

# **THIRD QUARTERLY ACCOUNTS**

## **(UN-AUDITED)**

**FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2022**



**Dawood Hercules**

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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. Imran Sayeed - Director  
Mr. Mohammad Shamoony 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

Dawood Centre, M.T. Khan Road Karachi-75530  
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Fax: +92 (21) 35644147  
Email: [shareholders@dawoodhercules.com](mailto:shareholders@dawoodhercules.com)  
Website: [www.dawoodhercules.com](http://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)  
Plot No.101, Almurtaza Lane 1,  
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Tel: +92 (021) 111 520 000, 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 30th September 2022.

## Economic & Market Outlook

Uncertainty regarding the global economy persists with central banks continuing monetary tightening to combat growing inflation, which is expected to extend into 2023. This monetary tightening, coupled with withdrawal of fiscal stimuli, has increased the likelihood of a global recession.

With this scenario, Pakistan's risk of default continues to be priced in by global markets. As of September 30th, 2022, the Country Credit Default Swap rate traded at 24% and the Yield-To-Maturity on Pakistan's international bond maturing in 2024 was at 83%. To address this uncertainty and revert to a growth trajectory, the country is in dire need of structural reforms such as expanding the tax net, incentivizing export sectors, installing favorable policies for the IT sector, and establishing talent development programs.

Investor confidence in Pakistan faltered during the quarter due to elevated political noise and risks to the economy. Despite this, Pakistan was able to take the tough steps necessary to resume the IMF programme, which proved to be timely given that the country was soon after affected by the worst flooding it has seen since 2010 (the initial estimated impact of which is more than USD 30 billion, equivalent to 5% of GDP). Pakistan recorded high inflation prints of 23.2% for September and 27.3% for August, but the SBP kept the benchmark policy rate on hold at 15.0%. It is expected that with slower GDP growth in the near-term, inflationary pressures should relent. Pakistan's monthly CAD print for August nearly halved to US\$0.7 bn YoY, the lowest since Apr'22 despite hefty oil and food imports amid recent flood damages. Importantly, the current account deficit for FY23 is still expected to be near 3% of GDP. The PKR remained volatile during the quarter as domestic inflation spiked while the US\$ soared as the US Fed raised interest rates. In recent weeks, however, improved sentiment has helped recoup some of the PKR's losses.

The KSE100 lost 1.00% in the first quarter of FY23 (12.6% in US\$ terms), with the KSE100 closing at 41,129 pts. The Index high during the quarter was 43,677 pts and the low was 39,832 pts, with volatility tracking political and economic developments. Trading volumes remained thin generally, similar to the previous quarter. Net foreign investment in Pakistan equities was positive but this was largely due to foreign individual buying in the technology sector, while foreign institutions remained on the selling side. On the local front, institutions led by mutual funds and insurance companies were sellers, while individuals continued to buy equities.

## Business Review

Following September 30, 2022, the Board of Directors of the Company approved the sale of its wholly-owned subsidiary Empiric AI (Private) Limited to Avanceon Limited, under a share swap arrangement in exchange for certain shares of Octopus Digital Limited (a subsidiary of Avanceon Limited) on such terms and conditions as specified in the Share Purchase Agreement, subject to approval of the members of the Company and all other applicable laws and regulations.

During the period, DH Corp's investment in the equity market portfolio moved slightly lower than the market. The portfolio earned dividends worth PKR 808 million; however, the period ended with unrealized capital losses of PKR 1.81bn and realized losses of PKR 32 million due to rebalancing of the portfolio to align with market conditions and outlook. The portfolio performed slightly below KSE 100 Index returns during the period as value stocks performed below mid-cap due to foreign selling; however, the portfolio is 3.5% above the KSE-100 when comparing inception-to-date returns.

The balance funds were placed in both long- and short-term instruments in money markets to reduce loan liabilities, allowing us to efficiently manage our treasury portfolio in line with our liquidity requirements and optimized finance cost. However, profitability has been impacted by the implication of Super Tax that was announced in June 2022.

On a consolidated basis, the Company's revenue grew by 20%, to PKR 268,740 million compared to PKR 223,698 million during the same period last year. The consolidated PAT for the nine months stood at PKR 27,997 million against PKR 39,301 million during same period last year. Major variances were the additional Super Tax charge (PKR 10,595 million) and a one-off tariff true-up adjustment (PKR 2,693 million) at Engro Powergen Thar Limited (EPTL).

On a standalone basis, the profit after tax was PKR 2,477 million against PAT of PKR 1,992 million for the same period last year, mainly due to higher dividends from Engro. This has been partly off-set by unrealized losses of PKR 1,815 million on the equity portfolio and a Super Tax charge of PKR 502 million. Earnings per share for the period was PKR 5.15 per share.

The fertilizer business recorded a revenue of PKR 110,876 million compared to PKR 92,742 million in the same period last year, primarily driven by a rise in global commodity prices. Profitability of the Engro Fertilizer Limited stood at PKR 9,594 million versus PKR 14,921 million in the same period last year, mainly affected by the imposition of Super Tax amounting to PKR 5,500 million. Phosphate and other traded businesses benefitted from the commodity cycle upturn, adding PKR 5,115 million to the PAT versus PKR 3,647 million in the same period last year.

The Polymer business recorded a revenue of PKR 62,308 million compared to PKR 49,323 million in the same period last year, largely due to higher PVC volumes. The Company's PAT stood at PKR 9,309 million against PKR 10,372 million in same period last year, the decrease driven primarily by the Super Tax charge of PKR 2,100 million.

Mining operations continued smoothly, supplying 2.4 million tons of coal to Engro Powergen Thar. The mine successfully completed Phase II expansion, doubling its existing capacity to 7.6 million tons per annum with effect from October 1, 2022.

The Qadirpur power plant dispatched a Net Electrical Output of 558 GwH to the national grid against 615 GwH in same period last year; the lower dispatch was mainly due to shutdown for a major planned inspection. The business posted a PAT of PKR 1,377 million for the current period as compared to PKR 1,463 million during same period last year, the decrease driven by a higher finance cost.

Engro Powergen Thar Limited achieved 68% availability during the period compared with 85% in same period last year and dispatched 2,655 GwH. Plant availability remained low due to an outage following an incident on the coal conveyor belt. After a detailed inspection and necessary rehabilitation work, both units of the plant are successfully back online.

The LNG terminal handled 37 cargoes in 9M 2022, delivering 111 bcf re-gasified LNG in to the SSGC network, accounting for ~13% of the total gas supply to the country. The chemicals terminal had an actual throughput of 1,082 KT against 1,010 KT during the same period last year. The increase was primarily observed in chemical volumes offset by lower LPG handling.

Engro Eximp Agriproducts continued its efforts to grow the rice export business, recording 57% growth in

volumes over last year (42.1 KT versus 27.4 KT). During these nine months, the rice business generated revenues of USD 28 million through export versus USD 15 million in the same period last year. PAT stood at PKR 194 million versus PKR 13 million in the same period last year on the back of higher sales, better margins, and PKR devaluation.

Enfrashare continued to expand its national footprint and achieved a scale of 3,132 tower sites by the end of September with a 1.14x tenancy ratio, catering to all four Mobile Network Operators (MNOs) in Pakistan. The business captured a market share of 61% in Build-to-Suit (B2S) towers during the period and captured a 139% increase in co-location tenants (439 versus 183 from the same period last year). This has led to a ~2x increase in revenue in comparison to 9M 2021.

## **Future Outlook**

Pakistan's equity market is trading at a forward P/E of 3.2x (Bloomberg consensus) at a steep discount to the 10-year average of 8.1x. The depressed valuations can largely be attributed to a challenging macro environment and interest rates at their highest level since the 1990s. Pakistan equities have significant room to rerate through the cycle as political noise subsides and interest rates begin to reduce. Provided international commodity prices come down, particularly oil prices, it is possible that monetary easing begins in 2022 rather than next year. This could be a major trigger for equities.

Going forward, Pakistan faces a challenging balancing act between providing relief to the public, achieving sustainable growth, and retaining prudent policies such that multilateral agencies, particularly the IMF, remain on board. The floods are expected to weigh down on GDP growth this year, while adding to inflationary pressures. However, the impact on the current account is expected to be modest and there is some scope to win concessions from the IMF in terms of conditionalities. The latter will be welcome relief and should help improve confidence in Pakistan's economic outlook. Therefore, the management's investment philosophy is to hold blue-chip stocks with strong fundamentals.

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.

**Mohammad Shamooun Chaudry**  
Chief Executive

**Shabbir Hussain Hashmi**  
Director

Dated: October 24, 2022

## ڈائریکٹرز کی جائزہ رپورٹ

کمپنی کے ڈائریکٹرز مورخہ 30 ستمبر 2022 کو ختم ہونے والی ششماہی کے لئے اپنی رپورٹ کے ہمراہ کمپنی کے عبوری، غیر آڈٹ شدہ، غیر اشتهال شدہ مختصر گوشوارے اور گروپ کے عبوری، غیر آڈٹ شدہ، اشتهال شدہ مختصر گوشوارے پیش کرتے ہوئے انتہائی مسرت محسوس کر رہے ہیں۔

### اقتصادیات اور بازار کا منظر نامہ

عالمی اقتصادیات پر غیر یقینی کے بادل بدستور چھائے ہوئے ہیں اور مہنگائی سے لڑنے کی خاطر دنیا بھر کے مرکزی بینک زری پابندیاں لگا رہے ہیں۔ توقع ہے کہ یہ چلن 2023 میں بھی جاری رہے گا۔ زری پابندیوں اور مالیاتی تراغیب کو واپس لئے جانے کے عمل نے دنیا بھر میں معاشی بحران کے امکانات بڑھادیئے ہیں۔

