



Dawood Hercules

HALF YEARLY ACCOUNTS
(UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2024



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COMPANY INFORMATION

Board of Directors

Mr. Hussain Dawood - Chairman
Mr. Abdul Samad Dawood – Director
Ms. Sabrina Dawood – Director
Mr. Muhammed Amin – Independent Director
Mr. Isfandiyar Shaheen – Independent Director
Mr. Zamin Zaidi – Director
Mr. Muhammad Bilal Ahmed – Director
Mr. Mohammad Shamooun Chaudry – CEO/ Director

Board Audit Committee

Mr. Muhammed Amin – Chairman
Mr. Isfandiyar Shaheen – Member
Mr. Muhammad Bilal Ahmed – Member

Board HR & Remuneration Committee

Mr. Isfandiyar Shaheen – Chairman
Mr. Abdul Samad Dawood – Member
Ms. Sabrina Dawood – Member

Board Investment Committee

Mr. Abdul Samad Dawood – Chairman
Mr. Muhammed Amin – Member
Mr. Isfandiyar Shaheen – Member
Mr. Muhammad Bilal Ahmed – Member

Chief Financial Officer

Mr. Kamran Hanif Jangda

Company Secretary

Mr. Imran Chagani

Registered Office

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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' REPORT

The Board of Directors of Dawood Hercules Corporation Limited (the "Company") is pleased to present the un-audited condensed interim financial statements of the Company for the half year ended June 30, 2024.

The Environment In Which We Operated

With the transition to a new government in February 2024, the Country has witnessed a serious focus on structural economic reforms with revenue generation emerging as a key priority of the leadership. Deregulation, privatisation, and taxation have taken center stage among all administrative activities; that revenue generation is of utmost importance has been further corroborated by the first Federal Budget unveiled in June 2024 which hiked direct and indirect taxes on a number of industries (including previously zero-rated sectors) to increase revenues. It is pertinent to mention that while this focus on economic reform is welcome, the said Budget is likely to have painful ramifications in the short-to-medium term as disposable incomes of the general populace will significantly shrink through a higher tax burden, particularly the salaried class of the Country which continues to bear the brunt of this difficulty.

After successful deregulation of the pharmaceutical sector in Q1 2024, discussions regarding deregulation of the OMC (Oil Marketing Companies) sector have also now commenced. This will be positive for Pakistan in the medium-to-long term as the Government phases out its involvement in businesses, trusting market forces to play their role in self-regulating private sector organizations. A major milestone in this space will be the completion of PIA's privatization, which has reached an advanced stage of its process; all eyes remain on this as the national carrier proceeds towards a new owner and the hope of renewed performance.

A gradual decline in Consumer Price Index (CPI) has also been felt, with the latest estimate (July 2024) at 11.1% – a 33-month low. This declining inflation, driven by weakening demand and the absence of any supply shocks, has been the primary force behind two consecutive interest rate cuts implemented by the State Bank of Pakistan since May 2024. The policy rate now stands at 19.5%, down from a high of 22%; with inflation expected to continue its downward trajectory, we expect the central bank to continue monetary easing which will be key to resumption of economic activity in the Country.

The new economic setup has also been able to successfully negotiate the next IMF program, which is expected to maintain a sense of stability in currency markets. This Program has advocated for Agricultural Income Tax to be levied by provinces by the start of 2025, timely adjustment of energy prices, and improvement in SOE operations; the Program is yet to be approved by the IMF's Executive Board but many are optimistic for a positive result.

The pass-on of energy prices has been a bitter pill for Pakistanis to swallow. Higher gas tariffs have adversely affected captive gas-based industries, especially the textile and chemicals segment, while higher power tariffs have impaired wider industry in general and consumers in particular. This will continue to be a major challenge as the ability of businesses and consumers to pay higher energy prices is minimal and the ability of the Government to absorb any cost pressures is very low. However, while it is important to acknowledge the pain resulting from these decisions, it is equally important to note that a much-needed structural adjustment has finally taken place. The Government will need to deliver an out-of-the-box solution to deal with over-capacity issue in our power sector. The coming months will be crucial in this regard.

