



Dawood Hercules

QUARTERLY ACCOUNTS
(UN-AUDITED)

FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2023

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COMPANY INFORMATION

Board of Directors

Mr. Hussain Dawood - Chairman
Mr. Abdul Samad Dawood - Vice Chairman
Mr. Shahzada 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. Zamin Zaidi - Director
Mr. Mohammad Shamooun Chaudry - 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. Abdul Samad Dawood - Member
Ms. Sabrina Dawood - Member
Mr. Parvez Ghias - Member

Board Investment Committee

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

Chief Financial Officer

Mr. Kamran Hanif Jangda

Company Secretary

Mr. Imran Chagani

Registered Office

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Chartered Accountants
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(Barristers at law)
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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 three months ended 31st March 2023.

Economic & Market Outlook

Global growth remained low in the first quarter of 2023 in the face of elevated inflation, escalated geopolitical tensions and rising concerns on global financial stability. Major economies in the world moved towards monetary tightening to combat inflationary pressures, with risk of global recession remaining heightened. Resultantly, global commodity prices eased from the 2022 peak amid widespread efforts to curtail demand.

Pakistan's economy grappled with inflation peaking at 35%, due to high energy prices and the depreciation of the Rupee on account of the ongoing foreign exchange crisis. The situation was further accentuated owing to the absence of the IMF program. Despite extended meetings between IMF and Pakistan, the Government was not able to sign a Staff Level Agreement (SLA) during the quarter. As a pre-requisite by IMF, the Government of Pakistan (GoP) devalued its currency by ~25% to Rs 283/USD to minimize the official interbank rate with black market. This steered an increase of remittances and exports proceeds to flow from formal channel leading Current Account Balance (CAB) to post minor decline. Moreover, political instability in the Country posed further challenges to the economy overall. In response to significant inflationary pressures and imbalances that emerged in the external sector and financial markets, State Bank of Pakistan (SBP) tightened monetary policy by 500 bps (16% to 21%). The GoP continues to take measures to successfully secure the IMF bailout package which is critical to avert a default on its foreign debt.

The stock market reflected Pakistan's deteriorating macro indicators and remained flat during Q1-2023. The benchmark-100 index making a low of 5% to 38,342 in January settled at 40,000 points; down by 1% from December 2022. Continuous production shutdowns and higher finance cost across wide range of sectors were witnessed. As a result, institutional investors switched away from equities into fixed income investments, with foreign investors, local mutual funds, and insurance companies all being net sellers. The defensive themes held up relatively well, with outperformance shown by banks, technology and fertilizer companies, while the more exposed sectors such as steel, cements, autos and pharmaceuticals saw the bulk of the selling pressure.

Business Review

During the period, DH Corp's investment in the equity market portfolio performed better than the market earning an alpha of 5.64% when compared KSE-100 index. The portfolio earned dividends worth PKR 470 million with unrealized capital gains of PKR 350 million; however, the period ended with realized losses of PKR 228 million due to rebalancing of the portfolio to align with market conditions and outlook.

On a consolidated basis, the Company's revenue grew by 10%, to PKR 97,332 million in the first quarter compared to PKR 88,369 million in Q1 2022. The consolidated Profit-After-Tax (PAT) for the quarter was PKR 8,991 million, while PAT attributable to the shareholders is PKR 1,924 million against PKR 2,779 million in the comparative period, resulting in an Earnings per Share (EPS) of PKR 4.00 compared to PKR 5.77 in same period last year. Major variance was attributable to the macroeconomic headwinds resulting in commodity cycle reversal, lower DAP demand and increasing cost pressures.

On a standalone basis, the profit after tax was PKR 414 million against PAT of PKR 109 million for the same period last year, mainly due to higher dividends and unrealized gains from the equity portfolio. Earnings per share for the period was PKR 0.86 per share compared to PKR 0.23 in same period last year.

Fertilizer business showed strong performance and recorded a revenue of PKR 43,991 million compared to PKR 36,813 million in Q1 2022, primarily driven by increase in urea price. The Company's PAT stood at PKR 4,404 million versus PKR 5,511 million in the same period last year, mainly affected by higher gas prices and lower margins on phosphate.

The Polymer business recorded a revenue of PKR 17,978 million compared to revenue of PKR 23,127 million in the same period last year. The Company's PAT stood at PKR 1,183 million against PKR 4,714 million in the same period last year, mainly attributable to commodity cycle reversal.

Mining operations continued smoothly, supplying coal to Engro Powergen Thar, Thar Energy and ThalNova Power. To meet the potential increase in demand for energy, the management has committed to initiate Phase

III of the expansion to enhance capacity to 11.4 million tons per year, approval for which has been sought from the Government of Sindh.

During the period, the Qadirpur power plant dispatched a Net Electrical Output of 262 GWH to the national grid with a load factor of 56% compared to 27% in the same period last year. The business posted a PAT of PKR 438 million for the current period as compared to PKR 151 million in same period last year due to higher capacity payments on the back of higher period weighing factor.

Engro Powergen Thar Limited dispatched 514 GWH to the national grid, compared to 610 GWH in the same period last year. Plant availability remained low primarily due to a major planned maintenance and inspection activity which typically occurs once every five years and is necessary to ensure the plant safety, reliability, and efficiency.

The LNG terminal handled 19 cargoes, in line with Q1 2022, delivering 55 bcf re-gasified LNG in to the SSGC network, accounting for ~15% of the total gas supply of the Country. The chemical terminal handled 134 KT against 381 KT during the same period last year. The decrease is mainly attributable to chemical volumes due to slowdown in economic activity pertaining to LC opening issues.

Engro Eximp Agriproducts recorded 1.3 KT basmati rice exports during the quarter versus 12.7 KT for the same period last year due to reduced procurement during the previous paddy season on account of floods in the Country. Resultantly, rice business generated revenue of USD 1.6 million through export versus USD 10.2 million in Q1 2022.

Enfrashare continued to expand its national footprint and achieved a scale of 3,488 tower sites by end of Q1 with a 1.18x tenancy ratio, catering to all four Mobile Network Operators (MNOs) in Pakistan. The business captured a market share of 52% in Built to-Suit (B2S) towers rollout during the period.

Shares Buyback - Engro

Engro Corporation Limited announced a share buyback of up to 70 million ordinary shares in December 2022, which was subsequently approved by the shareholders in the EOGM dated January 26, 2023. The said purchase of shares commenced from Feb 3, 2023, and will continue till July 25, 2023 in accordance with the regulatory guidelines of the SECP.

As of March 31, 2023, the Company has purchased 36.75 million shares under this buyback scheme.

Future Outlook

Market participants remained optimistic on re-initiation of IMF program which is expected in April-2023. The GoP is likely to secure the funding gap from friendly countries which along with IMF disbursement will reduce pressure on PKR and restart production across the sectors which were facing difficulties on imports due to LC issues. The development will lead to a possible relief rally as KSE-100 index is trading at historic cheap valuation on all metrics. Though market during the year will remain range bound owing to election year and enticing returns in fixed income market.

The equities portfolio will be managed actively and prudently with harvesting those investment ideas that have played out, while seeking new value themes as the economy recovers. The balance of the funds will be managed through government securities and bank placements.

Engro Corporation will continue to develop in verticals while making meaningful contributions to the country and stakeholders at large.

Acknowledgement

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

Shabbir Hussain Hashmi
Director

Mohammad Shamoan Chaudry
Chief Executive

Dated: April 26, 2023

ایکویٹی کے پورٹ فولیو کا انتظام سرگرمی اور دانائی سے کیا جائے گا اور سرمایہ کاری کے ایسے آئیڈیاز کام میں لائے جائیں گے جو نتیجہ خیز ثابت ہو چکے ہیں جبکہ مارکیٹ میں بہتری آنے کے ساتھ ساتھ قدر کی نئی جہتیں بھی کھوجی جائیں گی۔ باقیماندہ فنڈز سرکاری تمسکات اور بینک کے اوزاروں میں رکھا جائے گا۔

اینگروکار پوریشن بلندی کی جانب اپنا سفر جاری رکھے گی اور ملکی اقتصادیات اور اسٹیک ہولڈروں کے فائدے کے لئے نتیجہ خیز کردار ادا کرتی رہے گی۔

اظہار تشکر

غیر متزلزل بھروسہ اور اعتماد کرنے پر بورڈ، اپنے شیئر ہولڈروں کو ہدیہ تہنیت پیش کرتا ہے اور انتظامیہ اور اپنے ملازمین کا بھی شکر گزار ہے کہ کمپنی کی ترقی میں انہوں نے مخلصانہ کردار ادا کیا ہے۔

محمد شمعون چوہدری

چیف ایگزیکٹو

شبیر حسین ہاشمی

ڈائریکٹر

مورخہ 26 اپریل 2023

اینگرو پاور جین تھرمل پلانٹ نے گزشتہ برس کی اسی مدت کے دوران 610 GWh کی بہ نسبت 2023 کی پہلی سہ ماہی کے دوران قومی گزٹ 514 GWh بجلی فراہم کی۔ پلانٹ کی دستیابی ایک بڑی مرمت اور معائنہ کاری کی سرگرمی کے سبب کم رہی جو عام طور سے ہر پانچ سال کے وقفے کے بعد کی جاتی ہے تاکہ پلانٹ کے تحفظ، اعتبار اور اہلیت کو یقینی بنایا جاسکے۔