اس منظر نامے میں پاکستان کے ڈیفالٹ کر جانے کا رسک بدستور عالمی مارکیٹوں سے منسلک ہے۔ 30 ستمبر 2022 تک ہمارے ملک کا کریڈٹ ڈیفالٹ سوپ ریٹ 24% پر کاروبار کر رہا تھا اور 2024 میں میچور ہو نیوالے پاکستانی کے عالمی بانڈ کی شرح منافع 83% تھی۔ اس غیر یقینی کو ختم کرنے اور بڑھوتی کی جانب گامزن واپس ہونے کی خاطر ملک کو اپنے نظام میں ٹیکسوں کا دائرہ وسیع تر کرنے، برآمدی سیکٹروں کو رعایات دینے، آئی ٹی سیکٹر کیلئے موافق پالیسیاں نافذ کرنے، اور صلاحیتیں بڑھانے والے پروگرام شروع کرنے جیسی اصلاحات کی اشد ضرورت ہے۔

ملک میں سیاسی ہيجان بڑھنے اور اقتصادیات کو لاحق خطرات کے باعث زیر جائزہ سہ ماہی کے دوران سرمایہ کاروں کا اعتماد متزلزل رہا۔ اسکے باوجود پاکستان آئی ایم ایف کا پروگرام دوبار شروع کرنے کیلئے ضرورت سخت اقدامات اٹھاسکا ہے جو اس لحاظ سے بروقت ثابت ہوا کہ اسکے فوراً بعد پاکستان کو 2010 کے بعد بدترین سیلاب کا سامنا کرنا پڑا (ابتدائی تخمینوں کے مطابق سیلاب کے نتیجے میں پاکستانی اقتصادیات کو 30 بلین ڈالر کا نقصان اٹھانا پڑا جو ملک کی خام قومی پیداوار کا 5% ہے)۔ جہاں تک مہنگائی کا تعلق ہے تو ستمبر کے مہینے میں مہنگائی کی شرح 23.2% جبکہ اگست میں یہ شرح 27.3% رہی، تاہم اسٹیٹ بینک نے بیچ مارک پالیسی ریٹ 15.0% پر ہی روک رکھا۔ قلیل مدت میں جی ڈی پی کی شرح میں بڑھوتی کی رفتار سست ہونے کی تناظر میں توقع ہے کہ مہنگائی کے دباؤ میں کمی آئے گی۔ سیلاب کی تباہ کاریوں کے باعث تیل اور خوراک کی بیش بہا درآمد کے باوجود اگست کے مہینے میں پاکستان کا ماہانہ جاری کھاتے کا خسارہ سال بہ سال بنیاد پر اپریل 2022 کے بعد تقریباً نصف یعنی 0.7 بلین ڈالر رہ گیا تھا۔ لیکن اہم بات یہ ہے کہ مالی سال 2023 کیلئے جاری کھاتے کا خسارہ جی ڈی پی کے 3% کے آس پاس رہے گا۔ زیر نظر سہ ماہی کے دوران پاکستانی روپیہ کم زور رہا اور اندرون ملک مہنگائی میں اضافہ ہوا جبکہ امریکی فیڈرل ریزرو کی جانب سے شرح سود بڑھادینے کے سبب پاکستانی روپے کے مقابلے میں ڈالر کی قیمتوں میں اضافہ ہوا۔ تاہم حالیہ ہفتوں میں آنے والی بہتری نے پاکستانی روپے کو ہونے والے نقصان کی کسی حد تک تلافی کی ہے۔

مالی سال 2023 کی پہلی سہ ماہی کے دوران KSE 100 میں 1.00% (امریکی ڈالر میں 12.6%) کی کمی ہوئی اور KSE 100 انڈیکس 41,129 پوائنٹ پر بند ہوئی۔ اس سہ ماہی کے دوران اس انڈیکس کی بلند ترین سطح 43,677 پوائنٹ اور زیر ترین سطح 39,832 پوائنٹ رہی جسکی وجہ اقتصادی اور سیاسی حالات تھے۔ کاروبار کا حجم گزشتہ سہ ماہی کی طرح مجموعی طور سے کم رہا۔ پاکستانی ایکویٹیز میں خالص بیرونی سرمایہ کاری مثبت رہی جسکی بڑی وجہ ٹیکنالوجی سیکٹر میں انفرادی سطح پر غیر ملکیوں کی جانب سے اسٹاک کی خریداری تھی جبکہ غیر ملکی انسٹیٹیوشنز نے زیادہ سرگرمی نہیں دکھائی۔ مقامی سطح پر میوچل فنڈز انشورنس کمپنیوں کے ادارے فروشنہ رہے جبکہ ایکویٹیز کے خریدار بدستور افراد ہی رہے۔

## کاروباری جائزہ

30 ستمبر 2022 کے بعد کمپنی کے بورڈ آف ڈائریکٹرز نے کمپنی کے ممبران کی منظوری کی شرط پر اور دیگر تمام قابل اطلاق قوانین اور قواعد کے تحت شیئرز پر چیز ایگزیمینٹ میں صراحت کردہ شرائط و ضوابط پر Octopus ڈیجیٹل لمیٹڈ (Avanceon) لمیٹڈ کی ایک ذیلی کمپنی کے مخصوص تعداد میں شیئرز کے بدلے میں اپنی مکمل ملکیتی ذیلی کمپنی Empiric AI (پرائیویٹ) لمیٹڈ کو Avanceon لمیٹڈ کے ہاتھوں فروخت کرنے کی منظوری دی۔

اس مدت کے دوران ایکویٹی مارکیٹ پورٹ فولیو میں ڈی ایچ کارپ کی سرمایہ کاری مارکیٹ سے زرا سی نیچے تھی۔ اس پورٹ فولیو نے 808 ملین روپے کا منافع منقسمہ حاصل کیا؛ تاہم زیر جائزہ مدت کا اختتام 1.81 بلین روپے کے غیر حاصل شدہ سرمایہ جاتی نقصان اور 32 ملین روپے کے حاصل شدہ پر ہوا جسکی وجہ مارکیٹ کے حالات اور منظر نامے کی مناسبت میں پورٹ فولیو کو متوازن کرنا تھی۔ اس مدت میں اس پورٹ فولیو کی کارکردگی KSE 100 انڈیکس ریٹرن زرا سی نیچے رہی جسکی وجہ غیر ملکیوں کی جانب سے فروخت کے سبب اسٹاک کی اوسط کارکردگی تھی؛ تاہم ابتداء سے آج کی تاریخ تک آمدنی سے موازنہ کرنے پر یہ پورٹ فولیو KSE 100 انڈیکس سے 3.5% اوپر رہا۔

باقیمانہ فنڈز بازار زر کے طویل اور قلیل مدتی انسٹرومنٹس میں رکھا گیا اور قرضوں کی ادائیگی کی گئی جس نے ہمیں اپنے ٹریژری پورٹ فولیو کو اپنی نقدی کی ضروریات کی مناسبت سے بہتر طور سے منظم کرنے اور مالیاتی لاگت میں بہتری لانے کے قابل بنایا۔ تاہم ہمارے منافع پر جون 2022 میں عائد کردہ سپرنٹیکس نے مضراثر ڈالا۔

اشتمال شدہ بنیاد پر کمپنی کی آمدنی میں زیر جائزہ مدت کے دوران 20% اضافہ ہوا جو گزشتہ برس کی اسی مدت کے 223,698 ملین روپے سے بڑھ کر اس سال کی اسی مدت کے اختتام پر 268,740 ملین روپے ہو گئی۔ ابتدائی نو (9) ماہ کیلئے اشتمال شدہ بعد از ٹیکس منافع 27,997 ملین روپے رہا جو گزشتہ برس کی اسی مدت کے دوران 39,301 ملین روپے رہا تھا جسکی بڑی وجہ اضافی سپرنٹیکس (10,595 ملین روپے) کی ادائیگی اور اینگرو پاوریجین تھر لمیٹڈ (EPTL) کی ٹیرف کی درستگی کیلئے (2,693 ملین روپے) کی ایک بار ایڈجسٹمنٹ تھی۔

غیر اشتمال شدہ بنیادوں پر بعد از ٹیکس نفع 2,477 ملین روپے رہا جو گزشتہ برس کی اسی مدت میں 1,992 ملین روپے رہا تھا جس کی بڑی وجہ اینگرو سے حاصل ہونے والا زیادہ منافع منقسمہ تھی۔ اس بہتری نے ایکویٹی پورٹ فولیو میں 1,815 ملین روپے کے غیر حاصل شدہ نقصان اور 502 ملین روپے کے سپرنٹیکس کی ادائیگی کی کسی حد تک تلافی کی ہے۔ اس مدت میں فی شیئر کمائی 5.15 روپے تھی۔

مصنوعی کھاد کے کاروبار نے 110,876 ملین روپے کی آمدنی ریکارڈ کی جو گزشتہ برس کی اسی مدت کے دوران 92,742 ملین روپے رہی تھی جسکی وجہ اشیائے صرف کی قیمتوں میں عالمی اضافہ تھا۔ اینگرو فرٹیلائزر لمیٹڈ کا نفع 9,594 ملین روپے رہا جو گزشتہ برس کی اسی مدت کے دوران 14,921 ملین روپے رہا تھا جس کی بڑی وجہ 5,500 ملین روپے مالیت کے سپرنٹیکس کا نفاذ تھا۔ فاسفیٹ اور دیگر تجارتی کاروباروں نے کموڈٹی سائیکل میں تیزی سے فائدہ اٹھایا اور 5,115 ملین روپے کے بعد از ٹیکس منافع کا اضافہ کیا۔ یہ منافع گزشتہ برس کی اسی مدت کے دوران 3,647 ملین روپے رہا تھا۔

زیر جائزہ مدت کے دوران پولیمر کے کاروبار نے 62,308 ملین روپے کی آمدنی ریکارڈ کی جو گزشتہ برس کی اسی مدت میں 49,323 ملین روپے رہی تھی اس اضافے کی وجہ PVC کی فروخت کا حجم بڑھ جانا تھی۔ کمپنی کا بعد از ٹیکس نفع 9,309 ملین روپے رہا جو گزشتہ برس کی اسی مدت میں 10,372 ملین روپے رہا تھا۔ نفع میں یہ کمی بنیادی طور سے 2,100 ملین روپے کے سپرنٹیکس کی ادائیگی تھی۔