From a holistic view, it appears that the economy is headed in the right direction if this focus on structural reform can be sustained but this journey is likely to be punctuated with acute pain. To emerge from the challenges of decisions past, all that can be said about current measures is this: *sad, but necessary*.

Our Portfolio

The Engro Portfolio

The Engro portfolio has continued to provide robust returns to the Company.

The fertilizer business remains a strong performer in Engro's portfolio of companies, despite a planned plant shutdown during which time the management team completed a major and complex turnaround of the EnVen plant for long-term reliability. As a strategic input to food security, the fertilizer segment will continue to be an important player in Pakistan's overall economy. However, it is important to note that the sector is currently ailed by inconsistent gas pricing; deregulation and market-based reform will enhance the performance of the sector.

The telecommunication infrastructure business, Engro Enfrashare, has continued to pursue growth by expanding its presence to a total of 4,063 sites across Pakistan. Given its capital structure, this business stands to benefit greatly from declining interest rates; continued decrease in the policy rate are expected to support profitability of this business, as well improvements in the tenancy ratio which will be key to look out for especially after MNO market consolidation.

The terminals business too demonstrated a good performance based on decreased volatility in macroeconomic factors and greater throughput owing to resumption of economic activity which was significantly suppressed in the previous year. As a fixed-return and dollarized business, terminals provide significant stability to the portfolio. Another dollarized business is Engro Eximp FZE which is Engro's UAE-based international trading arm. This business achieved a turnover of USD 199 million against USD 157 million in the same period last year.

Engro Vopak, Engro Elengy Terminal, and Engro Eximp FZE all help protect the conglomerate against adverse currency movements. In line with building continued international resilience, Engro Corporation has established a new business line named 'Engro Technical Solutions' to provide engineering services and technical solutions to clients across the world. This is a positive development which will enable Engro to leverage its global network to build a deeper customer orientation as well as dollarized revenue streams. We look forward to the performance of this business.

As disclosed earlier, Engro Energy Limited has entered into an agreement with Liberty Power Holding (Pvt.) Limited and other parties acting in concert for the sale of its thermal assets. The process of obtaining stakeholders' approvals for transaction execution is underway.

Engro Polymer and Chemicals, on the other hand, is facing a challenging situation because of a clash of multiple factors including low international PVC prices, higher local gas prices, higher interest rates on short-term borrowings, and suppressed local demand because of a slowdown in construction activity. The result of these forces is that the business is facing a loss after tax of PKR 1,589 million compared to a profit after tax of PKR 2,745 million in the previous year. Given the cyclical nature of the business, all eyes will remain on global commodity price movements, an increase in which will be key to a better core delta for the business. Resumption of economic activity resulting from decreasing interest rates is also expected to improve the business outlook.

Engro Corporation also has a significant investment in FrieslandCampina Engro Pakistan which has been adversely impacted by high taxation on the dairy sector. Dairy is an essential component of nutrition and human development which is why it enjoyed a zero-rating status; the imposition of heavy taxes on the formal dairy sector will widen the pricing delta with the informal loose milk market, and consequently impact the ability of Pakistani consumers to consume safe and nutritious milk. There may be a serious reversion from safe, packaged dairy to loose milk unless efforts are made to formalize the grey loose milk market.

Overall, Engro Corporation continues to provide significant returns to the Company. Many of Engro's portfolio companies are well-positioned for growth in profitability while others have been impacted by adverse external movements. Our faith in the management team to tackle these challenges with character and determination remains strong.