LNG ٹرمینل نے 2022 کی پہلی سہ ماہی کی طرح زیر جائزہ مدت میں بھی 19 عدد کارگو سنبھالے SSGC کے نیٹ ورک کو 54 bcf ری گیسفائیڈ ایل این جی مہیا کی جو ملک میں گیس کی کل سپلائی کا 15% تھی۔ کیمیکل ٹرمینل نے زیر جائزہ سہ ماہی کے دوران 134 کلوٹن کیمیکل سنبھالا جو گزشتہ برس کی اسی مدت کے دوران 381 کلوٹن رہا تھا۔ کیمیکل کے حجم میں کمی کی بڑی وجہ ایل سی کھولے جانے کے ایشوز کے سبب اقتصادی سست روی تھی۔

اینگرو ایگزیمپ ایگری پروڈکٹس نے زیر جائزہ سہ ماہی کے دوران 1.3 کلوٹن باہمی چاول کی برآمدات ریکارڈ کی جو گزشتہ سال کی اسی مدت کے دوران 12.7 کلوٹن رہی تھی۔ چاول کی برآمد میں کمی کی بڑی وجہ ملک میں آنے والے سیلابوں کے سبب چاول کی پیداوار میں کمی تھی۔ نتیجتاً چاول کے کاروبار نے برآمدات کے ذریعے 1.6 ملین ڈالر کی آمدنی حاصل کی جو 2022 کی پہلی سہ ماہی میں 10.2 ملین ڈالر رہی تھی۔

Enfrashare ملک میں اپنے نقش قدم بڑھانے کے عمل میں بدستور مصروف رہی اور پہلی سہ ماہی کے اختتام پر 3,488 ٹاور سائٹس کی تکمیل کا ٹارگٹ حاصل کیا جس کی کرایہ داری شرح 1.18x تھی اور یہ ٹاور سائٹس پاکستان میں مصروف کاروبار تمام چار موبائل نیٹ ورک آپریٹرز (MNOs) کو مہیا کی گئیں۔ زیر جائزہ مدت کے دوران بلٹ۔ٹو۔سوٹ (B2S) ٹاوروں کی مارکیٹ میں ہمارے اس کاروبار کا حصہ 52% رہا ہے۔

شیرز کی دوبارہ خریداری.....اینگرو

اینگرو کارپوریشن نے دسمبر 2022 میں 70 ملین تک معمولی شیرز واپس خریدنے کا اعلان کیا تھا بعد ازاں جس کی منظوری 26 جنوری 2023 کو ہونے والے کمپنی کے غیر معمولی اجلاس عام میں شیر ہولڈروں نے عطاء کر دی تھی۔ مذکورہ بالا شیرز کی واپس خریداری SECP کے انضباطی رہنما اصولوں کے عین مطابق 03 فروری 2023 کو شروع ہوئی جو 25 جولائی 2023 تک جاری رہے گی۔

31 مارچ 2023 تک شیرز کی واپس خریداری کی اس اسکیم کے تحت کمپنی 36.75 ملین شیرز واپس خرید چکی ہے۔

مستقبل کا منظر

مارکیٹ کے شرکاء آئی ایم ایف پروگرام کے دوبارہ شروع ہونے کے بارے میں کافی پر امید ہے۔ توقع ہے کہ یہ پروگرام اپریل 2023 میں دوبارہ شروع ہو جائے گا۔ امکان ہے کہ حکومت پاکستان دوست ممالک سے بھی فنڈز حاصل کرنے میں کامیاب ہو جائے گی اور آئی ایم ایف کی قسط کے ساتھ یہ اضافی فنڈز پاکستانی روپے پر موجود باؤمیں کمی لانے کا سبب بنیں گے اور لیٹر آف کریڈٹ کے ایشوز کے سبب مشکلات کا سامنا کرنے والے سیکٹروں میں دوبارہ پیداواری عمل شروع ہونے کا سبب بھی بنیں گے۔ یہ واقعات ملکی معیشت کو مکمل آرام فراہم کریں گے کیوں کہ KSE-100 انڈیکس ہر ایک پیمانے پر تاریخ کی کم ترین قدرکاریوں پر کاروبار کر رہا ہے۔ البتہ انتخاب کا سال ہونے اور فکسڈ انکم مارکیٹ میں پرکشش آمدنیوں کے باعث مارکیٹ سال کے دوران اپنی رینج تک محدود رہے گی۔

کاروباری جائزہ

زیر جائزہ مدت کے دوران ایکویٹی مارکیٹ میں ڈی ایچ کارپ کے پورٹ فولیو نے مارکیٹ سے بہتر کارکردگی کا مظاہرہ کیا اور KSE 100 انڈیکس کے مقابلے میں بینچ مارک ریٹرن سے %5.64 زائد آمدنی حاصل کی۔ اس پورٹ فولیو نے 470 ملین روپے کے منافع منقسمہ کے ساتھ ساتھ 350 ملین روپے کے قابل وصولی سرمایہ جاتی فوائد بھی کمائے۔ تاہم سال 2023ء کی پہلی سہ ماہی کا اختتام 228 ملین روپے کے سرمایہ جاتی خسارے کے ساتھ ہوا جس کی وجہ پورٹ فولیو میں مارکیٹ اور جاری صورتحال کی مناسبت سے تبدیلیاں لانا تھیں۔

اشتمال شدہ بنیادوں پر کمپنی کی آمدنی 2022ء کی پہلی سہ ماہی میں 88,369 ملین روپے سے بڑھ کر 2023 کی پہلی سہ ماہی میں 97,332 ملین روپے ہوئی لہذا %10 کا اضافہ ریکارڈ ہوا۔ زیر جائزہ سہ ماہی کے دوران اشتمال شدہ بعد از ٹیکس منافع (PAT) 8,991 ملین روپے رہا جبکہ حصص یافتگان کو قابل تقسیم بعد از ٹیکس منافع 1,924 ملین روپے رہا جو گزشتہ برس کی اسی مدت کے دوران 2,779 ملین روپے رہا تھا جس کے نتیجے میں رواں سال کی پہلی سہ ماہی میں فی شیئر کمائی (EPS) 4.00 روپے ہوئی جو گزشتہ برس کی اسی مدت کے دوران 5.77 روپے رہی تھی۔ زیادہ تر تبدیلی میکرو اکنامک با مخالف کی مرہون منت رہی جو اجناس کے چکر (commodity cycle) کے الٹ جانے، DAP کی کم تر طلب اور لاگتیں بڑھ جانے کا دباؤ پیدا ہونے پر منبج ہوا۔

خود مختار (stand alone) بنیادوں پر بعد از ٹیکس نفع گزشتہ برس کی اسی مدت میں ہونے والے 109 ملین روپے کے مقابلے میں رواں سال کی پہلی سہ ماہی کے دوران 414 ملین روپے رہا جس کی بڑی وجہ زیادہ منافع اور ایکویٹی پورٹ فولیو سے قابل وصولی فوائد تھے۔ جبکہ زیر جائزہ مدت کے دوران فی شیئر کمائی 0.86 روپے فی شیئر رہی جو گزشتہ برس کی اسی مدت کے دوران 0.23 روپے رہی تھی۔

مصنوعی کھاد کے کاروبار نے مستحکم کارکردگی دکھائی اور 43,991 ملین روپے کی آمدنی ریکارڈ کی جو 2022 کی پہلی سہ ماہی کے دوران 36,813 ملین روپے رہی تھی جس کی بنیادی وجہ یورپ کی قیمتوں میں اضافہ ہو جانا تھا۔ کمپنی کا بعد از ٹیکس نفع 4,404 ملین روپے رہا جو گزشتہ برس کی اسی مدت کے دوران 5,511 ملین روپے رہا تھا۔ فاسفیٹ سے ہونے والی بچتوں میں کمی اور گیس کی قیمتوں کا بڑھنا بعد از ٹیکس نفع میں کمی کی بنیادی وجوہات تھیں۔

زیر جائزہ مدت کے دوران پولیمر کے کاروبار نے 17,978 ملین روپے کی آمدنی ریکارڈ کی جو گزشتہ برس کی اسی مدت کے دوران 23,127 ملین روپے رہی تھی۔ کمپنی کا بعد از ٹیکس نفع 1,183 ملین روپے رہا جو گزشتہ برس کی اسی مدت کے دوران 4,714 ملین روپے رہا تھا۔ کمی کی بڑی وجہ اجناس کے چکر (کموڈٹی سائیکل) کا الٹ جانا تھی۔

کان کنی کے آپریشن معمول کے مطابق جاری رہے اور اور اینگرو پاور چین تھر، تھرانر جی اور تھل نو واپا و کو کوئلے کی سپلائی جاری رہی۔ بجلی کی بڑھتی ہوئی طلب کو پورا کرنے کے لئے انتظامیہ توسیع کے تیسرے مرحلے کا آغاز کرنے کے عہد پر کاربند ہے تاکہ گنجائش بڑھا کر 11.4 ملین ٹن سالانہ تک لائی جاسکے جس کی منظوری حکومت سندھ سے حاصل کی جا چکی ہے۔

زیر جائزہ مدت کے دوران قادر پور پاور پلانٹ نے قومی گرڈ کو %56 لوڈ فیکٹر کے ساتھ 262 GWh بجلی مہیا کی جبکہ گزشتہ برس کی اسی مدت کے دوران لوڈ فیکٹر %27 رہا تھا۔ اس کاروبار نے زیر جائزہ مدت کے دوران 438 ملین روپے کا بعد از ٹیکس نفع ظاہر کیا جو سال 2022ء کی پہلی سہ ماہی کے دوران 151 ملین روپے رہا تھا۔ اضافے کی وجہ بلند تر پیر یڈوینگ فیکٹر کے سبب زیادہ کپسٹی پیمنٹ تھی۔