کان کنی کے آپریشن معمول کے مطابق جاری رہے اور کوئلے کی کان نے زیر جائزہ مدت کے دوران اینگرو پاور جین تھر کو 2.4 ملین ٹن کوئلہ فراہم کیا۔ کوئلے کی کان کی گنجائش میں توسیع کا دوسرا مرحلہ کامیابی سے تکمیل تک پہنچا جس سے اسکی پیداواری گنجائش دوگنی ہو کر یکم اکتوبر 2022 سے 7.6 ملین ٹن سالانہ ہو چکی ہے۔

زیر جائزہ مدت کے دوران قادر پور پاور پلانٹ نے قومی گرڈ کو 558 GWh بجلی مہیا کی جبکہ گزشتہ برس کی اسی مدت کے دوران 615 GWh بجلی قومی گرڈ کو فراہم کی گئی تھی۔ بجلی کی فراہمی میں کمی کی وجہ مقررہ معائنہ کاری (انپکشن) کیلئے پلانٹ کی بندش تھی۔ اس کاروبار نے زیر جائزہ مدت کے دوران 1,377 ملین روپے کا بعد از ٹیکس نفع ظاہر کیا جو پچھلے سال کی اسی مدت کے دوران 1,463 ملین روپے رہا تھا۔ نفع میں کمی کی وجہ مالیاتی لاگت کا بڑھ جانا تھی۔

اینگرو پاور جین تھر لمیٹڈ نے گزشتہ برس کی اسی مدت میں 85% کے مقابلے میں زیر جائزہ مدت کے دوران 68% کی دستیابی حاصل کی اور 2,655 GWh بجلی مہیا کی۔ پلانٹ کی دستیابی میں کمی کی وجہ کوئلے کے کنویرٹیشن کی خرابی کے باعث پیداوار میں خلل تھی۔ تفصیلی معائنے اور ضروری بحالی کے بعد دونوں پلانٹوں نے کامیابی سے پیداوار شروع کر دی ہے۔

LNG ٹرمینل نے زیر جائزہ 9 ماہ کے دوران 37 کارگو سنبھالے اور SSGC کے نیٹ ورک کو 111 bcf ری گیسفائڈ ایل این جی مہیا کی جو ملک کو سپلائی کی جانیوالی گیس کا 13% حصہ بنتی ہے۔ کیمیکل ٹرمینل کی حقیقی پیداوار 1,082 کلوٹن رہی جو گزشتہ برس کی اسی مدت کے دوران 1,010 کلوٹن رہی تھی۔ کیمیکل کے حجم میں اضافے کی بنیادی وجہ LPG کی ہینڈلنگ کم ہونا تھی۔

Engro Eximp Agriproducts نے چاول کے برآمدی کاروباری میں بدستور شان دار کارکردگی کا مظاہرہ کیا اور گزشتہ برس کی اسی مدت کے مقابلے میں چاول کے حجم میں 57% بڑھوتی ریکارڈ کی (زیر جائزہ مدت میں 42.1 کلوٹن اور گزشتہ برس کی اسی مدت کے دوران 27.4 کلوٹن)۔ زیر جائزہ 9 ماہ کے دوران چاول کے کاروبار نے برآمدات کے ذریعے 28 ملین ڈالر کی آمدنی حاصل کی جو گزشتہ برس کی اسی مدت میں 15 ملین ڈالر رہی تھی؛ بعد از ٹیکس منافع 194 ملین روپے حاصل ہوا جو گزشتہ برس کی اسی مدت کے دوران 13 ملین روپے رہا تھا۔ منافع میں بڑھوتی کی وجہ فروخت کی زیادتی، زیادہ بچتیں اور پاکستانی روپے کی قدر میں کمی آنا تھی۔

Enfrashare ملک میں اپنے نقش قدم بڑھانے کے عمل میں بدستور مصروف رہی اور رواں سال ستمبر کے اختتام پر 3,132 ٹاور سائٹس کی تکمیل کا ٹارگٹ حاصل کیا گیا جس کی کرایہ داری شرح 1.14x تھی اور پاکستان میں مصروف کاروبار تمام چار موبائل نیٹ ورک آپریٹرز (MNOs) کو ٹاور سائٹس مہیا کی گئیں۔ کمپنی نے Build-to-Suit (B2S) ٹاورز کی مارکیٹ میں 61% حصہ حاصل کیا اور co-location کرایہ داروں کے حجم میں 139% بڑھوتی حاصل کی (گزشتہ برس کی اسی مدت کے دوران 183 کے برعکس زیر جائزہ مدت کے دوران 439)۔ اس صورتحال کی بدولت 2021 کے پہلے 9 ماہ کی بہ نسبت آمدنی میں دوگنا اضافہ ہوا۔

## مستقبل کا منظر

پاکستانی ایکویٹی مارکیٹ کی ایکویٹی مارکیٹ 3.2x کی فاورڈ P/E (بلمبرگ کی متفقہ رائے) پر 8.1x کی 10 سال کی اوسط پر ناقابل یقین ڈسکاؤنٹ کے ساتھ کاروبار کر رہی ہے۔ یہ پست قدر اندازیاں مشکل میکرو ماحول اور 1990 کے عشرے کے بعد شرح سود کی بلند ترین سطح تک پہنچنے کی مرہون منت کہی جاسکتی

ہیں۔ سیاسی شورش رابے میں کمی اور شرح سود نیچے آجائے تو پاکستان کی ایکویٹیوں کی قدر اندازی میں بہتری کی بہت زیادہ گنجائش ہے۔ اجناس اور خاص طور سے تیل کی عالمی قیمتوں میں اگر کمی آجائے تو امکانات ہیں کہ زری پابندیوں میں آئندہ سال کی بجائے 2022 میں ہی نرمی آنا شروع ہو جائے۔ یہ واقعہ ایکویٹیوں کیلئے مہمیز ثابت ہو سکتا ہے۔

عوام کو ریلیف مہیا کرنے، قابل نمو بڑھوتی حاصل کرنے اور ایسی پُر مغز پالیسیاں وضع کرنے جن سے عالمی اداروں، خاص طور سے آئی ایم ایف کی پاکستان کو اعانت ملتی رہے، میں پاکستان کو شدید چیلنجوں کا سامنا ہے۔ ملک میں آنے والا سیلاب اس سال خام قومی پیداوار (جی ڈی پی) میں بڑھوتی کو بری طرح متاثر کر کے مہنگائی کے دباؤ کو دو چند کر دے گا۔ تاہم جاری کھاتے پر اس کا اثر، توقع ہے کہ معتدل رہے گا اور امید ہے کہ آئی ایم ایف کی جانب سے شرائط میں نرمی کی صورت میں کچھ نہ کچھ رعایتیں بھی مل جائیں گی جس سے پاکستانی اقتصادیات کے منظر نامے پر اعتماد میں اضافہ ہوگا۔ چنانچہ سرمایہ کاری کے بارے میں انتظامیہ کا فلسفہ ہے کہ مضبوط بنیادوں اور اچھی ساکھ کے حامل اسٹاکس میں سرمایہ لگایا جائے۔

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 معیشت کی بہتری آنے کی صورت میں قدر کی نئی جہتیں بھی کھوجی جائیں گی۔ باقیماندہ فنڈز سرکاری تمسکات اور بینک کے انسٹرومنٹس میں رکھا جائے گا۔

اینگرو کارپوریشن 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 24 اکتوبر 2022ء

**DAWOOD HERCULES CORPORATION LIMITED**

**Unconsolidated Condensed Interim Financial  
Statements**

FOR THE NINE MONTHS ENDED  
SEPTEMBER 30, 2022

# UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2022

	Note	Unaudited September 30, 2022	Audited December 31, 2021
----- (Rupees in '000) -----			
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	5	114,955	61,982
Right-of-use assets		46,352	4,114
Capital work-in-progress		1,921	1,921
Long-term investments	6	23,308,927	23,408,927
Deferred taxation		233,448	-
		<b>23,705,603</b>	<b>23,476,944</b>
<b>CURRENT ASSETS</b>			
Loans, advances, deposits and prepayments		46,222	345,217
Other receivables		215,858	257,026
Short-term investments	7	10,811,883	13,530,767
Cash and bank balances		5,227	4,419
		<b>11,079,190</b>	<b>14,137,429</b>
<b>Asset classified as held for sale</b>	8	<b>475,000</b>	<b>-</b>
		<b>35,259,793</b>	<b>37,614,373</b>
<b>TOTAL ASSETS</b>			
<b>EQUITY</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised capital		10,000,000	10,000,000
Issued, subscribed and paid up share capital		4,812,871	4,812,871
Revenue reserves		23,742,310	25,595,066
<b>TOTAL EQUITY</b>		<b>28,555,181</b>	<b>30,407,937</b>
<b>LIABILITIES</b>			
<b>NON CURRENT LIABILITIES</b>			
Lease liabilities		35,063	-
Defined benefit liabilities		5,911	6,851
Deferred taxation		-	35,685
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>40,974</b>	<b>42,536</b>
<b>CURRENT LIABILITIES</b>			
Short-term running finance	9	5,342,875	6,494,477
Current portion of lease liabilities		12,372	11,270
Trade and other payables		124,379	135,467
Unclaimed dividend		230,682	224,275
Accrued mark-up		174,243	49,578
Taxation - net		779,087	248,833
<b>TOTAL CURRENT LIABILITIES</b>		<b>6,663,638</b>	<b>7,163,900</b>
<b>TOTAL LIABILITIES</b>		<b>6,704,612</b>	<b>7,206,436</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>35,259,793</b>	<b>37,614,373</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	10		

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 QUARTER AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2022