The Non-Engro Portfolio

The portfolio continues to perform well, in line with the returns of the broader stock market index. Broadly, we continue to maintain a similar exposure to what we had at the end of Q1 2024. In particular, we have increased our holding in Systems Limited as we believe that the technology sector is one of the few sectors facing tailwinds from economic developments and Systems is well-placed to capitalize on such developments. While relative stability in currency may lead to slower growth in profitability, on a longer-term basis the company is focusing on the growth of its core business which we strongly believe will enable it to prosper.

Similarly, we have marginally increased our exposure in the energy sector, with holdings in OGDC and PPL in particular. We believe that these companies stand to benefit the most from structural gas reforms in the sector. While the price performance of these businesses has lagged behind the market, we believe they will improve as the financial position of the companies reflect the impact of higher gas pricing going forward.

We are happy to report that the long position of the Company in the banking sector is continuing to pay hefty dividends. UBL deserves a particular mention with its investor-friendly payout policy and its proactive response to changing macroeconomic trends. The acumen of the management team must be called out for having identified and invested in fixed-rate instruments in the face of declining interest rates, which has boosted the bank's performance. UBL has also posted significant deposit growth, reversing the trend of lagging behind the banking sector in terms of growth. Going forward, we will monitor this investment closely and focus on the management of capital requirements to enable growth.

The portfolio has provided a return of 24.6% in the first half of the year compared to benchmark KSE-100 return of 25.6%.

Enhancing Shareholder Return through Restructuring

One of the key developments of the past quarter is the approval of a restructuring between the Company and its largest investee, Engro Corporation. The Company has entered into a Scheme of Arrangement (the "Scheme") effective January 01, 2025, the key details of which are as follows:

- The non-Engro assets of Dawood Hercules Corporation will be carved out into a new organization named DH Partners Limited, leaving the remaining entity Dawood Hercules Corporation with only the shares of Engro Corporation.
- Dawood Hercules Corporation will be rebranded as Engro Holdings
- Engro Corporation will become a wholly owned subsidiary of Engro Holdings.

Dawood Hercules Corporation shareholders would be issued new shares of DH Partners in a 1:1 ratio, while retaining their ownership of Engro Holdings. Engro Corporation's minority shareholders would become shareholders of Engro Holdings in a ratio that preserves their economic ownership of Engro Corporation.

The goal of this activity is to build financial synergies which are additive to the enterprise; through this Scheme, the capital at play within the Engro system will be invested by Engro Holdings in a variety of opportunities, both large and small, to generate consistent shareholder returns in a volatile macroeconomic environment. In addition to key organizational modalities, the Scheme has also factored in feedback from minority shareholders in previous Annual General Meetings of the Company to enhance investment agility of the enterprise.

The Scheme was approved overwhelmingly by shareholders of the Company in its Extra-Ordinary General Meeting on 26th June 2024. The Honourable High Court of Islamabad also sanctioned the Scheme the following month. The Scheme will become effective on January 01, 2025. The Company welcomes this new structure which will herald the next investment phase of Engro.

Future Outlook

We believe that the Country is passing through one of its most sensitive periods from an economic perspective. Continued structural reforms will not be easy for the economy to bear in the short-term. However, we believe that these actions will pay dividends in the longer term. Interest rates are expected to decline which will give businesses the ability to breathe with declining financial costs. This is a key lever to resumption of economic activity. We also believe declining interest rates will bode well for equity markets as fixed-income investments will become less attractive going forward.

Financial Performance

The Company's consolidated revenue in the second quarter of 2024 was PKR 178,889 million compared to PKR 147,161 million in the same period last year, resulting in an increase of 22%.

The consolidated Profit After Tax (PAT) demonstrated a downward trend as compared to consolidated revenue; PAT for Q2 2023 was PKR 19,721 million which decreased to PKR 13,827 million in Q2 2024. The decrease in profit for the period by 30% was attributed to the rising costs, primarily driven by inflation, and a reduction in profit from discontinued operations. Profit after tax attributable to the owners rose to PKR 3,891 million from PKR 2,154 million in the same period of 2023, primarily due to higher dividend income from other portfolios and an increased share of income from associates and joint ventures.