ڈائریکٹرز کی جائزہ رپورٹ

برائے اختتام سہ ماہی 31 مارچ، 2023

کمپنی کے ڈائریکٹرز نہایت مسرت کے ساتھ 31 مارچ، 2023 کو ختم ہونے والی پہلی سہ ماہی کے لئے اپنی رپورٹ کے ہمراہ کمپنی کے عبوری، غیر آڈٹ شدہ، غیر اشتمال شدہ مختصر گوشوارے اور گروپ کے عبوری، غیر آڈٹ شدہ، اشتمال شدہ مختصر گوشوارے پیش کر رہے ہیں۔

اقتصادیات اور مارکیٹ کا منظر

سال 2023 کی پہلی سہ ماہی کے دوران بڑھتی ہوئی مہنگائی، جیو پالیٹکل تنازعات میں اضافے اور عالمی اقتصادی استحکام کے بارے میں بڑھتی ہوئی تشویش کے سبب عالمی اقتصادیات میں زیادہ بڑھوتی نہ ہو سکی۔ دنیا کی بڑی معیشتیں افراط زر کے دباؤ کا مقابلہ کرنے کی غرض سے زری پابندیوں کی جانب مائل ہوئیں تاہم دنیا بھر میں کساد باری کا خدشہ تاحال موجود ہے۔ نتیجتاً 2022 میں بلند ترین سطح تک پہنچنے کے بعد طلب میں کمی لانے کی جدوجہد کے سبب اجناس کی قیمتوں میں کچھ نرمی آئی۔

توانائی کی قیمتوں میں اضافے، روپے کی قدر میں بھاری کمی اور زر مبادلہ کے جاری بحران کے باعث 35.4% تک بڑھ جانے والی مہنگائی کے ساتھ پاکستان کی معیشت بدستور جدوجہد کر رہی ہے۔ آئی ایم ایف کے پروگرام کی عدم موجودگی نے صورتحال مزید گھمبیر بنادی ہے۔ متعدد اجلاسوں کے باوجود پاکستانی حکومت آئی ایم ایف کے ساتھ زیر جائزہ سہ ماہی کے دوران اسٹاف کی سطح کا معاہدہ کرنے میں کامیاب نہیں ہو سکی ہے۔ عالمی ادارے کی جانب سے عائد کردہ شرط کی تعمیل کرتے ہوئے حکومت پاکستان نے روپے کی قدر میں 25% کی کمی کر کے ایک ڈالر کی قیمت 283 پاکستانی روپے مقرر کی تاکہ انٹربینک ریٹ اور بلیک مارکیٹ ریٹ میں فرق کو کم کیا جاسکے۔ اس اقدام کی بدولت بیرون ملک سے ترسیلات زر اور برآمدات کی یافتوں کی قانونی ذرائع سے ملک میں آمد میں اضافہ ہوا جس سے جاری کھاتے کے توازن میں کسی حد تک بہتری آئی۔ مزید یہ کہ ملک میں جاری سیاسی عدم استحکام نے بھی معیشت کو درپیش چیلنجوں میں مزید اضافہ کر دیا ہے۔

مہنگائی کے بڑھتے ہوئے دباؤ اور مارکیٹوں اور بیرونی سیکٹر میں پیدا ہونے والے عدم توازن کے جواب میں اسٹیٹ بینک آف پاکستان نے زری پالیسی میں سختی کرتے ہوئے شرح سود میں 500bps (16% سے بڑھا کر 21%) کا اضافہ کر دیا۔ حکومت پاکستان آئی ایم ایف کے بیل آؤٹ پیکیج کے حصول کیلئے سرتوڑ کوششیں کر رہی ہے جو غیر ملکی قرضوں کی نادرہ ہندگی سے بچنے کیلئے انتہائی اہم ہے۔

اسٹاک مارکیٹ نے پاکستان کے میکرو اشاریوں میں تنزلی کا آئینہ دکھایا اور 2023 کی پہلی سہ ماہی میں مندی کا رجحان حاوی رہا۔ بینچ مارک 100 انڈیکس جو جنوری میں 5% کم ہو کر 38,342 تک گر گیا تھا، 40,000 پوائنٹس پر آ کر رکھا؛ جو دسمبر 2022 میں ختم ہونیوالی سہ ماہی سے 1% کم تھا۔ اس دوران بیشتر سیکٹروں میں مالیات کی لاگت میں اضافہ اور بار بار پیداوار روک دیئے جانے جیسے واقعات بھی سامنے آتے رہے۔ نتیجے میں اداراتی سرمایہ کار ایکویٹیز سے ہٹ گئے اور انہوں نے فلسڈ انکم کے انسٹرومنٹس میں سرمایہ کاری کو ترجیح دی اور غیر ملکی سرمایہ کاروں کے ساتھ ساتھ مقامی میوچل فنڈز اور انشورنس کمپنیاں خالص فروشنده رہیں۔ دفاعی حکمت عملی نسبتاً اچھی رہی اور بینکوں، ٹیکنالوجی اور فریٹلائز کمپنیوں نے بہتر کارکردگی کا مظاہرہ کیا جبکہ اسٹیل، سیمنٹ، آٹوز اور فارماسیوٹیکلز جیسے نازک سیکٹروں پر اسٹاک کی فروخت کا دباؤ رہا۔

DAWOOD HERCULES CORPORATION LIMITED

**Unconsolidated Condensed Interim Financial
Statements**

FOR THE THREE MONTHS ENDED
MARCH 31, 2023

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2023

	Note	Unaudited March 31, 2023	Audited December 31, 2022
----- (Rupees in '000) -----			
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	5	106,335	110,616
Right-of-use assets		40,141	40,141
Capital work-in-progress		1,921	1,921
Long term investments	6	23,708,948	23,748,950
Deferred tax asset		228,787	304,935
		24,086,132	24,206,563
CURRENT ASSETS			
Loan, advances, deposits and prepayment		43,962	41,829
Other receivables		709,039	143,529
Short-term investments	7	7,957,837	10,530,484
Cash and bank balances		5,977	8,695
		8,716,815	10,724,537
TOTAL ASSETS		32,802,947	34,931,100
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital		10,000,000	10,000,000
Issued, subscribed and paid up share capital		4,812,871	4,812,871
Revenue reserves		22,485,824	22,071,883
		27,298,695	26,884,754
NON CURRENT LIABILITIES			
Lease liabilities		27,873	27,873
Defined benefit liability		6,089	6,151
		33,962	34,024
CURRENT LIABILITIES			
Short-term running finance	8	4,113,593	6,486,683
Current portion of lease liabilities		15,537	15,537
Trade and other payables		100,432	92,637
Unclaimed dividend		356,105	381,678
Accrued mark-up		162,504	157,666
Taxation - net		722,119	878,121
		5,470,290	8,012,322
TOTAL EQUITY AND LIABILITIES		32,802,947	34,931,100
CONTINGENCIES AND COMMITMENTS	9		

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

Kamran Hanif Jangda
Chief Financial Officer

Mohammad Shamooun Chaudry
Chief Executive

Shabbir Hussain Hashmi
Director

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS - UNAUDITED

FOR THE THREE MONTHS ENDED MARCH 31, 2023

	Note	Three Months Ended	
		March 31, 2023	March 31, 2022
		----- (Rupees in '000) -----	
REVENUES			
Return on investments	10	810,175	389,273
Administrative expenses		(38,670)	(73,891)
Gross profit		771,505	315,382
Other income - net		42,034	1,803
Operating profit		813,539	317,185
Finance costs		(195,214)	(143,609)
Profit before taxation		618,325	173,576
Taxation		(204,384)	(64,201)
Profit after taxation		413,941	109,375
Earnings per share (Rupees) - basic and diluted	11	0.86	0.23

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

Kamran Hanif Jangda
Chief Financial Officer

Mohammad Shamooun Chaudry
Chief Executive

Shabbir Hussain Hashmi
Director

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF TOTAL COMPREHENSIVE INCOME-UNAUDITED

FOR THE THREE MONTHS ENDED MARCH 31, 2023

	Three Months Ended	
	March 31, 2023	March 31, 2022
	----- (Rupees in '000) -----	
Profit after taxation	413,941	109,375
Other comprehensive income for the period		
<i>Items that will not be reclassified to profit & loss</i>		
Remeasurements of post-retirement benefits	-	-
Other comprehensive income for the period	-	-
Total comprehensive income for the period	413,941	109,375

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

Kamran Hanif Jangda
Chief Financial Officer

Mohammad Shamoon Chaudry
Chief Executive

Shabbir Hussain Hashmi
Director

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY - UNAUDITED

FOR THE THREE MONTHS ENDED MARCH 31, 2023

		----- Revenue reserves -----			
	Issued, subscribed and paid up capital	General reserve	Un-appropriated profit	Sub-total	Total
	----- (Rupees in '000) -----				
Balance as at January 1, 2022	4,812,871	700,000	24,895,066	25,595,066	30,407,937
Total comprehensive Income					
Profit after taxation	-	-	109,375	109,375	109,375
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	109,375	109,375	109,375
Balance as at March 31, 2022	4,812,871	700,000	25,004,441	25,704,441	30,517,312
Balance as at January 1, 2023	4,812,871	700,000	21,371,883	22,071,883	26,884,754
Total comprehensive Income					
Profit after taxation	-	-	413,941	413,941	413,941
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	413,941	413,941	413,941
Balance as at March 31, 2023	4,812,871	700,000	21,785,824	22,485,824	27,298,695