	Note	Quarter Ended		Nine months period ended	
		September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
		----- (Rupees in '000) -----		----- (Rupees in '000) -----	
<b>REVENUES</b>					
Return on investments - net	11	<b>2,611,919</b>	(287,364)	<b>4,335,886</b>	3,255,080
Administrative expenses		<b>(48,916)</b>	(233,904)	<b>(176,384)</b>	(698,635)
Gross profit		<b>2,563,003</b>	(521,268)	<b>4,159,502</b>	2,556,445
Other income - net		<b>1,680</b>	3,167	<b>5,789</b>	8,309
Operating profit		<b>2,564,683</b>	(518,101)	<b>4,165,291</b>	2,564,754
Finance costs		<b>(190,898)</b>	(340)	<b>(503,575)</b>	(91,957)
Profit before taxation		<b>2,373,785</b>	(518,441)	<b>3,661,716</b>	2,472,797
Taxation		<b>(528,730)</b>	41,419	<b>(1,184,731)</b>	(480,901)
<b>Profit after taxation</b>		<b>1,845,055</b>	(477,022)	<b>2,476,985</b>	1,991,896
Earnings per share (Rupees)					
- basic and diluted	12	<b>3.83</b>	(0.99)	<b>5.15</b>	4.14

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

**Kamran Hanif Jangda**  
Chief Financial Officer

**Mohammad Shamoony Chaudry**  
Chief Executive

**Shabbir Hussain Hashmi**  
Director

# UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF TOTAL COMPREHENSIVE INCOME-UNAUDITED

FOR THE QUARTER AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2022

	Quarter Ended		Nine months period ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
	----- (Rupees in '000) -----		----- (Rupees in '000) -----	
Profit / (loss) after taxation	<b>1,845,055</b>	(477,022)	<b>2,476,985</b>	1,991,896
<b>Other comprehensive income / (loss) for the period</b>				
<i>Items that will not be reclassified to profit or loss</i>				
Remeasurements of post-retirement benefits liability	-	-	<b>1,843</b>	(555)
Total comprehensive income/(loss) for the period	<u><b>1,845,055</b></u>	<u>(477,022)</u>	<u><b>2,478,828</b></u>	<u>1,991,341</u>

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

**Kamran Hanif Jangda**  
Chief Financial Officer

**Mohammad Shamoon Chaudry**  
Chief Executive

**Shabbir Hussain Hashmi**  
Director

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2022

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

**Shabbir Hussain Hashmi**  
Director

# UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOW - UNAUDITED

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2022

	Note	Nine months period ended	
		September 30, 2022	September 30, 2021
----- (Rupees in '000) -----			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from / (used in) operations	13	<b>167,562</b>	(836,592)
Finance cost paid		<b>(378,910)</b>	(151,936)
Income taxes paid		<b>(923,610)</b>	(559,294)
Defined benefit liabilities paid		<b>(4,492)</b>	(6,519)
Interest received on bank deposits and investments		<b>205,998</b>	238,587
Short term investments purchased and redeemed - net		<b>(998,263)</b>	(113,000)
Investment in subsidiary		<b>(375,000)</b>	-
Dividends received		<b>5,955,289</b>	3,188,995
<b>Net cash generated from operating activities</b>		<b>3,648,574</b>	1,760,241
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		<b>(66,485)</b>	(11,213)
Sale proceeds from disposal of property, plant and equipment		<b>4,512</b>	4,242
<b>Net cash used in investing activities</b>		<b>(61,973)</b>	(6,971)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Long term financings repaid		<b>-</b>	(7,320,000)
Lease rentals paid during the period		<b>(9,021)</b>	(17,920)
Dividend paid		<b>(4,325,177)</b>	(2,201,590)
<b>Net cash used in financing activities</b>		<b>(4,334,198)</b>	(9,539,510)
Net (decrease) during the period in cash and cash equivalents		<b>(747,597)</b>	(7,786,240)
Cash and cash equivalents at the beginning of the period		<b>(4,590,051)</b>	8,598,636
Cash and cash equivalents at the end of the period	14	<b>(5,337,648)</b>	812,396

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

**Kamran Hanif Jangda**  
Chief Financial Officer

**Mohammad Shamoony Chaudry**  
Chief Executive

**Shabbir Hussain Hashmi**  
Director



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

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2022

## 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 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 condensed interim 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, 2021 (December 2021 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 September 30, 2022:**
- 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 NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2022

## 2.6 BASIS OF PREPARATION

2.6.1 These unconsolidated condensed interim financial statements comprise of the statement of financial position as at September 30, 2022 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 nine 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, 2021 has been extracted from the audited financial statements of the Company for the year then ended. The comparative unconsolidated condensed interim profit and loss account, unconsolidated condensed interim statement of total comprehensive income, unconsolidated condensed interim statement of changes in equity and unconsolidated condensed interim cash flow statement for the nine months ended September 30, 2022 have been extracted from the unconsolidated condensed interim financial statements of the Company for the nine 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, 2021 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 2021 financial statements.

3.3 The financial risk management objectives and policies are consistent with those disclosed in the December 2021 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 NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2022

	Note	Unaudited September 30, 2022	Audited December 31, 2021
----- (Rupees in '000) -----			
5. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets (WDV) opening balance - As at January 1		61,982	66,662
Additions during the period / year	5.1	66,485	14,092
		<u>128,467</u>	<u>80,754</u>
Disposals during the period / year (WDV)	5.2	(1,128)	(197)
Depreciation charge for the period / year		(12,384)	(18,575)
Operating fixed assets (WDV) - closing balance		<u>114,955</u>	<u>61,982</u>
----- (Rupees in '000) -----			
5.1 Additions during the period			
Furniture, fittings and equipment		59,749	3,928
Vehicles		6,164	166
Data processing equipment		572	6,571
Mobile Phone		-	548
		<u>66,485</u>	<u>11,213</u>
5.2 Disposals during the period - net book value			
Furniture, fittings and equipment		113	55
Vehicle		91	114
Data processing equipment		924	21
		<u>1,128</u>	<u>190</u>
----- (Rupees in '000) -----			
6. LONG-TERM INVESTMENTS			
Investment in subsidiaries - at cost	6.1	23,308,927	23,408,927
Other investment - at fair value through profit or loss	6.2	-	-
		<u>23,308,927</u>	<u>23,408,927</u>
----- (Rupees in '000) -----			
6.1 Investment in subsidiaries - at cost			
Engro Corporation Limited (ECL) - quoted 214,469,810 (December 31, 2021: 214,469,810) ordinary shares of Rs 10 each. Percentage of holding 37.22% (December 31, 2021: 37.22%)	6.1.1 & 6.1.2	23,308,927	23,308,927
		<u>23,308,927</u>	<u>23,308,927</u>
Empiric AI (Private) Limited (EMPAK) - unquoted 10,000,000 (December 31, 2021: 10,000,000) Ordinary shares of Rs 10 each Percentage of holding 100% (December 31, 2021: 100%)	8	-	100,000
		<u>23,308,927</u>	<u>23,408,927</u>

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

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2022

6.1.1 The market value of investment in ECL as at September 30, 2022 was Rs 49,654 million (December 31, 2021: Rs 58,426 million).

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

Bank	AS AT September 30, 2022			As at December 31, 2021		
	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	2,697,337	10,491,800	104,918	2,858,176
			Note	Unaudited September 30, 2022	Audited December 31, 2021	
				----- (Rupees in '000) -----		

## 6.2 Other investment - at fair value through profit or loss

e2e Business Enterprises (Private) Limited - unquoted

[23,770,701 (December 31, 2021: 23,770,701) ordinary shares of Rs 10 each]

**237,707** 237,707

Less: Accumulated impairment

**(237,707)** (237,707)

- -

Percentage of holding 39.00% (December 31, 2021 : 39.00%)

## 7. SHORT-TERM INVESTMENTS

At amortized cost

- Term Deposit Receipts (TDRs)

7.1&7.2

**18,007**

1,918,007

**At fair value through profit or loss**

- Market Treasury bills (T-Bills)

- Pakistan Investment Bonds (PIBs)

- Quoted shares

7.3

-	599,379
<b>1,513,234</b>	1,521,602
<b>9,280,642</b>	9,491,779
<b>10,793,876</b>	11,612,760
<b>10,811,883</b>	13,530,767

7.1 These carry profit at rate of 10.25% per annum (December 31, 2021: from 6.75% to 11% per annum).

7.2 As of September 30, 2022, the Company held TDR amounting to Rs 18 million with a commercial bank carrying profit at the rate of 10.25% per annum. The TDR is due to mature on April 4, 2023. The Bank has marked lien over this TDR against Corporate Credit Card facilities.

7.3 These securities have original tenor of 3 years and are maturing on June 19, 2023. The yield on these securities is 15.4% per annum (December 31, 2021: 11.83% per annum). These securities have been lien against the running finance facility obtained as disclosed in note 9.1.1 and 9.1.4 to these unconsolidated condensed interim financial statements. The Company as part of its investment portfolio has classified it as short term investment.

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

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2022

## 8. ASSET CLASSIFIED AS HELD FOR SALE

Subsequent to the period, the Board of Directors has approved the sale of its wholly owned susidary Empiric AI (Private) Limited to Avanceon Limited, under a share swap arrangement in exchange for certain shares of Octopus Digital Limited (subsidiary of Avanceon Limited) on such terms and condition as specified in Share Purchase Agreement subject to approval of the members of the Company and all other applicable laws.

	Note	Unaudited September 30, 2022	Audited December 31, 2021
		----- (Rupees in '000) -----	
9. <b>SHORT-TERM RUNNING FINANCE</b>			
	9.1.1-		
Running finance under mark-up arrangements	9.1.4	<b>5,342,875</b>	6,494,477

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

9.1.1 Short-term running finance facility of Rs 3,000 million (December 31, 2021: Rs 3,000 million) was obtained under mark-up arrangements from Bank Al Habib Limited. The amount which remained unutilised as at September 30, 2022 was Rs 2,760.012 million (December 31, 2021: Rs 22.346 million). The facility is secured by way of pledge of shares and lien over PIBs as more fully explained in notes 7.3 to these unconsolidated condensed interim financial statements. 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.