On a standalone basis, return on investments stood at PKR 5,709 million as compared to PKR 10,112 million in June 2023, mainly due to one-time higher payout by Engro in 2023.

Earnings Per Share

The unconsolidated earnings per share for Q2 2024 was PKR 8.68 as compared to PKR 13.79 for Q2 2023. On the other hand, the consolidated earnings per share from continuing operations in Q2 2024 was PKR 6.94 (Q2 2023: PKR -2.29).

Further, the consolidated earnings per share from discontinued operations in Q2 2024 has shown a decline and it remained at PKR 1.15 (Q2 2023: PKR 6.76).

Acknowledgment

The Directors express their gratitude to all our shareholders for their confidence and support in the Company to steward their capital. We would also like to thank all stakeholders, including the Government, regulators, market players, and especially financial institutions for their support and cooperation; we would like to assure them of our commitment to look after their respective interests. We would also like to thank the management and employees for their sincere contributions towards the growth and prosperity of Dawood Hercules Corporation.

Muhammed Amin
Director

Mohammad Shamoan Chaudry
Chief Executive Officer

اظہار تشکر

ان کا سرمایہ سنبھالنے کے لئے غیر متزلزل بھروسہ اور اعتماد کرنے پر بورڈ، اپنے شیئر ہولڈروں کو ہدیہ تہنیت پیش کرتا ہے۔ ہم حکومت، صابطہ کاروں، مارکیٹ کے اہم کرداروں، اور خاص طور سے مالیاتی اداروں سمیت اپنے تمام اسٹیک ہولڈروں کا بھی شکریہ ادا کرنا چاہیں گے کہ انہوں نے اپنا تعاون جاری رکھا۔ ہم انہیں یقین دلاتے ہیں کہ ان کے متعلقہ مفادات کی دیکھ بھال کا ہمارا عہد پختہ ہے۔ ہم انتظامیہ اور اپنے ملازمین کے بھی شکرگزار ہیں کہ داؤد ہر کولیس کارپوریشن کی ترقی میں اور خوشحالی میں انہوں نے مخلصانہ کردار ادا کیا ہے۔

محمد شمعون چوہدری
چیف ایگزیکٹو آفیسر

محمد امین
ڈائریکٹر

مستقبل کا منظر

ہم سمجھتے ہیں کہ ہمارا ملک اقتصادی تکتہ نگاہ سے انتہائی نازک دور سے گزر رہا ہے۔ قلیل مدت میں ڈھانچہ جاتی اصلاحات جاری رکھنا ملک کے لئے آسان نہیں تاہم ہمیں یقین ہے کہ طویل مدت میں یہ اقدامات ثمر آوار ثابت ہوں گے۔ شرح سود میں کمی لائے جانے کی توقع کی جا رہی ہے جس سے لاگتوں میں کمی آئے گی اور کاروباروں کو سانس لینے کا موقع ملے گا۔ اقتصادی سرگرمیوں کی بحالی کے لئے یہ انتہائی اہم عنصر ہے۔ ہمیں یہ بھی یقین ہے کہ شرح سود میں کمی ایکویٹی مارکیٹ کے لئے منوثر ثابت ہوگی اور فلسفہ انکم والی سرمایہ کاریوں کی دلکشی آئندہ کم ہو جائے گی۔

مالیاتی کارکردگی

سال 2024 کی دوسری سہ ماہی میں کمپنی کی منظم آمدنی 178,889 ملین روپے تھی جو گزشتہ برس کی اسی مدت کے دوران 147,161 ملین روپے رہی تھی یعنی مجموعی آمدنی میں 22% کا اضافہ ہوا۔

