engro Corporation Limited

- 9.1 During the period, ECL has received appeal effect orders both dated June 29, 2020 in respect of tax year 2011 and 2012 along with notices of demand amounting to Rs. 75,308 and Rs. 112,681, respectively, whereby the Deputy / Additional Commissioner Inland Revenue - Audit (ACIR) has disallowed allocation of expenses against interest income. An appeal has been filed before the Commissioner Inland Revenue (Appeals) (CIRA) against the said orders, which is pending for hearing. ECL based on the advice of its

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

tax consultant, is confident that these matters will be decided in its favor. Accordingly, no provision has been recognized in these consolidated condensed interim financial statements.

- 9.2 During the period, the ACIR through order dated June 30, 2020 amended the return for the tax year 2014 creating tax demand of Rs. 401,320 mainly on account of tax levied on capital gain on disposal of shares and inter-corporate dividend, disallowance of allocation of expenses against interest income and apportioned expenses against dividend income and capital gains. An appeal has been filed before the Commissioner Inland Revenue (Appeals) (CIRA) against the said order and stay has been obtained. ECL based on the advice of its tax consultant, is confident that these matters will be decided in its favor. Accordingly, no provision has been recognized in these consolidated condensed interim financial statements.
- 9.3 During the period, the exemption on inter-corporate dividend was restored through amendment in the Income Tax Ordinance, 2001 vide Tax Laws (Amendment) Act 2020 (Act). However, the provision granting exemption from application of withholding tax on inter-corporate dividend, as previously deleted by Finance Act 2016, has not been restored by the Act. Hence, in respect of the inter-corporate dividend received by ECL from its subsidiaries during the period, ECL has obtained stay from the High Court for stay against deduction of withholding of tax on inter-corporate dividends.
- 9.4 During the period, the petition filed by the Company against the imposition of super tax for rehabilitation of temporarily displaced persons under section 4B of the Income Tax Ordinance, 2001 for the tax years 2015 to 2019 in the Honorable High Court of Sindh was rejected vide order dated July 21, 2020. ECL in consultation with its legal and tax advisors, has filed an appeal against the decision of the Honorable High Court of Sindh in the Supreme Court of Pakistan.

Consequent to the High Court judgement, the tax authorities issued notices to ECL and subsequently framed orders for recovery of super tax for tax years 2017 to 2019 with total tax demand of Rs. 2,241,400. An appeal has been filed against these orders with the Commissioner Inland Revenue (Appeals) along with stay against recovery of demand based on certain contentious and factual grounds. The management has assessed the sufficiency of tax provision on account of super tax and considers these sufficient for the purpose.

10. EARNINGS PER SHARE - BASIC AND DILUTED

	----- (Unaudited) -----			
	Quarter Ended		Nine Months Ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
----- (Rupees in '000) -----				
There is no dilutive effect on the basic earnings per share of the Group, which is based on:				
Profit after taxation (attributable to the owners of the Holding Company)	3,588,751	1,710,371	5,385,582	3,925,850
----- (Number in '000) -----				
Weighted average number of ordinary shares	481,287	481,287	481,287	481,287

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

----- (Unaudited) -----	
Nine Months Ended	
September 30, 2020	September 30, 2019
----- (Rupees in '000) -----	

11. CASH GENERATED FROM OPERATIONS

Profit before taxation	36,742,452	33,379,641
Adjustment for non-cash charges and other items:		
Depreciation and amortization	10,599,106	8,218,150
Gain on disposal / write off of property, plant and equipment	(6,864)	13,137
Rent concession on lease liability	(44,704)	-
Gain on termination of lease	(19,463)	-
Impairment loss	132,732	-
Provision for retirement and other service benefits	127,086	376,050
Provisions, net	1,451,942	-
Income on deposits / other financial assets	(9,214,197)	(9,879,042)
Share of income from joint venture and associated companies	(1,947,034)	(1,162,624)
Dividend income	(59,687)	-
Finance cost	13,783,544	8,867,147
Finance income on net investment in lease	(4,108,616)	-
Finance cost on lease liability	2,981,217	-
Exchange gain on lease liability	3,725,055	-
Exchange loss on net investment in lease	(3,374,197)	-
(Gain) / Loss on foreign currency translations	1,148,914	1,593,510
Working capital changes (note 11.1)	<u>(1,713,552)</u>	<u>16,680,863</u>
	50,203,734	<u>58,086,832</u>

11.1 Working capital changes

(Increase) in current assets		
- Stores, spares and loose tools	(2,219,419)	(169,219)
- Stock-in-trade	2,513,916	1,513,212
- Trade debts	(6,490,631)	(21,142,729)
- Loans, advances, deposits and prepayments	(1,030,602)	(6,354,125)
- Other receivables - net	3,841,489	(254,531)
	<u>(3,385,247)</u>	<u>(26,407,392)</u>
(Decrease) / increase in current liabilities		
- Trade and other payables, including other service benefits - net	1,671,695	43,088,255
	<u>(1,713,552)</u>	<u>16,680,863</u>