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

Kamran Hanif Jangda
Chief Financial Officer

Mohammad Shamoon Chaudry
Chief Executive

Shabbir Hussain Hashmi
Director

UNCONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT - UNAUDITED

FOR THE THREE MONTHS ENDED MARCH 31, 2023

	Note	Three Months Ended	
		March 31, 2023	March 31, 2022
		----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash utilized in / generated from operations	12	(44,084)	84,172
Finance cost paid		(190,376)	(50,590)
Taxes paid		(284,239)	(78,668)
Defined benefit liabilities paid		(904)	(1,837)
Interest received on bank deposits and investments		5,664	80,752
Short term investments purchased and redeemed - net		2,716,347	(914,179)
Dividends received		175,487	531,675
Net cash generated from / (utilized) in operating activities		2,377,895	(348,675)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		-	(552)
Proceeds from disposal of property, plant and equipment		43	782
Net cash generated from investing activities		43	230
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term finance repaid		-	-
Dividends paid		(25,573)	(1,249)
Net cash utilized in financing activities		(25,573)	(1,249)
Net increase / (decrease) in cash and cash equivalents		2,352,365	(349,694)
Cash and cash equivalents at the beginning of the period		(6,459,981)	(4,590,051)
Cash and cash equivalents at the end of the period	13	(4,107,616)	(4,939,745)

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

Kamran Hanif Jangda
Chief Financial Officer

Mohammad Shamoon Chaudry
Chief Executive

Shabbir Hussain Hashmi
Director

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

FOR THE THREE MONTHS ENDED MARCH 31, 2023

1. LEGAL STATUS AND 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 subsidiaries and associated companies. The registered office of the Company is situated at Dawood Center, M.T. Khan Road, Karachi and a liaison office is in Islamabad.
- 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 shareholding, the relative size of other shareholdings and the number of representation on ECL's Board of Directors, the Company has the ability to exercise control over ECL. Accordingly, the Company is deemed to be the Holding Company of ECL.
- 1.3 These unconsolidated financial statements are the separate financial statements of the Company in which investments in subsidiaries have been accounted for at cost less accumulated impairment losses, if any.

2. STATEMENT OF COMPLIANCE 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 The accounting policies and the methods of computation adopted in the preparation of these unconsolidated condensed interim financial statements are consistent with those applied in the preparation of the Company's unconsolidated audited financial statements for the year ended December 31, 2022 (December 2022 unconsolidated financial statements), except relating to the matter stated in note 2.3 below.
- 2.3 Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.
- 2.4 **New standards, amendments and interpretation to published accounting and reporting standards which became effective during the period ended March 31, 2023:**

There were certain amendments to accounting and reporting standards which became effective for the Company's accounting during the current period. However, these do not have any significant impact on the Company's financial reporting and, therefore, have not been detailed in these unconsolidated condensed interim financial statements.

- 2.5 **New standards and amendments to published accounting and reporting standards that are not yet effective:**

There is a new standard and certain amendments to the accounting and reporting standards as applicable in Pakistan which will be effective for the Company for its accounting periods beginning on or after January 1, 2023. However this will not have any significant impact on the financial reporting of the Company and, therefore, has not been disclosed in these unconsolidated condensed interim financial statements.

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

FOR THE THREE MONTHS ENDED MARCH 31, 2023

2.6 Basis of preparation

- 2.6.1 These unconsolidated condensed interim financial statements comprise of the statement of financial position as at March 31, 2023 and the unconsolidated condensed interim profit and loss account, the unconsolidated condensed interim statement of total comprehensive income, the unconsolidated condensed interim statement of changes in equity, the unconsolidated condensed interim cash flow statement and notes thereto for the three months period then ended.
- 2.6.2 The comparative statement of financial position presented in these unconsolidated condensed interim financial statements as at December 31, 2022 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 three months ended March 31, 2023 have been extracted from the unconsolidated condensed interim financial statements of the Company for the three months then ended.
- 2.6.3 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, 2022 as these provide an update of previously reported information.

3. SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

- 3.1 The preparation of these condensed interim financial statements in conformity with approved accounting and reporting standards for interim reporting requires the use of certain accounting estimates. It also requires management to exercise its judgments in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.
- 3.2 During the preparation of these unconsolidated condensed interim financial statements, significant judgements made by management in applying the Company's accounting policies and key sources of estimation were the same as those applied in the December 2022 financial statements.
- 3.3 The financial risk management objectives and policies are consistent with those disclosed in the December 2022 unconsolidated financial statements.

4. SEASONALITY OF OPERATIONS

The principal activity of the Company is to manage investments including in its subsidiaries. Revenue of the Company mainly comprises dividend income which is dependent on the profitability and the decisions of directors and shareholders of the subsidiaries 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 THREE MONTHS ENDED MARCH 31, 2023

	Note	Unaudited March 31, 2023	Audited December 31, 2022
----- (Rupees in '000) -----			
5. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets:			
Net book value at the beginning of the period / year		110,616	61,982
Add: Additions during the period / year	5.1	<u>-</u>	<u>66,823</u>
		110,616	128,805
Less: Disposals during the period / year			
- net book value	5.2	(9)	(1,152)
Depreciation charged during the period / year		(4,272)	(17,037)
		(4,281)	(18,189)
Net book value at the end of the period / year		<u>106,335</u>	<u>110,616</u>
5.1 Additions during the period / year			
Building on leasehold land		-	28,621
Furniture, fittings and equipment		-	31,118
Motor vehicles		-	6,165
Data processing equipment / communication devices		-	919
		<u>-</u>	<u>66,823</u>
5.2 Disposals during the period / year - net book value			
Furniture, fittings and equipment		7	113
Motor vehicles		-	91
Data processing equipment / communication devices		2	948
		<u>9</u>	<u>1,152</u>

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

FOR THE THREE MONTHS ENDED MARCH 31, 2023

	Note	Unaudited March 31, 2023	Audited December 31, 2022
----- (Rupees in '000) -----			
6. LONG TERM INVESTMENTS			
Investment in a subsidiary - at cost	6.1	23,308,927	23,308,927
Other investments - at fair value through profit or loss	6.2	400,021	440,023
		23,708,948	23,748,950
6.1 Investment in a subsidiary - at cost			
Engro Corporation Limited (ECL) - quoted 214,469,810 (December 31, 2022: 214,469,810) ordinary shares of Rs 10 each. Percentage of holding 37.22% (December 31, 2022: 37.22%)	6.1.1 & 6.1.2	23,308,927	23,308,927
		23,308,927	23,308,927

6.1.1 The market value of investment in ECL as at March 31, 2023 was Rs 59,361 million (December 31, 2022: Rs 56,193 million).

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

	As at March 31, 2023			As at December 31, 2022		
	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
Bank						
----- (Rupees in '000) -----						
Pledged in favor of Fatima Fertilizer Company Limited against potential liabilities of DH Fertilizer Limited						
Meezan Bank Limited - as agent	10,492	104,918	2,903,920	10,492	104,918	2,748,957

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

FOR THE THREE MONTHS ENDED MARCH 31, 2023

	Note	Unaudited March 31, 2023	Audited December 31, 2022
----- (Rupees in '000) -----			
6.2 Other investment - at fair value through profit or loss			
e2e Business Enterprises (Private) Limited [23,770,701 (December 31, 2022: 23,770,701) ordinary shares of Rs 10 each] Percentage of holding 39% (December 31, 2022: 39%) Less: Accumulated impairment loss	6.2.1	237,707 (237,707)	237,707 (237,707)
Octopus Limited - (a subsidiary of Avanceon Limited) - quoted Consideration for swapping shares in EMPAK	6.2.2	 400,021 400,021	 440,023 440,023

6.2.1 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 was planned to start commercial operations in year 2014.

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

The Company disposed of part of its shareholding i.e. 19.86%, in e2eBE during the year 2015. However, the said disposal was not recorded by e2eBE in its register of members. The Company 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 year the Company, on the basis of legal advice, has 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 sold to the transferee. Accordingly, the sales proceeds amounting to Rs 2 million received by the Company against the disposal of 19.86% shares in e2eBE were returned to the transferee. In this regard, the Company has through its letter dated April 10, 2020 withdrew the matter 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 commencement of operations of e2eBE is considered remote.

6.2.2 On December 30, 2022, in accordance with the share swap arrangement, the Company disposed of its entire shareholding in EMPAK to Avanceon Limited in exchange for 7,767,400 ordinary shares of Octopus Limited (a subsidiary of Avanceon Limited) by issuing authorisation to the Central Depository Company of Pakistan Limited in favour of Avanceon Limited. One of the Company's directors nominated on the Board of Directors of EMPAK resigned effective from December 30, 2022 while the other director resigned effective from December 31, 2022. Further, the Company's appointed EMPAK management i.e. Chief Executive Officer, Chief Financial Officer and Company Secretary of EMPAK also resigned by December 31, 2022. In addition to this, EMPAK's Board of Directors through its resolution dated December 31, 2022, approved nominations of new directors / management as bank signatories and authorised representatives before CDC. In view of these, the Company's control in EMPAK ceased to exist on December 31, 2022.