مجموعی آمدنی کے برعکس مجموعی بعد از ٹیکس نفع میں کمی کارہجان رہا؛ سال 2023 کی دوسری سہ ماہی میں بعد از ٹیکس نفع 19,721 ملین روپے رہا تھا جو سال 2024 کی دوسری سہ ماہی میں کم ہو کر 13,827 ملین روپے رہا۔ زیر جائزہ مدت کے دوران منافع میں 30% کی کمی بنیادی طور سے مہنگائی کے سبب لاگتوں کے بڑھنے اور ختم کئے جانے والے آپریشنوں سے ہونے والے منافع میں کمی کی مرہون منت ہے۔ مالکان سے منسوب بعد از ٹیکس منافع 2023 کی اسی مدت کے دوران حاصل ہونے والے 2,154 ملین روپے سے بڑھ کر زیر جائزہ مدت کے دوران 3,891 ملین روپے ہو گیا جن کی بنیادی وجہ دیگر پورٹ فولیوز سے حاصل ہونے والا زیادہ منافع منقسمہ اور ایسوسی ایٹ اور جوائنٹ وینچرز کے منافع میں کمپنی کے حصے کا بڑھ جانا تھی۔

انفرادی بنیادوں پر سرمایہ کاری سے حاصل ہونے والی آمدنی کا حجم 5,709 ملین روپے رہا جو جون 2023 میں 10,112 ملین روپے رہا تھا جس کی بڑی وجہ 2023 میں اینگریجمنٹ کی جانب سے صرف ایک باردی جانے والی زیادہ آمدنی کا ملنا تھی۔

فی شیئر کمائی

2024 کی دوسری سہ ماہی میں غیر منظم فی شیئر کمائی 8.68 روپے تھی جو 2023 کی دوسری سہ ماہی کے دوران 13.79 روپے رہی تھی۔ دوسری جانب جاری کاروباروں سے 2024 کی دوسری سہ ماہی کے دوران حاصل ہونے والی منظم فی شیئر کمائی 6.94 روپے تھی (2023 کی دوسری سہ ماہی میں یہ کمائی 2.29 روپے تھی)۔

مزید یہ کہ روکے گئے آپریشنوں سے 2024 کی دوسری سہ ماہی میں حاصل ہونے والی منظم فی شیئر کمائی میں کمی آئی جو 1.15 روپے تھی (2023 کی دوسری سہ ماہی میں 6.76 روپے)۔

بی ایل کا ذکر خصوصیت سے کیا جانا چاہیے کیونکہ ایک تو سرمایہ کار کے موافق پالیسی کی بدولت اچھی ادائیگیاں ملتی ہیں اور دوسرے بدلتے ہوئے میکرو اکنامک رجحانات کے سامنے یہ پیش قدم رد عمل اپناتا ہے۔ اس کی انتظامی ٹیم کی فہم و فراست کی تعریف کی جانی چاہیے کم ہوتی ہوئی شرح سود کے پیش نظر موزوں فلسفہ ریٹ انسٹرومنٹس تلاش کئے اور ان میں سرمایہ کاری کی جس سے بینک کی کارکردگی بھی شان دار رہی۔ یو بی ایل نے ڈپازٹ میں قابل ذکر بڑھوتی ظاہر کی ہے اور بینکاری سیکٹر میں پیچھے رہ جانے کی رجحان کو الٹ دیا ہے۔ اب ہم اس شعبہ میں سرمایہ کاری کی نگرانی مزید احتیاط سے کریں گے اور بڑھوتی کی غرض سے اپنی توجہ سرمائے کی ضروریات کے انتظام پر رکھیں گے۔

اس رپورٹ فیلو نے مالی سال کی پہلی ششماہی میں %25.6 کے بیچ مارک KSE-100 انڈیکس کے مقابلے میں %24.6 کی آمدنی مہیا کی ہے۔