12. CASH AND CASH EQUIVALENTS

Cash and bank balances	25,236,340	15,490,901
Short term investments	54,822,806	56,108,651
Short term borrowings	(9,541,612)	(7,037,709)
	70,517,534	64,561,843

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

13. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

13.1 Financial risk factors

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

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

13.2 Fair value estimation

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2)

Inputs for the asset or liability that are not based on observable market data (level 3)

	Level 1	Level 2	Level 3	Total
Assets	----- (Rupees in '000) -----			
Financial assets at fair value through profit and loss	4,898,922	22,504,857	-	27,403,779
Financial assets through other comprehensive income	-	42,645,872	-	42,645,872

There were no transfers amongst the levels during the period. Further, there were no changes in the valuation techniques during the period.

- Level 1 fair valued instruments comprise quoted shares.
- Level 2 fair valued instruments comprise treasury bills and fixed income placements which are valued using discounted cash flow model.
- The carrying value of all financial assets and liabilities reflected in these consolidated condensed interim financial statements approximate their fair value.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

14. TRANSACTIONS WITH RELATED PARTIES

Related party comprise, 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 these consolidated condensed interim financial statements, are as follows:

----- (Unaudited) -----	
Nine Months Ended	
September 30, 2020	September 30, 2019
----- (Rupees in '000) -----	

Associated companies and joint ventures

Purchases and services	36,607,297	17,330,188
Services rendered / sale of goods	16,624	10,966
Dividends received	270,000	810,000
Dividend paid	821,864	2,651,899
Payment against EPC contract	778,702	18,925,494
Interest on borrowing	1,652,467	182,428
Reimbursements from associates	167,937	198,292
Reimbursements to associates	110,158	193,960
Loan received	206,221	384,304
Loan paid	2,566,038	-
Share capital issued	-	4,560,488
Donations	323,656	129,895

Key Management Personnel

Remuneration paid to key management personnel / directors	1,744,913	1,326,690
Reimbursements to key management personnel	2,040	40,302
Dividend paid	320,947	987,593
Profit on Engro Rupiya Certificates	-	9,804
Directors' fees	106,964	60,036

Contribution for retirement benefits

502,741	608,353
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15. SEGMENT REPORTING

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

15.1 Type of segments	Nature of business
Fertilizer	Manufacture, purchase and market fertilizers.
Polymer	Manufacture, market and sell Poly Vinyl Chloride (PVC), PVC compounds, and related chemicals.
Terminal	Operates and maintains integrated liquid chemical terminal and storage farm, and LNG terminal
Power and mining	Includes Independent Power Projects (IPP).
Other operations	Includes management of investments, telecommunication infrastructure and digital and technology services.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

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

	Quarter Ended	Nine Months Ended	
	September 30, 2020	September 30, 2019	September 30, 2020
	----- (Rupees in '000) -----		
Revenue			
Fertilizer	37,435,226	27,106,188	78,138,036
Polymer	10,057,226	9,233,901	22,931,520
Food	1,281,380	1,300,771	3,807,750
Terminal	3,373,842	3,236,620	10,284,050
Power and mining	22,872,887	21,738,987	66,718,752
Other operations	4,098,887	5,134,705	8,495,323
Elimination - net	(3,785,968)	(4,339,713)	(7,869,897)
Consolidated	75,333,480	63,411,459	182,505,534
Profit for the period			
Fertilizer	7,033,842	3,372,970	11,490,682
Polymer	1,880,688	1,270,089	2,103,309
Food	128	(212,100)	46,011
Terminal	492,644	1,189,675	2,065,333
Power and mining	5,055,821	4,867,794	12,953,903
Other operations	5,996,850	4,888,211	9,792,716
Elimination - net	(4,783,833)	(5,550,886)	(8,822,003)
Consolidated	15,676,140	9,825,753	29,629,951
Assets			
Fertilizer	127,649,675	127,261,901	127,261,901
Polymer	63,908,272	57,519,217	57,519,217
Terminal	64,741,138	64,714,675	64,714,675
Power and mining	228,969,349	210,798,860	210,798,860
Other operations	154,719,567	130,753,431	130,753,431
Elimination - net	(38,329,699)	(17,408,859)	(17,408,859)
Consolidated	601,658,302	573,639,225	573,639,225

16. SEASONALITY

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

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

17. NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE

17.1 The Board of Directors of the Holding Company in its meeting held on October 27, 2020 has approved an interim cash dividend of Rs. 2 per share for the year ending December 31, 2020 (2019: Rs. 5 per share). This consolidated condensed interim financial information does not include the effect of the said interim dividend.

18. CORRESPONDING FIGURES

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

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

19. DATE OF AUTHORIZATION

This consolidated condensed interim financial information is authorized for issue on October 27, 2020 by the Board of Directors of the Holding Company.

Inam ur Rahman
Chief Executive

Mohammad Shamoon Chaudry
Chief Financial Officer

Shabbir Hussain Hashmi
Director



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