As at December 31, 2022, an amount of Rs 440.023 million has been recognised in these unconsolidated financial statements as consideration for swapping shares of EMPAK. 7,767,400 ordinary shares of Octopus Limited have been transferred in the Company's name subsequent to the year end on January 3, 2023. In accordance with the share swap arrangement, the Company has agreed to hold the shares of Octopus Limited for atleast two (02) years.

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

FOR THE THREE MONTHS ENDED MARCH 31, 2023

	Note	Unaudited March 31, 2023	Audited December 31, 2022
----- (Rupees in '000) -----			
7. SHORT-TERM INVESTMENTS			
At amortised cost			
Term Deposit Receipts (TDR)	7.1 & 7.2	18,007	18,007
At fair value through profit or loss			
Government securities		-	1,899,434
- Market Treasury bills (T-Bills)		7,939,830	8,613,043
Quoted shares		7,939,830	10,512,477
		7,957,837	10,530,484

7.1 These carry profit at rate of 17.85% per annum (December 31, 2022: 10.25% per annum).

7.2 As of March 31, 2023, the Company held TDR amounting to Rs 18 million with a commercial bank carrying profit at the rate of 17.85% per annum. The TDR is due to mature on April 16, 2023. The Bank has marked lien over this TDR against Corporate Credit Card facilities.

	Note	Unaudited March 31, 2023	Audited December 31, 2022
----- (Rupees in '000) -----			
8. SHORT-TERM RUNNING FINANCE			
Running finance under mark-up arrangements	8.1.1 - 8.1.4	4,113,593	2,826,683
Short-term loans		-	3,660,000
		4,113,593	6,486,683

8.1 Details of running finance facilities obtained by the Company are as follows:

8.1.1 Short-term running finance facility of Rs 3,000 million (December 31, 2022: Rs 3,000 million) was obtained under mark-up arrangements from Bank Al Habib Limited. The amount which remained unutilised as at March 31, 2023 was Rs 307.480 million (December 31, 2022: Rs 2,173.317 million). The facility is secured by way of pledge of shares. Rate of mark-up applicable to the facility is three months KIBOR plus 10 basis points per annum. The facility will expire on September 30, 2023.

8.1.2 Short-term running finance facility of Rs 2,500 million (December 31, 2022: Rs 2,500 million) was obtained under mark-up arrangements from United Bank Limited. The amount which remained unutilised as at March 31, 2023 was Rs 2,500 million (December 31, 2022: Rs 2,500 million). The facility is secured by way of pledge of shares and lien over other securities. Rate of mark-up applicable to the facility is one month KIBOR plus 10 basis points per annum. The facility will expire on November 1, 2023.

8.1.3 Short-term running finance facility of Rs 3,000 million (December 2022: Rs 3,000 million) was obtained under mark-up arrangements from MCB Bank Limited. The amount which remained unutilised as at March 31, 2023 was Rs 3,000 million (2022: Rs 3,000 million). The facility is secured by way of pledge of shares. Rate of mark-up applicable to the facility is one month KIBOR plus 5 basis points and three months KIBOR plus 5 basis points per annum. The facility will expire on June 30, 2023.

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

FOR THE THREE MONTHS ENDED MARCH 31, 2023

8.1.4 Short-term running finance facility of Rs 1,500 million (December 31, 2022: 2,000 million) was obtained during the period under mark-up arrangements from Habib Bank Limited. The amount which remained unutilised as at March 31, 2023 was Rs 80.957 million (December 31, 2022: Rs Nil). The facility is secured by way of pledge of shares. Rate of mark-up applicable to the facility is three months KIBOR plus 10 basis points per annum. The facility will expire on June 30, 2023.

9. CONTINGENCIES AND COMMITMENTS

9.1 There has been no significant change in the status of matters stated in notes 18.1 to 18.2 of the December 2022 unconsolidated financial statements, except for the year facts and the matters disclosed in the notes 9.2 and 9.3 below.

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

On January 31, 2023, Sindh High Court disposed of the petition by directing the Company to respond to the department for the show cause notice initially issued, within 60 days from the date of court order. The department was directed to pass an order after hearing to the Company in accordance with the law. Both the Company and department have to follow the tax appeals' procedure with respect to the notice.

The management and the tax consultant of the Company believe that there are meritorious grounds available to defend the foregoing demand. Consequently, no provision has been recorded in these unconsolidated condensed interim financial statements.

9.3 During the year ended December 31, 2022, the Company received a show cause notice from the Deputy Commissioner Inland Revenue (DCIR) under section 4C of the Income Tax Ordinance, 2001 wherein DCIR observed that the Company has not discharged its super tax liability amounting to Rs 254.785 million. Accordingly, DCIR required the Company to furnish an explanation in this respect, failing which the same will be recovered under section 4C(5) of the Ordinance.

The notice was duly responded by informing the DCIR that the Company has filed a constitution petition No. D-5905/2022 before the Honourable Sindh High Court (SHC) against levy of the super tax under section 4C of the Ordinance. In this respect, the SHC has granted interim relief vide its order dated October 7, 2022 wherein the SHC has directed the Federal Board of Revenue (FBR) to allow the petitioner to submit the return of income for subject tax year without admitting the super tax liability under section 4C of the Ordinance. Further in fulfilment of the condition imposed by the SHC, the Company has also submitted a cheque against the liability of super tax under section 4C of the Income Tax Ordinance, 2001 before the Nazir of SHC.

On February 16, 2023, Supreme Court in its hearing with respect to section 4C (Super Tax) issued direction to the Company to pay the entire amount of Super Tax to the Govt Treasury. The cheque issued to the Nazir of SHC was encashed by the Nazir on March 01, 2023 under the instruction of the Supreme Court.

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

FOR THE THREE MONTHS ENDED MARCH 31, 2023

	Note	----- (Unaudited) ----- Three months ended March 31, 2023	March 31, 2022 ----- (Rupees in '000) -----
10. RETURN ON INVESTMENTS			
Dividend income	10.1	684,470	556,333
Interest income	10.2	4,001	80,752
Others	10.3	121,704	(247,812)
		810,175	389,273
10.1 Dividend income			
- Engro Corporation Limited		214,470	214,470
- Hub Power Company Limited		24,170	42,956
- United Bank Limited		276,043	170,394
- Meezan Bank Limited		12,025	5,353
- Habib Bank Limited		1,500	6,711
- Pakistan State Oil Company Limited		-	-
- Fauji Fertilizer Company Limited		-	8,203
- Indus Motor Company Limited		-	471
- Mari Petroleum Company Limited		16,456	4,278
- Kohinoor Textile Mills Limited		-	-
- MCB Bank Limited		90,408	67,778
- Oil & Gas Development Company Limited		8,838	9,216
- Interloop Limited		-	4,052
- Bank Al-Habib Limited		-	-
- Pakistan Oilfields Limited		214	-
- Bank Al-Falah Limited		31,892	11,322
- Engro Fertilizer Limited		4,945	4,298
- Pakistan Petroleum Limited		3,509	5,560
- System Limited		-	1,271
		684,470	556,333
10.2 Interest income			
- Income on T-Bills		3,466	3,995
- Income on PIBs		-	50,325
- Income on TDRs		467	18,540
- Income on loan to EMPAK		-	7,650
- Return on Saving Accounts		68	242
		4,001	80,752
10.3 Others			
(Loss) / Gain on sale of quoted shares		(227,920)	46,150
Unrealised profit / (loss) on quoted shares		349,624	(293,962)
		121,704	(247,812)
11. EARNING PER SHARE			
Profit after taxation		413,941	109,375
Weighted average number of ordinary shares outstanding during the period		481,287	481,287
Earning per Share		0.86	0.23

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

FOR THE THREE MONTHS ENDED MARCH 31, 2023

	Note	----- (Unaudited) ----- Three months ended March 31, 2023	March 31, 2022 ----- (Rupees in '000) -----
12. CASH (UTILIZED) IN/ GENERATED FROM OPERATIONS			
Profit before taxation		618,325	173,576
Adjustments for non cash expenses and other items:			
Depreciation and amortization		4,272	4,012
Finance cost		195,214	143,609
Provision for employees' retirement and other service benefits		842	1,077
Return on investments		(810,175)	(389,273)
Gain on sale of property, plant & equipment		(34)	(857)
Working capital changes	12.1	(52,528)	152,028
Cash used in / generated from operations		(44,084)	84,172
12.1 (Increase) / decrease in current assets			
Loan, advances, deposits and prepayment		(2,133)	(1,063)
Other receivables		(58,190)	91,219
		(60,323)	90,156
Increase in trade and other payables		7,795	61,872
		(52,528)	152,028
13. Cash and Cash equivalent			
Cash at bank		5,977	3,045
Short term investments		-	1,550,007
Short term financing		(4,113,593)	(6,492,797)
		(4,107,616)	(4,939,745)
14. FINANCIAL RISK MANAGEMENT AND FINANCIAL DISCLOSURES			
14.1 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, 2022. There have been no changes in any risk management policies since the year end.			
14.2 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.			