شیئر ہولڈروں کی آمدنی میں اضافہ بذریعہ ری اسٹرکچرنگ

گزشتہ سہ ماہی میں ہونے والی ایک اہم واقعہ کمپنی اور اس میں سب سے بڑے سرمایہ کاری، اینگرو کارپوریشن کے درمیان ری اسٹرکچرنگ کی منظوری ملنا ہے۔ چنانچہ کمپنی ایک اسکیم آف آرٹنجمنٹ ("اسکیم") میں داخل ہو چکی ہے جو 01 جنوری 2025 سے مؤثر ہوگی۔ اس کے اہم نکات درج ذیل ہیں:

- ☆ داؤد ہرکولیس کارپوریشن کے اینگرو کے علاوہ اٹانے نکال کر ڈی ایچ پارٹنرز لمیٹڈ (DH Partners Limited) کے نام سے قائم کی جانے والی ایک نئی آرگنائزیشن میں رکھے جائیں گے اور داؤد ہرکولیس کارپوریشن میں صرف اینگرو کارپوریشن کے شیئرز ہوں گے۔
- ☆ داؤد ہرکولیس کارپوریشن کا نام بدل کر اینگرو ہولڈنگز کر دیا جائے گا۔
- ☆ اینگرو کارپوریشن، اینگرو ہولڈنگز کی مکمل ملکیتی ذیلی کمپنی ہو جائے گی۔

داؤد ہرکولیس کارپوریشن کے شیئر ہولڈروں کو ڈی ایچ پارٹنرز کے نئے شیئرز 1:1 کے تناسب سے دیئے جائیں گے جبکہ اینگرو ہولڈنگز میں ان کی ملکیت برقرار رہے گی۔ اینگرو کارپوریشن کے اقلیتی شیئر ہولڈر اینگرو ہولڈنگز کے اس تناسب سے شیئر ہولڈر بن جائیں گے جو اینگرو کارپوریشن پر ان کی معاشی ملکیت کو محفوظ رکھے گا۔

اس سرگرمی کا مقصد مالیاتی ہم کاریاں بنانا ہے تاکہ کاروبار بڑھایا جاسکے؛ اس اسکیم کے ذریعے اینگرو کے نظام میں استعمال کیا جانے والا سرمایہ اینگرو ہولڈنگز چھوڑے اور بڑے، مختلف النوع مواقع میں استعمال کرے گی تاکہ غیر یقینی میکرو اکنامک ماحول میں شیئر ہولڈروں کے لئے مستحکم آمدنی پیدا کی جاسکے۔ اہم انتظامی تبدیلیوں کے ساتھ ساتھ اس اسکیم کے متعلق اقلیتی شیئر ہولڈروں کی آراء کمپنی کے گزشتہ سالانہ اجلاس عام میں لی گئیں تاکہ کاروبار کو سرمایہ تیزی سے حاصل ہو سکے۔

یہ اسکیم 26 جون 2024 کو ہونے والی کمپنی کے غیر معمولی اجلاس عام میں کثرت رائے سے منظور کر لی گئی۔ معزز عدالت عالیہ اسلام آباد نے بھی اس سے اگلے ماہ اس اسکیم کو منظور کر لیا۔ یہ اسکیم 01 جنوری 2025 سے نافذ العمل ہوگی۔ کمپنی اس نئی اسٹرکچر کو خوش آمدید کہتی ہے جو اینگرو کی سرمایہ کاری کے اگلے مرحلے کا آغاز ہوگی۔

جیسا کہ پہلے بیان کر دیا گیا ہے کہ اینگرو انرجی لمیٹڈ نے لہرنی پاور ہولڈنگ (پرائیویٹ) لمیٹڈ اور دیگر پارٹیوں کے ساتھ معاہدہ کیا ہے جو ہمارے تھریل اثاثوں کی فروخت کی غرض سے مل کر کام کر رہے ہیں۔ لیکن دین کے عمل کے لئے اسٹیک ہولڈروں سے منظوری حاصل کرنے کا عمل جاری ہے۔