9.1.2 Short-term running finance facility of Rs 2,500 million (December 31, 2021: Rs 2,500 million) was obtained under mark-up arrangements from United Bank Limited. The amount which remained unutilised as at September 30, 2022 was Rs 601.257 (December 31, 2021: Rs 983.772 million). The facility is secured by way of pledge of shares and lien over other securites. 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, 2022.

9.1.3 Short-term running finance facility of Rs 2,500 million (December 2021: Rs 3,000 million) was obtained under mark-up arrangements from MCB Bank Limited. The amount which remained unutilised as at June 30, 2022 was Rs 2,500 million (2020: Rs 1,000.882 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.

9.1.4 Short-term running finance facility of Rs 4,900 million (December 31, 2021: Nil) was obtained during the period under mark-up arrangements from Habib Bank Limited. The amount which remained unutilised as at September 30, 2022 was Rs 1,695.856 million (December 31, 2021: Rs Nil). The facility is secured by way of pledge of shares and lien over PIBs and T-Bills as more fully explained in notes 7.3 to 7.5 to these unconsolidated condensed interim financial statements. Rate of mark-up applicable to the facility is three months KIBOR plus 10 basis points per annum. The facility will expire on December 31, 2022.

## 10. CONTINGENCIES AND COMMITMENTS

10.1 There has been no significant change in the status of matters stated in notes 18.1 to 18.2 of the December 2021 unconsolidated financial statements, except for the year facts and the matters disclosed in the notes 10.2 and 10.3 below.

10.2 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

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

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2022

against the levy of super tax. The High Court of Sindh issued stay orders in respect of the aforementioned matters with the instruction to the taxation authorities to not finalise the proceedings until the cases were disposed of.

During the period, Commissioner Inland Revenue Appeals (CIRA) issued an order, wherein CIRA accepted management's contention with regard to super tax on intercorporate dividend. Accordingly, CIRA has directed Additional CIR to adjust the order to the extent of Rs 547 million on account of super tax on intercorporate dividend.

With respect to tax on inter corporate dividend and capital gain, 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.

10.3 During the year ended December 31, 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 seemed an apparent error for which a rectification application was submitted to the tax authorities and order against the same was issued on December 16, 2020 by the authorities in favour of the Company granting complete credit of Rs 92 million. The remaining demand of Rs 109 million was made to the Company as the taxation authorities were of the view that the Company's interest income did 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 could not be allocated to 'income from other sources' resulting in increased tax liability. However, the Company is of the view that 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 was filed by the Company before the Commissioner Inland Revenue (Appeals).

During the period, Commissioner Inland Revenue Appeals (CIRA) issued an order, wherein CIRA ordered that profit on debt / interest income should be classified as 'income from other sources' rather than 'Income from business'. However, CIRA accepted management's contention with respect to apportionment of administrative expenses and finance cost to profit on debt and have directed the ADCIR to reassess the apportionment accordingly. The Company in view of the tax consultant's advice is expecting a favourable outcome of the appeal. However, on a prudent basis tax accrual amounting to Rs 109 million is being maintained by the Company.

		----- (Unaudited) -----			
	Note	Quarter ended		Nine months period ended	
		September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
----- (Rupees in '000) -----					
<b>11. RETURN ON INVESTMENTS - net</b>					
Dividend income	11.1	<b>2,573,521</b>	57,901	<b>5,955,289</b>	3,225,452
Interest income	11.2	<b>75,247</b>	61,812	<b>237,215</b>	238,587
Others	11.3	<b>(36,849)</b>	(407,077)	<b>(1,856,618)</b>	(208,959)
		<u><b>2,611,919</b></u>	<u>(287,364)</u>	<u><b>4,335,886</b></u>	<u>3,255,080</u>
<b>11.1 Dividend income</b>					
Subsidiary - Engro Corporation Limited		<b>2,359,167</b>	-	<b>5,147,275</b>	3,002,577
Other investments on quoted shares		<b>214,354</b>	57,901	<b>808,014</b>	222,875
		<u><b>2,573,521</b></u>	<u>57,901</u>	<u><b>5,955,289</b></u>	<u>3,225,452</u>
<b>11.2 Interest income</b>					
Income on T-Bills		<b>12,618</b>	17,352	<b>34,248</b>	81,982
Return on TDRs		<b>1,642</b>	7,066	<b>33,724</b>	42,862
Income on PIBs		<b>60,259</b>	30,536	<b>150,883</b>	87,368
Profit on saving accounts		<b>728</b>	1,895	<b>1,253</b>	12,975
Income on Loan to EMPAK		<b>-</b>	4,963	<b>17,107</b>	13,400
		<u><b>75,247</b></u>	<u>61,812</u>	<u><b>237,215</b></u>	<u>238,587</u>
<b>11.3 Others</b>					
Gain on sale of quoted shares		<b>(86,394)</b>	135,623	<b>(32,374)</b>	185,105
Unrealised (loss) / gain on quoted shares		<b>49,545</b>	(542,700)	<b>(1,815,876)</b>	(370,699)
Unrealised (loss) on Pakistan Investment Bonds (PIBs)		<b>-</b>	-	<b>(8,368)</b>	(23,365)
		<u><b>(36,849)</b></u>	<u>(407,077)</u>	<u><b>(1,856,618)</b></u>	<u>(208,959)</u>

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

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2022

	Quarter ended September 30, 2022	September 30, 2021	Nine months period ended September 30, 2022	September 30, 2021
	----- (Rupees in '000) -----			
12. EARNINGS PER SHARE				
Profit for the period after taxation	1,845,055	(477,022)	2,476,985	1,991,896
	----- (Number of shares) -----			
Weighted average number of ordinary shares outstanding during the period	481,287,116	481,287,116	481,287,116	481,287,116
	----- (Rupees) -----			
Earnings per share - basic and diluted	3.83	-0.99	5.15	4.14
12.1 There were no convertible dilutive potential ordinary shares outstanding as at September 30, 2022 and September 30, 2021.				
	Note	Nine months period ended		
		September 30, 2022	September 30, 2021	
		----- (Rupees in '000) -----		
13. CASH GENERATED FROM / (USED IN) OPERATIONS				
Profit before taxation		3,661,716	2,472,797	
Adjustments for non cash expenses and other items:				
Depreciation on property, plant and equipment		12,384	13,902	
Depreciation on right-of-use assets		6,840	13,868	
Finance cost		503,575	91,957	
Return on investments		(4,335,886)	(3,255,080)	
Provision for staff retirement and other service benefits		3,552	6,827	
Gain on disposal of operating fixed assets		(3,384)	(4,054)	
Gain on termination of lease arrangement		(41,527)	-	
Working capital changes	13.1	360,292	(176,809)	
Cash generated from / (used in) operations		167,562	(836,592)	
13.1 Working capital changes				
Decrease / (increase) in current assets				
Loans, advances, deposits and prepayments		298,995	(113,578)	
Other receivables		72,385	(76,572)	
		371,380	(190,150)	
(Decrease) / increase in trade and other payables		(11,088)	13,341	
		360,292	(176,809)	
14. CASH AND CASH EQUIVALENTS				
Cash and bank balances		5,227	12,396	
Short term running finance	9	(5,342,875)	-	
Short term investments		-	800,000	
		(5,337,648)	812,396	



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

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2022

## 15. RELATED PARTY TRANSACTIONS

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

15.2 Transactions with related parties are as follows:

	<b>Nine months period ended</b>	
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>September</b>	<b>September</b>
	<b>30, 2022</b>	<b>30, 2021</b>
	----- (Rupees in '000) -----	
<b>Subsidiaries</b>		
Reimbursement of expenses made to the Company	<b>5,538</b>	5,411
Reimbursement of expenses made by the Company	<b>89,432</b>	87,664
Dividend income	<b>5,147,276</b>	3,002,577
Sale of goods and services	<b>2,343</b>	393
Purchase of goods and services	-	4,386
Advances and deposits	-	96,500
Accrued Profit on loan / advances / markup on delayed payment	<b>17,280</b>	13,774
Investment in subsidiary	<b>375,000</b>	-
Penalty on delayed payment	-	240
<b>Associated undertaking</b>		
Purchase of services	<b>9,202</b>	33,764
Sale of goods / services	<b>6,934</b>	7,400
Reimbursement of expenses made to associates	<b>17,892</b>	6,655
Reimbursement of expenses made by associates	<b>70,995</b>	47,456
Donation	<b>205</b>	6,503
Dividend Income	<b>6,103</b>	-
Dividend paid	<b>1,383,509</b>	-
Accrued Profit on Loan / Markup on delayed payment	<b>1,962</b>	2,164
Investment Purchased	<b>15,756</b>	-
<b>Other related parties</b>		
Purchase of services	<b>1,279</b>	2,098
Member Subscription and other fee	<b>2,500</b>	-
Contribution to staff gratuity fund	<b>2,993</b>	5,340
Contribution to staff provident fund	<b>5,410</b>	9,751
Reimbursement of expenses to the company	-	2,773
<b>Key management personnel</b>		
Salaries and other short term employee benefits	<b>49,704</b>	305,345
Directors' fee	<b>14,750</b>	14,500
Sale of vehicle to KMP	-	765
Post retirement benefit plans	<b>4,311</b>	-



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

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2022

## 16. GENERAL

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

16.2 These unconsolidated condensed interim financial statements have been authorised for issue by the Board of Directors of the Company on October 24, 2022.