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

FOR THE THREE MONTHS ENDED MARCH 31, 2023

----- (Unaudited) -----
Three months ended
March 31, **March 31,**
2023 **2022**
 ----- (Rupees in '000) -----

15. RELATED PARTY TRANSACTIONS

Significant transactions with related parties are as follows:

Subsidiary company		
Dividend income	214,470	214,470
Reimbursement of expenses to the Company	-	2,158
Sale of goods and services	42,000	1,915
Reimbursement of expenses from the Company	1,017	28,340
Mark up on loan	-	7,823
Advances and deposits	18,000	-
Associates		
Dividend income	4,945	-
Investments made	104,938	-
Purchase of goods and services	5,493	-
Sale of goods and services	-	6,668
Reimbursement of expenses from associates	32,977	21,148
Reimbursement of expenses to associates	265	13,082
Mark up on delayed payment	-	884
Donation	98	119
Key management personnel		
Salaries and other short term employee benefits	8,756	19,995
Post retirement benefit plans	1,044	1,667
Director's Fee	2,750	6,250
Other related parties		
Purchase of goods and services	563	513
Contribution to staff gratuity fund	1,488	1,077
Contribution to staff provident fund	842	1,958

16. GENERAL

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

16.2 Corresponding figures have been reclassified for the purpose of better presentation and comparison, where necessary.

16.3 These unconsolidated condensed interim financial statements were authorised for issue by the Board of Directors on April 26, 2023.

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

The Board of Directors in its meeting held on April 26, 2023 approved an interim cash dividend of Rs 15 per share amounting to Rs 7,219 million for the three months period ended March 31, 2023. (Rs 4.5 per share amounting to Rs 2,166 million for the three months period ended March 31, 2022). 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.

Kamran Hanif Jangda
Chief Financial Officer

Mohammad Shamoon Chaudry
Chief Executive

Shabbir Hussain Hashmi
Director

DAWOOD HERCULES CORPORATION LIMITED

**CONSOLIDATED CONDENSED INTERIM
FINANCIAL STATEMENTS**

FOR THE THREE MONTHS ENDED
March 31, 2023

CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT March 31, 2023

	Note	Consolidated	
		Unaudited March 31, 2023	Audited December 31, 2022
		----- (Rupees in '000) -----	
ASSETS			
Non-current assets			
Property, plant and equipment	5	357,590,449	329,989,765
Right-of-use assets		13,216,267	13,368,964
Intangible assets		6,693,742	6,774,962
Long term investments		36,121,158	36,521,269
Deferred taxation		320,760	406,595
Financial asset at amortized cost		2,722,111	3,783,265
Derivative financial Instrument		953,847	737,319
Net investment in lease		57,900,031	52,160,406
Long term loans, advances and other receivables		4,084,453	3,816,788
		479,602,818	447,559,333
Current assets			
Stores, spares and loose tools		10,363,102	9,834,814
Stock-in-trade		24,334,759	30,242,789
Trade debts		85,237,874	71,195,463
Loans, advances, deposits and prepayments		7,788,292	6,891,543
Other receivables		40,859,916	36,096,420
Accrued Income		1,434,574	2,279,037
Contract asset		14,123,316	14,124,293
Current portion of net investment in lease		12,791,334	5,683,292
Short term investments		74,955,770	96,635,951
Cash and bank balances		61,757,054	44,995,322
		333,645,991	317,978,924
TOTAL ASSETS		813,248,809	765,538,257

CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT March 31, 2023

	Note	Unaudited March 31, 2023	Audited December 31, 2022
----- (Rupees in '000) -----			
EQUITY AND LIABILITIES			
Equity			
Share capital		4,812,871	4,812,871
Treasury shares		(4,033,943)	-
Revaluation reserve on business combination		1,665	1,665
Maintenance reserve		60,117	60,117
Exchange revaluation reserve		819,724	601,674
Hedging reserve		340,429	259,838
Remeasurment of investments		(577,863)	(322,661)
General reserve		700,000	700,000
Unappropriated profit		66,039,433	64,115,162
Remeasurement of post-employment benefits		(66,652)	(66,652)
		63,282,910	65,349,143
Non-controlling interest		68,095,781	70,162,014
Total Equity		175,582,930	178,498,202
		243,678,711	248,660,216
Liabilities			
Non-current liabilities			
Borrowings		181,253,818	156,173,794
Government grants		1,457,609	1,472,279
Deferred taxation		13,018,151	13,395,214
Lease liabilities		72,844,146	62,397,791
Deferred liabilities		4,278,656	3,640,044
Long term provision		1,842,003	2,952,970
Staff retirement and other service benefits		6,089	-
		274,700,472	240,032,092
Current liabilities			
Trade and other payables		143,796,187	125,868,610
Accrued interest / mark-up		7,515,491	2,922,372
Current portion of :			
- borrowings		27,443,190	27,699,919
- Government grants		351,570	353,201
- lease liabilities		11,399,092	9,062,433
- deferred liabilities		472,269	577,116
- long tem provision		26,905,332	25,503,815
Taxes payable		17,159,250	19,066,343
Contract Liability		13,381,308	12,980,370
Short term borrowings		29,647,155	39,471,643
Unclaimed dividends		16,798,782	13,340,127
		294,869,626	276,845,949
Total Liabilities		569,570,098	516,878,041
Contingencies and Commitments			
TOTAL EQUITY AND LIABILITIES		813,248,809	765,538,257

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The annexed notes 1 to 16 form an integral part of this consolidated condensed interim financial information.

Kamran Hanif Jangda
Chief Financial Officer

Mohammad Shamooun Chaudry
Chief Executive

Shabbir Hussain Hashmi
Director

CONSOLIDATED CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UNAUDITED)

FOR THE THREE MONTHS ENDED MARCH 31, 2023

(AMOUNTS IN THOUSAND EXCEPT FOR EARNINGS PER SHARE)

	Note	Three months ended	
		March 31, 2023	March 31, 2022
		----- (Rupees in '000) -----	
Net sales		97,332,430	88,368,940
Cost of sales		(71,769,506)	(61,176,628)
Gross profit		25,562,924	27,192,312
Selling and distribution expenses		(2,087,042)	(1,888,654)
Administrative expenses		(3,057,280)	(1,803,698)
Remeasurement Loss on Provision for GIDC		(200,508)	-
Loss allowance on subsidy receivable from GoP		(432,449)	-
		19,785,645	23,499,960
Other income		7,446,380	4,163,465
Other operating expenses		(1,787,654)	(2,678,740)
Finance cost		(11,300,038)	(5,278,839)
Share of (loss) / income from associates & joint ventures		(123,810)	988,329
Profit before taxation		14,020,523	20,694,175
Taxation		(5,029,225)	(5,972,063)
Profit for the period		8,991,298	14,722,112
DISCONTINUED OPERATIONS			
Profit from discontinued operations (attributable to Owners of the Holding Company)		-	238
Profit for the period		9,026,300	14,722,350
Profit attributable to:			
- Owners of the Holding Company		1,924,271	2,778,525
- Non-controlling interest		7,067,027	11,943,825
		8,991,298	14,722,350
Earnings per share - basic and diluted	7	4.00	5.77

The annexed notes 1 to 16 form an integral part of this consolidated condensed interim financial information.

Kamran Hanif Jangda
Chief Financial Officer

Mohammad Shamoony Chaudry
Chief Executive

Shabbir Hussain Hashmi
Director

CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

FOR THE THREE MONTHS ENDED MARCH 31, 2023

	Note	Three months ended	
		March 31, 2023	March 31, 2022
		----- (Rupees in '000) -----	
Profit for the period		8,991,298	14,722,350
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
- Unrealized (loss) / gain on remeasurement of investment Classified at FV through OCI		(685,659)	(16,304)
Hedging reserve - cash flow hedges			
- Profit arising during the period		216,528	73,166
- Reclassification adjustments for losses included in profit or loss		-	(215)
Exchange differences on translation of foreign operations		216,528	72,951
		585,840	14,162
		116,709	70,809
Total Comprehensive income for the period		9,108,007	14,793,159
Total comprehensive income / (loss) attributable:			
- Continuing operations		9,108,007	14,792,921
- Discontinued operations		-	238
		9,108,007	14,793,159
Total comprehensive income attributable to:			
- Owners of the Holding Company		1,967,710	2,804,856
- Non-controlling interest		7,140,297	11,988,303
		9,108,007	14,793,159

The annexed notes 1 to 16 form an integral part of this consolidated condensed interim financial information.

Kamran Hanif Jangda
Chief Financial Officer

Mohammad Shamooun Chaudry
Chief Executive

Shabbir Hussain Hashmi
Director

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

FOR THE THREE MONTHS ENDED MARCH 31, 2023

(Amounts in thousand)