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

The Board of Directors in its meeting held on October 24, 2022 approved an interim cash dividend of Rs 6 per share amounting to Rs 2,888 million for the nine months period ended September 30, 2022. (Rs 2 per share amounting to Rs 963 million for the nine months period ended September 30, 2021). 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 NINE MONTHS ENDED  
September 30, 2022

# CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT September 30, 2022

	Note	<b>Consolidated</b>	
		<b>Unaudited September 30, 2022</b>	<b>Audited December 31, 2021</b>
		----- (Rupees in '000) -----	
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	<b>320,830,562</b>	282,231,580
Right-of-use assets		<b>13,239,054</b>	9,831,346
Intangible assets		<b>6,961,879</b>	6,931,587
Long term investments		<b>35,340,834</b>	34,217,070
Deferred taxation		<b>359,668</b>	80,346
Financial asset at amortized cost		<b>2,531,351</b>	3,592,784
Derivative financial Instrument		<b>469,649</b>	92,805
Net investment in lease		<b>54,041,732</b>	45,203,623
Long term loans, advances and other receivables		<b>3,375,298</b>	2,616,236
		<b>437,150,027</b>	384,797,377
<b>Current assets</b>			
Stores, spares and loose tools		<b>10,426,800</b>	9,310,131
Stock-in-trade		<b>42,306,419</b>	31,513,007
Trade debts		<b>69,388,180</b>	59,597,915
Loans, advances, deposits and prepayments		<b>9,832,428</b>	4,778,751
Other receivables		<b>34,779,247</b>	25,829,784
Accrued Income		<b>1,056,901</b>	647,250
Contract asset		<b>173,379</b>	5,452,510
Current portion of net investment in lease		<b>5,558,574</b>	4,004,522
Short term investments		<b>82,433,048</b>	95,902,818
Cash and bank balances		<b>54,650,320</b>	40,867,935
		<b>310,605,296</b>	277,904,623
<b>Asset classified as held for sale</b>	6.1	<b>142,226</b>	-
<b>TOTAL ASSETS</b>		<b>747,897,549</b>	662,702,000

# CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT September 30, 2022

	Note	Unaudited September 30, 2022	Audited December 31, 2021
----- (Rupees in '000) -----			
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		4,812,871	4,812,871
Revaluation reserve on business combination		1,665	1,665
Maintenance reserve		60,117	60,117
Exchange revaluation reserve		465,771	349,398
Hedging reserve		22,727	22,894
Remeasurment of investments		60,706	14,609
General reserve		700,000	700,000
Unappropriated profit		64,167,066	65,468,300
Remeasurement of post-employment benefits		(43,278)	(45,121)
		<b>65,434,774</b>	<b>66,571,862</b>
Non-controlling interest		<b>70,247,645</b>	<b>71,384,733</b>
<b>Total Equity</b>		<b>185,674,104</b>	<b>182,605,571</b>
		<b>255,921,749</b>	<b>253,990,304</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings		156,926,876	139,818,216
Government grants		1,334,628	1,079,703
Deferred taxation		12,105,300	16,292,334
Lease liabilities		65,035,433	53,163,136
Deferred liabilities		3,566,725	2,852,686
Long term provision		5,632,932	8,172,253
Staff retirement and other service benefits		5,911	-
		<b>244,607,805</b>	<b>221,378,328</b>
<b>Current liabilities</b>			
Trade and other payables		122,797,499	96,365,013
Accrued interest / mark-up		5,300,038	1,416,397
Current portion of :			
- borrowings		26,365,283	23,110,031
- Government grants		333,217	183,624
- lease liabilities		8,295,386	6,131,558
- deferred liabilities		629,753	736,953
- long tem provision		22,164,379	18,510,399
Taxes payable		28,835,470	9,548,913
Short term borrowings		31,062,685	29,764,791
Unclaimed dividends		1,465,612	1,565,689
		<b>247,249,322</b>	<b>187,333,368</b>
<b>Liabilities classified as held for sale</b>	6.1	<b>118,673</b>	-
<b>Total Liabilities</b>		<b>491,975,800</b>	<b>408,711,696</b>
<b>Contingencies and Commitments</b>	7		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>747,897,549</b>	<b>662,702,000</b>

The annexed notes 1 to 17 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 QUARTER AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2022

(AMOUNTS IN THOUSAND EXCEPT FOR EARNINGS PER SHARE)

	Note	Quarter ended		Nine months ended	
		September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
----- (Rupees in '000) -----					
Net sales		<b>91,160,356</b>	84,276,931	<b>268,739,804</b>	223,697,766
Cost of sales		<b>(64,542,809)</b>	(61,408,464)	<b>(187,924,029)</b>	(153,129,227)
<b>Gross profit</b>		<b>26,617,547</b>	22,868,467	<b>80,815,775</b>	70,568,539
Selling and distribution expenses		<b>(2,057,745)</b>	(1,972,173)	<b>(5,483,319)</b>	(5,435,795)
Administrative expenses		<b>(2,601,098)</b>	(1,668,435)	<b>(7,558,084)</b>	(5,100,403)
Remeasurement Loss on Provision for GIDC		<b>(329,526)</b>	-	<b>(1,331,046)</b>	-
Reversal of ECL on subsidy receivable from GOP		<b>(415,981)</b>	108,293	<b>(415,981)</b>	272,710
		<b>21,213,197</b>	19,336,152	<b>66,027,345</b>	60,305,051
Other income		<b>4,377,622</b>	(91,588)	<b>12,947,494</b>	6,141,675
Other operating expenses		<b>(1,355,474)</b>	(2,393,631)	<b>(7,786,313)</b>	(5,569,937)
Finance cost		<b>(7,285,689)</b>	(1,619,750)	<b>(19,617,475)</b>	(9,669,772)
Share of income from associates & joint ventures		<b>818,054</b>	531,391	<b>2,090,173</b>	2,408,679
<b>Profit before taxation</b>		<b>17,767,710</b>	15,762,574	<b>53,661,224</b>	53,615,696
Taxation		<b>(4,688,537)</b>	(4,941,614)	<b>(25,622,087)</b>	(14,313,945)
<b>Profit from continuing operations</b>		<b>13,079,173</b>	10,820,960	<b>28,039,137</b>	39,301,751
<b>DISCONTINUED OPERATIONS</b>					
Loss from discontinued operations (attributable to Owners of the Holding Company)	6.2	<b>(42,623)</b>	(655)	<b>(42,552)</b>	(1,091)
<b>Profit for the period</b>		<b>13,036,550</b>	10,820,305	<b>27,996,585</b>	39,300,660
Profit attributable to:					
- Owners of the Holding Company		<b>2,123,410</b>	1,705,361	<b>3,030,350</b>	7,421,633
- Non-controlling interest		<b>10,913,140</b>	9,114,944	<b>24,966,235</b>	31,879,027
		<b>13,036,550</b>	10,820,305	<b>27,996,585</b>	39,300,660
Earnings per share - basic and diluted	8	<b>5.22</b>	3.54	<b>6.30</b>	15.42

The annexed notes 1 to 17 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 COMPREHENSIVE INCOME (UNAUDITED)

FOR THE QUARTER AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2022

	Quarter ended		Nine months ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
	----- (Rupees in '000) -----			
<b>Profit for the period</b>	<b>13,425,723</b>	10,820,305	<b>27,996,585</b>	39,300,660
<b>Other comprehensive income</b>				
<b>Items that may be reclassified subsequently to profit or loss</b>				
Unrealized (loss) / gain on remeasurement of investment Classified at FV through OCI	<b>(63,858)</b>	(18,761)	<b>123,849</b>	(13,573)
Fair Value (loss)/gain on derivative financial instrument	-	(6,181)	-	97,083
<b>Hedging reserve - cash flow hedges</b>				
- Losses arising during the period	-	-	-	-
- Reclassification adjustments for losses included in profit or loss	<b>(220)</b>	(17)	<b>(653)</b>	(450)
Fair value gain on remeasurement of short term investments classified as FVOCI	-	-	-	-
<b>Share of other comprehensive income of associate</b>	-	-	-	-
<b>Revaluation reserve on business combination</b>	-	1,228	-	(2,678)
<b>Exchange differences on translation of foreign operations</b>	<b>(43,198)</b>	75,240	<b>312,663</b>	42,331
	<b>(43,198)</b>	76,468	<b>312,663</b>	39,653
<b>Income tax relating to:</b>				
- Hedging reserve - cash flow hedges	-	-	-	-
- Revaluation reserve on business combination	-	-	-	2,047
	-	-	-	2,047
<b>Items that will not be reclassified to profit or loss</b>				
Remeasurement of post employment benefits obligation	-	-	<b>1,843</b>	(555)
	<b>(107,276)</b>	51,509	<b>437,702</b>	124,205
<b>Total comprehensive income for the period</b>	<b>13,318,447</b>	10,871,814	<b>28,434,287</b>	39,424,865
<b>Total comprehensive income/(loss) attributable:</b>				
- Discontinued operations	-	(655)	<b>71</b>	(1,091)
- Continuing operations	<b>13,318,447</b>	10,872,469	<b>28,434,216</b>	39,425,956
	<b>13,318,447</b>	10,871,814	<b>28,434,287</b>	39,424,865
<b>Total comprehensive income attributable to:</b>				
- Owners of the Holding Company	<b>2,472,681</b>	1,725,442	<b>3,194,496</b>	7,468,945
- Non-controlling interest	<b>10,845,766</b>	9,146,372	<b>25,239,791</b>	31,955,920
	<b>13,318,447</b>	10,871,814	<b>28,434,287</b>	39,424,865

The annexed notes 1 to 17 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

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022

(Amounts in thousand)