	Attributable to owners of the Holding Company												
	Capital reserves					Revenue reserves							
	Share capital	Treasury shares	Revaluation reserve on business combination	Maintenance reserve	Exchange revaluation reserve	Hedging reserve	Remeasurement of investment	General reserve	Un-appropriated profit	Remeasurement of post employment benefits-Actuarial gain / (loss)	Sub total	Non-Controlling Interest	Total
	(Rupees in '000)												
Balance December 31, 2021 (audited) / January 01, 2022	4,812,871	-	1,665	60,117	(349,398)	22,894	14,609	700,000	65,468,300	(45,121)	71,384,733	182,605,571	253,990,304
Total comprehensive income / (loss) for the three months ended March 31, 2022 (unaudited)													
Profit for the period	-	-	-	-	-	-	-	-	3,046,264	-	3,046,264	11,676,086	14,722,350
Other comprehensive income	-	-	-	-	5,246	27,152	(6,068)	-	-	-	26,330	44,479	70,809
	-	-	-	-	5,246	27,152	(6,068)	-	3,046,264	-	3,072,594	11,720,565	14,793,159
Transaction with owners													
Dividend by subsidiaries allocable to Non-Controlling interest	-	-	-	-	-	-	-	-	-	-	-	(6,111,407)	(6,111,407)
	-	-	-	-	-	-	-	-	-	-	-	(6,111,407)	(6,111,407)
Balance as at March 31, 2022 (unaudited)	<u>4,812,871</u>	<u>-</u>	<u>1,665</u>	<u>60,117</u>	<u>354,644</u>	<u>50,046</u>	<u>8,541</u>	<u>700,000</u>	<u>68,514,564</u>	<u>(45,121)</u>	<u>74,457,327</u>	<u>188,214,729</u>	<u>262,672,056</u>
Balance December 31, 2022 (audited) / January 01, 2023	4,812,871	-	1,665	60,117	601,674	259,838	(322,661)	700,000	64,115,162	(66,652)	70,162,014	178,498,202	248,660,216
Total Comprehensive income /(loss) for the three months ended March 31, 2023 (unaudited)													
Profit for the period	-	-	-	-	-	-	-	-	1,924,271	-	1,924,271	7,067,027	8,991,298
Other comprehensive income	-	-	-	-	218,050	80,591	(255,202)	-	-	-	43,439	73,270	116,709
	-	-	-	-	218,050	80,591	(255,202)	-	1,924,271	-	1,967,710	7,140,297	9,108,007
Acquisition of treasury shares	-	(4,033,943)	-	-	-	-	-	-	-	-	(4,033,943)	(6,804,163)	(10,838,106)
Transaction with owners													
Dividend by subsidiaries allocable to Non-Controlling interest	-	-	-	-	-	-	-	-	-	-	-	(3,251,406)	(3,251,406)
	-	-	-	-	-	-	-	-	-	-	-	(3,251,406)	(3,251,406)
Balance as at March 31, 2023 (unaudited)	<u>4,812,871</u>	<u>(4,033,943)</u>	<u>1,665</u>	<u>60,117</u>	<u>819,724</u>	<u>340,429</u>	<u>(577,863)</u>	<u>700,000</u>	<u>66,039,433</u>	<u>(66,652)</u>	<u>68,095,781</u>	<u>175,582,930</u>	<u>243,678,711</u>

The annexed notes 1 to 16 form an integral part of this consolidated condensed interim financial information.

Kamran Hanif Jangda
Chief Financial Officer

Mohammad Shamoony Chaudry
Chief Executive

Shabbir Hussain Hashmi
Director

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

FOR THE THREE MONTHS ENDED MARCH 31, 2023

	Note	Three months ended	
		March 31, 2023	March 31, 2022
		----- (Rupees in ‘000) -----	
Cash flows from operating activities			
Cash generated from operations	8	27,938,608	29,905,727
Retirement and other service benefits paid		(264,443)	(189,402)
Finance cost paid		(2,921,848)	(1,853,970)
Taxes paid		(7,227,547)	(1,276,738)
Proceeds from net investment in lease		1,504,909	896,834
Finance cost paid on lease liability		(1,317,767)	(948,384)
Finance income received on net investment in lease		1,778,914	1,340,045
Repayment of lease liability		(561,288)	(1,009,292)
Deferred income		370,158	-
Long term loans and advances - net		(267,665)	(123,294)
Discontinued operations		-	204
Net cash generated from operating activities		19,032,031	26,741,730
Cash flows from investing activities			
Purchase of property, plant and equipment (PPE)		(10,520,674)	(7,182,852)
Sale proceeds on disposal of PPE		53,900	15,344
Payments for acquisition of treasury shares		(9,025,276)	-
Income on deposits / other financial assets		5,408,518	2,552,355
Short term investment purchased and redeemed - net		20,316,718	4,961,964
Dividends received		394,902	829,125
Net cash generated from investing activities		6,628,088	1,175,936
Cash flows from financing activities			
Repayment of borrowings - net		(3,729,346)	(1,714,234)
Lease rentals paid during the period		(644,259)	(684,782)
Dividends paid		(7,222)	(10,487,217)
Net cash (utilised in) financing activities		(4,380,827)	(12,886,233)
Net increase in cash and cash equivalents		21,279,292	15,031,433
Effect of exchange rate changes on cash and cash equivalents		2,584,124	-
Cash and cash equivalents at beginning of the period		20,136,068	87,131,332
Cash and cash equivalents at end of the period	9	43,999,484	102,162,765

The annexed notes 1 to 16 form an integral part of this consolidated condensed interim financial information.

Kamran Hanif Jangda
Chief Financial Officer

Mohammad Shamooun Chaudry
Chief Executive

Shabbir Hussain Hashmi
Director

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE MONTHS ENDED MARCH 31, 2023

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 and a liaison office is in Islamabad.

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	
	March 2023	March 2022
- Engro Corporation Limited (ECL)	37.22	37.22
- EmpiricAI (Private) Limited	0.00	100.00

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	
	March 31, 2023	March 31, 2022
- Engro Energy Limited	100	100
- Engro Eximp Agriproducts (Private) Limited	100	100
- Engro Connect (Private) Limited	100	100
- Engro Eximp FZE	100	100
- Engro Infiniti (Private) Limited	100	100
- Engro Fertilizers Limited	56.27	56.27
- Engro Polymer and Chemicals Limited	56.19	56.19
- Elengy Terminal Pakistan Limited	56	56

Joint Venture Company:

- Engro Vopak Terminal Limited	50	50
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Associated Company:

- FrieslandCampina Engro Pakistan Limited	39.9	39.9
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1.4 On December 30, 2022, in accordance with the share swap arrangement, the Holding Company disposed of its entire shareholding in EMPAK to Avanceon Limited in exchange for 7,767,400 ordinary shares of Octopus Limited (a subsidiary of Avanceon Limited) by issuing authorisation to the Central Depository Company of Pakistan Limited in favour of Avanceon Limited. One of the Company's directors nominated on the Board of Directors of EMPAK resigned effective from December 30, 2022 while the other director resigned effective from December 31, 2022. Further, the Holding Company's appointed EMPAK management i.e. Chief Executive Officer, Chief Financial Officer and Company Secretary of EMPAK also resigned by December 31, 2022. In addition to this, EMPAK's Board of Directors through its resolution dated December 31, 2022, approved nominations of new directors / management as bank signatories and authorised representatives before CDC. In view of these, the Holding Company's control in EMPAK ceased to exist on December 31, 2022.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE MONTHS ENDED MARCH 31, 2023

As at December 31, 2022, an amount of Rs 440.023 million has been recognised in these consolidated financial statements as consideration for swapping shares of EMPAK. 7,767,400 ordinary shares of Octopus Limited have been transferred in the Holding Company's name subsequent to the year end on January 3, 2023. In accordance with the share swap arrangement, the Holding Company has agreed to hold the shares of Octopus Limited for atleast two (02) years.

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 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, 2022.

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, 2022.

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 entity i.e. Engro Vopak Terminal Limited and FrieslandCampina Engro Pakistan Limited has been accounted for using the equity method.

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, 2022.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE MONTHS ENDED MARCH 31, 2023

	Unaudited March 31 2023 ----- (Rupees in '000) -----	Audited December 31, 2022 -----
5. PROPERTY, PLANT AND EQUIPMENT		
Operating assets, at net book value	324,711,631	300,765,556
Capital work in progress - Expansion and other projects	28,402,163	24,841,736
Capital spares and standby equipments	4,476,458	4,382,473
	357,590,449	329,989,765
5.1 Additions to operating assets during the period are as follows:		
	Unaudited March 31 2023 ----- (Rupees in '000) -----	Audited December 31, 2022 -----
Plant and machinery	26,281,161	14,423,713
Building and civil works including pipelines	889,594	5,025,369
Furniture, fixture and equipment	1,256,185	9,766,354
Vehicles	84,171	689,551
Catalyst	-	402,520
Aircraft	-	2,634,870
Jetty	-	9,724
Dredging	-	369,996
Data processing equipment / communication devices	-	919
	28,511,111	33,323,016
5.2 During the period, operating assets costing Rs. 96,345 (December 31, 2022: Rs. 25,714,886), having net book value of Rs. 59,471 (December 31, 2022: Rs. 720,729) were disposed / written off for Rs. 53,900 (December 31, 2022: Rs. 618,929).		
6. CONTINGENCIES AND COMMITMENTS		
6.1 Contingencies		
As at March 31, 2023, 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, 2022, except for the matter disclosed below:		
6.1.1 During the year ended December 31, 2017, the Company received a show cause notice dated May 11, 2017 from the Additional CIR – Federal Board of Revenue under Section 122(9) of the Income Tax Ordinance, 2001 in respect of Tax Year 2016. In the notice, the Additional CIR expressed intention to reject exemption of intercorporate dividend amounting to Rs 18,008.795 million, to make an addition to capital gain amounting to Rs 615.101 million and also to impose a super tax liability amounting to Rs 666.963 million. The Company being aggrieved, filed a Constitutional Petition before the High Court of Sindh against the proposal to reject the exemption claimed on intercorporate dividend. Further, a Constitutional Petition was filed with the High Court of Sindh against the levy of super tax. The High Court of Sindh issued stay orders in respect of the aforementioned matters with the instruction to the taxation authorities to not finalise the proceedings until the cases were disposed of.		
On January 31, 2023, Sindh High Court disposed of the petition by directing the Company to respond to the department for the show cause notice initially issued, within 60 days from the date of court order. The department was directed to pass an order after hearing to the Company in accordance with the law. Both the Company and department have to follow the tax appeals' procedure with respect to the notice.		