	----- Attributable to owners of the Holding Company -----												
	----- Capital reserves -----					----- Revenue reserves -----							
	Share capital	Revaluation reserve on business combination	Maintenance reserve	Exchange revaluation reserve	Hedging reserve	Remeasurement of investment	General reserve	Un-appropriated profit	Derivative Financial Instrument	Remeasurement of post employment benefits-Actuarial gain / (loss)	Sub total	Non-Controlling Interest	Total
	----- (Rupees in '000) -----												
<b>Balance December 31, 2020 (audited) / January 01, 2021</b>	4,812,871	1,665	60,117	254,541	(11,428)	-	700,000	61,516,861	-	(32,978)	67,301,649	164,359,927	231,661,576
<b>Total comprehensive income / (loss) for the nine months ended September 30, 2021 (unaudited)</b>													
Profit for the period	-	-	-	-	-	-	-	7,421,633	-	-	7,421,633	31,879,027	39,300,660
Other comprehensive income	-	(235)	-	15,756	(167)	(5,052)	-	-	36,134	(555)	45,881	78,324	124,205
	-	(235)	-	15,756	(167)	(5,052)	-	7,421,633	36,134	(555)	7,467,514	31,957,351	39,424,865
<b>Transaction with owners</b>													
Dividend by subsidiaries allocable to Non-Controlling interest	-	-	-	-	-	-	-	-	-	-	-	(18,673,240)	(18,673,240)
Interim cash dividend @ 20% for the year ending December 31, 2021 (Rs 2 per ordinary share)	-	-	-	-	-	-	-	(2,165,792)	-	-	(2,165,792)	-	(2,165,792)
	-	-	-	-	-	-	-	(2,165,792)	-	-	(2,165,792)	(18,673,240)	(20,839,032)
<b>Balance as at September 30, 2021 (unaudited)</b>	<u>4,812,871</u>	<u>1,430</u>	<u>60,117</u>	<u>270,297</u>	<u>(11,595)</u>	<u>(5,052)</u>	<u>700,000</u>	<u>66,772,702</u>	<u>36,134</u>	<u>(33,533)</u>	<u>72,603,371</u>	<u>177,644,038</u>	<u>250,247,409</u>
<b>Balance December 31, 2021 (audited) / January 01, 2022</b>	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
<b>Total Comprehensive income /(loss) for the Nine months ended September 30, 2022 (unaudited)</b>													
Profit for the period	-	-	-	-	-	-	-	3,030,350	-	-	3,030,350	24,966,235	27,996,585
Other comprehensive income	-	-	-	116,373	(167)	46,097	-	-	-	1,843	164,146	273,556	437,702
	-	-	-	116,373	(167)	46,097	-	3,030,350	-	1,843	3,194,496	25,239,791	28,434,287
<b>Transaction with owners</b>													
Dividend by subsidiaries allocable to Non-Controlling interest	-	-	-	-	-	-	-	-	-	-	-	(22,171,258)	(22,171,258)
Interim cash dividend @ 90% for the year ending December 31, 2022 (Rs 9 per ordinary share)	-	-	-	-	-	-	-	(4,331,584)	-	-	(4,331,584)	-	(4,331,584)
	-	-	-	-	-	-	-	(4,331,584)	-	-	(4,331,584)	(22,171,258)	(26,502,842)
<b>Balance as at September 30, 2022</b>	<u>4,812,871</u>	<u>1,665</u>	<u>60,117</u>	<u>465,771</u>	<u>22,727</u>	<u>60,706</u>	<u>700,000</u>	<u>64,167,066</u>	<u>-</u>	<u>(43,278)</u>	<u>70,247,645</u>	<u>185,674,104</u>	<u>255,921,749</u>

The annexed notes 1 to 17 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 CASH FLOWS (UNAUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022

	Note	Nine months ended	
		September 30, 2022	September 30, 2021
		----- (Rupees in '000) -----	
<b>Cash flows from operating activities</b>			
Cash generated from operations	9	72,839,213	49,074,146
Retirement and other service benefits paid		366,731	(151,613)
Finance cost paid		(11,460,229)	(8,576,101)
Taxes paid		(10,800,670)	(5,678,303)
Proceeds from net investment in lease		3,416,693	2,284,657
Finance cost paid on lease liability		(3,171,644)	(2,692,509)
Finance income received on net investment in lease		4,511,212	4,746,623
Repayment of lease liability		(2,344,021)	(2,592,506)
Deferred income		1,085,385	381,015
Bank Balance held as margin		17,720	21,687
Long term loans and advances - net		(759,062)	17,385
Net cash (outflow) from operating activitites of discontinued operations	6.3	(25,287)	-
Net cash generated from operating activities		53,676,041	36,834,481
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment (PPE)		(27,208,909)	(17,867,297)
Sale proceeds on disposal of PPE		110,768	24,890
Income on deposits / other financial assets		6,987,549	3,950,459
Other income / Exchange gain		-	10,602
Investments made during the period		(918,126,621)	(216,156,869)
Proceeds from sale of investments		880,475,769	249,935,923
Investment in associated company		-	(474,839)
Short term investment purchased and redeemed - net		(998,263)	(113,000)
Dividends received		1,510,464	4,066,495
Net cash (outflow) from investing activitites of discontinued operations	6.3	(37,141)	-
Net cash (utilised in)/generated from investing activities		(57,286,384)	23,376,364
<b>Cash flows from financing activities</b>			
Repayment of borrowings - net		(8,338,956)	(16,139,625)
Lease rentals paid during the period		(1,529,043)	(1,750,268)
Advances/short term convertible loan		-	96,500
Dividends paid		(26,602,396)	(20,247,578)
Net cash utilized from financing activities of discontinued operations	6.3	(291,187)	-
Net cash (utilised in) financing activities		(36,761,582)	(38,040,971)
Net (decrease)/increase in cash and cash equivalents		(40,371,925)	22,169,874
Effect of exchange rate changes on cash and cash equivalents		1,243,872	480,261
Cash and cash equivalents at beginning of the period		87,131,332	56,166,531
Cash and cash equivalents at end of the period	10	48,003,279	78,816,666

The annexed notes 1 to 17 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



# NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022

## 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	
	2022	2021
- Empiric AI (Private) Limited (EMPAK) (Refer note 6)	100	100
- Engro Corporation Limited (ECL)	37.22	37.22

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

	%age of direct holding	
	September 30, 2022	December 31, 2021
- 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
<b>Joint Venture Company:</b>		
- Engro Vopak Terminal Limited	50	50
<b>Associated Company:</b>		
- FrieslandCampina Engro Pakistan Limited	39.9	39.9

## 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.

# NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022

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, 2021.
- 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, 2021.

## 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, 2021.

## 5. PROPERTY, PLANT AND EQUIPMENT

Operating assets, at net book value  
Capital work in progress - Expansion and other projects  
Capital spares and standby equipments

<b>Unaudited September 30 2022</b>	<b>Audited December 31, 2021</b>
----- (Rupees in '000) -----	
<b>288,803,471</b>	258,072,258
<b>27,857,065</b>	20,749,665
<b>4,170,026</b>	3,409,657
<b>320,830,562</b>	<b>282,231,580</b>

# NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022

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

	<b>Unaudited September 30 2022</b>	Unaudited September 30, 2021
	----- (Rupees in '000) -----	
Land	-	72,021
Plant and machinery	<b>30,149,812</b>	18,878,200
Building and civil works including pipelines	<b>4,512,678</b>	2,725,925
Furniture, fixture and equipment	<b>4,110,480</b>	2,781,001
Vehicles	<b>318,379</b>	506,068
Aircraft	<b>2,875,687</b>	-
Dredging	<b>179,095</b>	-
	<b>42,146,131</b>	24,963,215

5.2 During the period, operating assets costing Rs. 615,367 (September 30, 2021: Rs. 301,549), having net book value of Rs. 497,107 (September 30, 2021: Rs. 112,762) were disposed / written off for Rs. 110,759 (September 30, 2021: Rs. 20,648).

## 6. ASSET CLASSIFIED AS HELD FOR SALE

Subsequent to the period, the Board of Directors has approved the sale of its wholly owned subsidiary Empiric AI (Private) Limited to Avanceon Limited, under a share swap arrangement in exchange for certain shares of Octopus Digital Limited (subsidiary of Avanceon Limited) on such terms and condition as specified in Share Purchase Agreement subject to approval of the members of the Company and all other applicable laws.

### 6.1 Assets

**September 30, 2022**  
**Rupees in "000"**

Property, plant and equipment	7,887
Intangible assets	66,063
Trade debts	17,608
Advances and prepayment	13,103
Cash and bank balances	37,565
	<b>142,226</b>

### Liabilities

**September 30, 2022**  
**Rupees in "000"**

Trade and other payable	104,149
Contract liabilities	13,116
Taxation - net	1,408
	<b>118,673</b>

### Net Assets

**23,553**

# NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022

## 6.2. Results of discontinued operations

	----- (Unaudited) ----- January 1, 2022 to September 30, 2022	January 1, 2021 to September 30, 2021 ----- (Rupees in '000) -----
Revenue	201,098	127,508
Expenses	(226,324)	(304,712)
Results from operating activities	(25,226)	(177,204)
Finance cost	(17,397)	(15,190)
Income tax expense	-	(124)
Net result from discontinued operations	(42,623)	(192,518)

	----- (Unaudited) ----- January 1, 2022 to September 30, 2022	January 1, 2021 to September 30, 2021 ----- (Rupees in '000) -----
--	---	--

## 6.3 Cashflow from discontinued operations

Net cash (outflow) from operating activities	(67,839)	(143,136)
Net cash (outflow) from investing activities	(37,141)	(4,970)
Net cash (utilized)/generated from financing activities	(291,187)	88,483
Net changes in cash and cash equivalent	(21,167)	(59,623)

## 6.4 Loss on remeasurement of investment in Empiric to fair value less cost to sell

September 30, 2022  
Rupees in "000"

Fair value determined by an independent valuer	504,000
Transaction cost	-
Fairvalue less cost to sell	504,000
Carrying amount of the Company's investment in Empiric	475,000
Impairment loss on remeasurement of investment in Empiric to fairvalue less cost to sell	-

## 7. CONTINGENCIES AND COMMITMENTS

### 7.1 Contingencies

As at September 30, 2022, 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, 2021, except for the matter disclosed below:

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

During the period, Commissioner Inland Revenue Appeals (CIRA) issued an order, wherein CIRA accepted management's contention with regard to super tax on intercorporate dividend. Accordingly, CIRA has directed Additional CIR to adjust the order to the extent of Rs 547 million on account of super tax on intercorporate dividend.

# NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022

7.1.2 During the year ended December 31, 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 seemed an apparent error for which a rectification application was submitted to the tax authorities and order against the same was issued on December 16, 2020 by the authorities in favour of the Holding Company granting complete credit of Rs 92 million. The remaining demand of Rs 109 million was made to the Holding Company as the taxation authorities were of the view that the Holding Company's interest income did 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 could not be allocated to 'income from other sources' resulting in increased tax liability. However, the Holding Company is of the view that 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 was filed by the Holding Company before the Commissioner Inland Revenue (Appeals).

During the period, Commissioner Inland Revenue Appeals (CIRA) issued an order, wherein CIRA ordered that profit on debt / interest income should be classified as 'income from other sources' rather than 'Income from business'. However, CIRA accepted management's contention with respect to apportionment of administrative expenses and finance cost to profit on debt and have directed the ADCIR to reassess the apportionment accordingly. 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 accrual amounting to Rs 109 million is being maintained by the Company.

## 7.2 Commitments

Commitments in respect of open purchase orders and capital and revenue expenditure including contracted but not incurred amount to Rs. 22,514,896 (December 31, 2021: Rs 14,777,771).

----- (Unaudited) -----			
Quarter ended		Nine months ended	
September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
----- (Rupees in '000) -----			

## 8. EARNINGS PER SHARE - BASIC AND DILUTED

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)

<b>2,123,410</b>	1,705,361	<b>3,030,350</b>	7,421,633
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----- (Number in thousands) -----

Weighted average number of ordinary shares

<b>481,287</b>	481,287	<b>481,287</b>	481,287
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# NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022

	----- (Unaudited) ----- Nine months ended	
	September 30, 2022	September 30, 2021
	----- (Rupees in '000) -----	
<b>9. CASH GENERATED FROM OPERATIONS</b>		
Profit before taxation	<b>53,661,224</b>	53,615,696
Less: Loss before taxation attributable to discontinued operations	<b>(42,552)</b>	(1,091)
Profit before taxation from continuing operations	<b>53,618,672</b>	53,614,605
Adjustment for non-cash charges and other items:		
Depreciation and amortization	<b>12,003,531</b>	11,562,750
Loss on disposal / write-off of property, plant and equipment	<b>386,339</b>	22,984
Rent concession on lease liability	<b>(12,729)</b>	(18,185)
Gain on termination of lease	<b>(41,527)</b>	-
Impairment loss on long term investments	<b>36,115</b>	-
Provision of impairment	-	106,723
Provision for retirement and other service benefits	<b>246,019</b>	157,120
Provisions, net	<b>433,792</b>	183,720
Income on deposits / other financial assets	<b>(7,222,539)</b>	(6,584,981)
Share of income from joint venture and associated companies	<b>(2,090,173)</b>	(2,408,678)
Return on investments	<b>811,389</b>	(222,875)
Finance cost	<b>16,248,432</b>	10,437,267
Amortisation of transaction cost	-	662,016
Stock-in-trade / stores and spares written-off	<b>109,878</b>	-
Finance income on net investment in lease	<b>(4,511,212)</b>	(3,776,072)
Amortization on deferred liabilities	-	(908,623)
Reversal of ECL on subsidy receivable from GoP	-	(272,710)
Exchange gain on deferred income	-	(102,944)
Loss on remeasurement of GIDC provision	-	1,183,989
Finance cost on lease liability	<b>3,369,043</b>	2,888,869
Exchange loss on lease liability	<b>13,310,981</b>	3,017,140
Exchange (gain) on net investment in lease	<b>(13,808,854)</b>	(3,102,807)
Exchange loss on borrowings	-	571,582
Foreign currency translations	<b>3,598,251</b>	8,271
Working capital changes (note 9.1)	<b>(3,646,195)</b>	(17,945,015)
	<b>72,839,213</b>	49,074,146
<b>9.1 Working capital changes</b>		
(Increase) / decrease in current assets		
- Stores, spares and loose tools	<b>(1,158,222)</b>	(302,744)
- Stock-in-trade	<b>(10,861,737)</b>	(3,838,259)
- Trade debts	<b>(9,824,814)</b>	(8,320,920)
- Loans, advances, deposits and prepayments	<b>(4,775,689)</b>	(7,047,506)
- Contract asset	<b>5,279,131</b>	-
- Other receivables - net	<b>(8,710,471)</b>	(4,094,305)
	<b>(30,051,802)</b>	(23,603,734)
Increase in current liabilities		
- Trade and other payables, including other service benefits - net	<b>26,405,607</b>	5,658,719
	<b>(3,646,195)</b>	(17,945,015)
<b>10. CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b>54,687,885</b>	32,938,390
Short term investments	<b>24,378,079</b>	55,753,714
Short term borrowings	<b>(31,062,685)</b>	(9,875,438)
	<b>48,003,279</b>	78,816,666

# NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022

## 11. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

### 11.1 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.

### 11.2 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
<b>Assets</b>	----- (Rupees in '000) -----			
Financial assets at fair value through profit and loss	9,280,642	9,791,205	-	19,071,847
Financial assets through other comprehensive income	73,830	24,290,187	-	24,364,017

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.

## 12. 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 NINE MONTHS ENDED SEPTEMBER 30, 2022

----- (Unaudited) -----  
**Nine months ended**  
**September**                      September  
**30, 2022**                      30, 2021  
 ----- (Rupees in '000) -----

## Associated companies and joint ventures

Purchases and services	<b>38,573,141</b>	34,568,136
Services rendered / sale of goods	<b>6,934</b>	69,189
Dividends received	<b>708,553</b>	877,500
Dividend paid	<b>2,422,882</b>	405,274
Contribution for Corporate Social Responsibility	<b>128,742</b>	184,603
Interest on borrowing	<b>2,740,957</b>	1,662,423
Reimbursements from associates	<b>462,313</b>	644,325
Reimbursements to associates	<b>243,970</b>	191,288
Loan disbursed	<b>2,740,000</b>	-
Loan paid	<b>3,554,520</b>	549,465
Share capital issued	-	-
Donations	<b>205</b>	6,503
Reimbursement of expenses incurred	-	22,363
Accrued profit on loan / markup on delayed payment	<b>2,742,035</b>	549,465

## Key Management Personnel

Remuneration paid to key management personnel / directors	<b>1,338,678</b>	1,458,768
Reimbursements to key management personnel	<b>371</b>	1,356
Dividend paid	<b>885,421</b>	821,052
Sale of vehicle to KMP	-	765
Directors' fee	<b>111,170</b>	73,425

<b>Contribution for retirement benefits</b>	<b>627,802</b>	592,671
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## 13. 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.

### 13.1 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.
Polymer	This part of the business manufactures, markets and sells Poly Vinyl Chloride (PVC), PVC compounds, Caustic soda and related chemicals all over Pakistan and few Central Asian countries.
Terminal	This part of the business includes operating and maintaining integrated liquid chemical terminal and storage farm, and LNG terminal for receipt, storage and regasification of LNG.
Power and mining	This part of the business includes power generation, distribution, transmission and sale of electricity in Pakistan and operations and management services in Pakistan and Nigeria.
Other operations	It includes management of investments in associates and joint venture by the Holding Company. It also includes investments made in foods, telecommunications infrastructure and digital and technology services and products.



# NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022

(Amounts in thousand)

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

	----- (Unaudited) -----			
	Quarter ended		Nine months ended	
	September	September	September	September
	30, 2022	30, 2021	30, 2022	30, 2021
	----- (Rupees in '000) -----			
<b>Revenue</b>				
Fertilizer	35,739,302	37,382,860	110,875,573	97,742,117
Polymer	16,904,431	18,826,715	62,308,363	49,322,813
Terminal	4,597,809	3,272,118	12,244,952	9,541,478
Power and mining	29,365,958	22,848,390	70,395,195	65,755,631
Connectivity and telecom	2,647,734	-	6,288,516	-
Other operations	13,094,982	11,282,927	48,834,721	22,329,049
Elimination - net	(11,189,860)	(9,336,079)	(42,207,516)	(20,993,322)
Consolidated	<u>91,160,356</u>	<u>84,276,931</u>	<u>268,739,804</u>	<u>223,697,766</u>
<b>Profit for the period</b>				
Fertilizer	6,218,404	4,411,623	21,040,125	14,920,750
Polymer	3,112,387	3,106,504	14,889,185	10,371,848
Terminal	1,224,572	93,212	3,508,956	1,239,473
Power and mining	5,672,709	4,031,428	12,447,082	11,726,212
Connectivity and telecom	46,341	-	95,818	-
Other operations	5,547,070	7,182,714	23,291,861	15,729,424
Elimination - net	(4,053,773)	(8,005,176)	(21,611,803)	(14,687,115)
Consolidated	<u>17,767,710</u>	<u>10,820,305</u>	<u>53,661,224</u>	<u>39,300,592</u>

	(Unaudited)	(Audited)
	September	December
	31, 2022	31, 2021
	----- (Rupees in '000) -----	
<b>Assets</b>		
Fertilizer	148,248,728	132,818,383
Polymer	76,825,704	77,985,743
Terminal	76,640,067	64,339,032
Power and mining	287,849,578	250,094,260
Connectivity and telecom	54,128,694	44,859,768
Other operations	156,292,575	150,026,791
Elimination - net	(52,087,797)	(57,421,977)
Consolidated	<u>747,897,549</u>	<u>662,702,000</u>

## 14. SEASONALITY

14.1 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.

14.2 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, 2022

(Amounts in thousand)

## 15. **NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE**

15.1 The Board of Directors of the Holding Company in its meeting held on October 24, 2022 has approved an interim cash dividend of Rs. 6 per share for the year ending December 31, 2022 (2021: Rs. 2 per share). This consolidated condensed interim financial information does not include the effect of the said interim dividend.

## 16. **CORRESPONDING FIGURES**

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

16.2 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.

## 17. **DATE OF AUTHORIZATION**

This consolidated condensed interim financial information is authorized for issue on October 24, 2022 by the Board of Directors of the Holding Company.

**Kamran Hanif Jangda**  
Chief Financial Officer

**Mohammad Shamooun Chaudry**  
Chief Executive

**Shabbir Hussain Hashmi**  
Director



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