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE MONTHS ENDED MARCH 31, 2023

- 6.1.2 "During the year ended December 31, 2022, the Holding Company received a show cause notice from the Deputy Commissioner Inland Revenue (DCIR) under section 4C of the Income Tax Ordinance, 2001 wherein DCIR observed that the Company has not discharged its super tax liability amounting to Rs 254.785 million. Accordingly, DCIR required the Holding Company to furnish an explanation in this respect, failing which the same will be recovered under section 4C(5) of the Ordinance.

The notice was duly responded by informing the DCIR that the Company has filed a constitution petition No. D-5905/2022 before the Honourable Sindh High Court (SHC) against levy of the super tax under section 4C of the Ordinance. In this respect, the SHC has granted interim relief vide its order dated October 7, 2022 wherein the SHC has directed the Federal Board of Revenue (FBR) to allow the petitioner to submit the return of income for subject tax year without admitting the super tax liability under section 4C of the Ordinance. Further in fulfilment of the condition imposed by the SHC, the Company has also submitted a cheque against the liability of super tax under section 4C of the Income Tax Ordinance, 2001 before the Nazir of SHC.

On February 16, 2023, Supreme Court in its hearing with respect to section 4C (Super Tax) issued direction to the Company to pay the entire amount of Super Tax to the Govt Treasury. The cheque issued to the Nazir of SHC was encashed by the Nazir on March 01, 2023 under the instruction of the Supreme Court."

6.2 Commitments

Commitments in respect of open purchase orders and capital and revenue expenditure including contracted but not incurred amount to Rs. 27,796,618 (December 31, 2022: Rs 43,204,163).

7. EARNINGS PER SHARE - BASIC AND DILUTED

	----- (Unaudited) ----- Three months ended	
	March 31, 2023	March 31, 2022
	----- (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) "	1,924,271	2,778,825
	----- (Number in thousands) -----	
Weighted average number of ordinary shares	481,287	481,287
	----- (Rupees in '000) -----	
Earnings per share - basic and diluted	4.00	5.77

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE MONTHS ENDED MARCH 31, 2023

	Unaudited March 31, 2023	Audited December 31, 2022
----- (Rupees in '000) -----		
8. CASH GENERATED FROM OPERATIONS		
Profit before taxation	14,020,523	20,694,175
Less: loss before taxation attributable to discontinued operations	-	238
Profit before taxation from continuing operations	14,020,523	20,694,413
Adjustment for non-cash charges and other items:		
Depreciation and amortization	4,821,491	3,723,123
Loss on disposal / write-off of property, plant and equipment	5,571	6,011
Rent concession on lease liability	-	(12,729)
Provision for retirement and other service benefits	121,273	135,077
Provisions, net	587,115	(192,998)
Income on deposits / other financial assets	(4,568,122)	(2,737,408)
Share of loss / (income) from joint venture and associate	123,810	(988,329)
Return on investments	(810,175)	(94,051)
Finance cost	9,921,753	4,131,384
Stock-in-trade / stores and spares written-off	13,055	-
Finance income on net investment in lease	(1,778,914)	(1,330,364)
Reversal of ECL on subsidy receivable from GoP	-	85,578
Loss on remeasurement of GIDC provision	-	400,285
Finance cost on lease liability	1,378,285	1,010,209
Exchange loss on lease liability	13,818,903	1,888,194
Exchange (gain) on net investment in lease	(14,352,576)	(1,894,673)
Foreign currency translations	1,943,816	464,674
Working capital changes (note 8.1)	2,692,800	4,617,331
	27,938,608	29,905,727
8.1 Working capital changes		
(Increase) / decrease in current assets		
- Stores, spares and loose tools	(528,288)	(426,896)
- Stock-in-trade	5,894,975	3,056,177
- Trade debts	(14,041,434)	(2,382,272)
- Loans, advances, deposits and prepayments	(914,749)	(117,467)
- Other receivables - net	(4,252,407)	(2,684,940)
	(13,841,903)	(2,555,398)
Increase/ (decrease) in current liabilities		
- Trade and other payables, including other service benefits - net	16,534,703	7,172,729
	2,692,800	4,617,331
9. CASH AND CASH EQUIVALENTS		
Cash and bank balances	61,757,054	51,627,614
Short term investments	11,889,585	80,374,755
Short term borrowings	(29,647,155)	(29,839,604)
	43,999,484	102,162,765

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE MONTHS ENDED MARCH 31, 2023

10. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

10.1 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.

These consolidated condensed interim financial statements do not include all financial risk management information and disclosures which are required in the annual consolidated financial statements and should be read in conjunction with the Company's annual consolidated financial statements as at December 31, 2022. There have been no changes in any risk management policies since the year end.

10.2 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 (level1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2)

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	-	7,291,777	-	7,291,777
Financial assets through other comprehensive income	-	26,143,694	-	26,143,694

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.

11. 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:

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE MONTHS ENDED MARCH 31, 2023

	----- (Unaudited) ----- Three months ended	
	March 31, 2023	March 31, 2022
	----- (Rupees in '000) -----	
Associated companies and joint ventures		
Purchases and services	12,901,265	11,687,256
Services rendered / sale of goods	-	6,078
Dividends received	-	297,450
Dividend paid	20,719	17,832
Contribution for Corporate Social Responsibility	45,600	-
Mark-up on borrowings	1,454,834	522,570
Reimbursements from associates	142,757	226,864
Reimbursements to associates	155,500	43,210
Loan disbursed	2,740,000	-
Loan paid	3,554,520	760,459
Donations	98	45,326
Accrued profit on loan / markup on delayed payment	2,740,073	-
Key Management Personnel		
Remuneration paid to key management personnel / directors	392,464	391,483
Post retirement benefit plans	1,044	-
Reimbursements to key management personnel	158	-
Dividend paid	37,991	-
Directors' fee	30,812	38,140
Advisory agreement	21,000	-
Contribution for retirement benefits	306,010	240,540

12. 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.

12.1 Type of segments Nature of business

Fertilizer	This part of the business manufactures, purchases and markets fertilizers. The operations of this segment include a wide range of fertilizer brands, besides urea, which primarily comprises of Engro Zarkhez, Zingro, Engro DAP optimized for local cultivation needs and demand. Further, the segment is a leading importer and seller of phosphate products which are marketed extensively across Pakistan as phosphatic fertilizers. The Company carrying on the fertilizer business is listed on Islamic Index.
Polymer	This part of the business manufactures, markets and sells Poly Vinyl Chloride (PVC), PVC compounds, Caustic soda and related chemicals all over Pakistan and few Central Asian countries. The Company carrying on the polymer business is listed on Islamic Index.
Terminal	This part of the business includes operating and maintaining integrated liquid chemical terminal and storage farm, and LNG terminal for receipt, storage and regasification of LNG.
Power and mining	This part of the business includes power generation, distribution, transmission and sale of electricity in Pakistan and operations and management services in Pakistan and Nigeria.
Connectivity and telecom	This part of the business includes buying, building, maintaining and operating telecommunication infrastructure and ancillary products and services.
Other operations	It includes management of investments in associates and joint venture by the Holding Company. It also includes investments made in the foods and dairy segment.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE MONTHS ENDED MARCH 31, 2023

----- (Unaudited) -----
Three months ended
March 31, March 31,
2023 2022
----- (Rupees in '000) -----

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

Revenue

Fertilizer	43,991,099	36,813,078
Polymer	17,978,330	23,126,868
Terminal	5,389,518	3,650,499
Power and mining	25,403,922	20,940,081
Connectivity and telecom	3,016,486	1,578,735
Other operations	1,660,303	10,299,029
Elimination - net	(107,228)	(8,039,350)
Consolidated	<u>97,332,430</u>	<u>88,368,940</u>

Profit before taxation for the period

Fertilizer	6,790,131	7,672,859
Polymer	1,671,884	6,255,798
Terminal	1,231,899	1,181,098
Power and mining	2,412,979	4,558,326
Connectivity and telecom	(257,431)	43,280
Other operations	7,466,696	8,088,131
Elimination - net	(5,295,635)	(7,105,317)
Consolidated	<u>14,020,523</u>	<u>20,694,175</u>

(Unaudited) (Audited)
March 31, December 31,
2023 2022
----- (Rupees in '000) -----

Assets

Fertilizer	140,090,742	145,413,332
Polymer	84,662,157	85,400,579
Terminal	89,258,178	74,971,634
Power and mining	339,287,231	300,492,673
Connectivity and telecom	60,648,965	60,974,587
Other operations	158,450,353	155,793,667
Elimination - net	(59,148,817)	(57,508,215)
Consolidated	<u>813,248,809</u>	<u>765,538,257</u>

13. SEASONALITY

13.1 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.

13.2 "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 THREE MONTHS ENDED MARCH 31, 2023

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

14.1 The Board of Directors of the Holding Company in its meeting held on April 26, 2023 has approved an interim cash dividend of Rs 15 per share for the period ended March 31, 2023 (Rs 4.5 per share for the three months period ended March 31, 2022). These consolidated condensed interim financial statements do not include the effect of the said interim dividend.

15. CORRESPONDING FIGURES

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

15.2 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.

16. DATE OF AUTHORIZATION

This consolidated condensed interim financial information is authorized for issue on April 26, 2023 by the Board of Directors of the Holding Company.

Kamran Hanif Jangda
Chief Financial Officer

Mohammad Shamoon Chaudry
Chief Executive

Shabbir Hussain Hashmi
Director



Dawood Hercules

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