دوسری جانب پی وی سی کی عالمی قیمتوں میں کمی، ملک میں گیس کی بڑھتی ہوئی قیمتوں، قلیل مدتی قرضوں پر شرح سود بلند ہونے، اور تعمیراتی سرگرمیاں سست ہو جانے سمیت کئی ایک عوامل کی وجہ سے اینگرو پولیمر اینڈ کیمیکلز کو مشکل صورتحال درپیش ہے۔ اس صورت حال کے نتیجے میں اس کاروبار نے 1,589 ملین روپے کا بعد از ٹیکس خسارہ ظاہر کیا ہے جبکہ گزشتہ برس کی اسی مدت کے دوران اس نے 2,745 ملین روپے کا بعد از ٹیکس نفع دکھایا تھا۔ کاروبار کی نوعیت کو دیکھتے ہوئے تمام تر نظریں اسباب تجارت کی عالمی قیمتوں پر رہیں گی جن میں اضافہ اس کاروبار کو ہمیز دینے میں اہم کردار ادا کرے گا۔ شرح سود میں کمی کے نتیجے میں اقتصادی سرگرمیوں کی بحالی سے بھی اس کاروبار میں بہتری آنے کی توقع ہے۔

اینگرو کارپوریشن نے فرائیز لینڈ کمپنا اینگرو پاکستان میں بھی بھاری سرمایہ لگا رکھا ہے جس پر ڈیری کے شعبے پر ٹیکس بڑھانے جانے کے سبب منفی اثر پڑا ہے۔ دودھ اور اس کی ذیلی مصنوعات غذائیت اور انسان کے بڑھنے کے لئے بنیادی جزو ہے۔ یہی وجہ ہے کہ اسے زور ریٹھ حیثیت حاصل تھی۔ رسمی ڈیری سیکٹر پر بھاری ٹیکسوں کا عائد کیا جانا مارکیٹ میں ملنے والے دودھ اور پیک شدہ دودھ کی قیمتوں میں خلیج کو اور وسیع کر دے گا نتیجتاً پاکستانی صارفین کی محفوظ اور غذائیت سے بھرپور دودھ خریدنے کی صلاحیت کو بری طرح متاثر کرے گا۔ اگر غیر رسمی کھلے دودھ کو باضابطہ بنانے کی سنجیدہ کوششیں نہ کی گئیں تو خدشہ ہے کہ صارفین پیک شدہ دودھ کی بجائے کھلا دودھ خریدنے لگیں۔

مجموعی طور سے اینگرو کارپوریشن کمپنی کو قابل ذکر آمدنی دے رہی ہے۔ اینگرو کے پورٹ فولیو میں شامل کئی کمپنیاں منافع بڑھانے کی اچھی حیثیت میں ہیں جبکہ چند ایک کمپنیوں کو ناموافق بیرونی واقعات کے سبب منفی اثرات کا سامنا ہے۔ کردار اور عزم و حوصلے کے ساتھ درپیش چیلنجوں پر قابو پانے کی اپنی انتظامی ٹیم کی صلاحیت پر ہم پختہ یقین رکھتے ہیں۔

دیگر پورٹ فولیو

وسیع تر اسٹاک مارکیٹ انڈیکس سے ہونے والی آمدنیوں کے خطوط پر پورٹ فولیو نے اپنی کارکردگی برقرار رکھی ہوئی ہے۔ ہماری موجودگی کم و بیش اتنی ہی ہے جتنی سال 2024 کی پہلی سہ ماہی کے اختتام پر تھی۔ خصوصیت سے اگر ذکر کیا جائے تو ہم نے سسٹمز لمیٹڈ میں اپنی ملکیت بڑھادی ہے کیونکہ ہم سمجھتے ہیں کہ آئی ٹی سیکٹران چند سیکٹروں میں شامل ہے جو اقتصادی ترقی کے ثمرات محسوس کر رہے ہیں اور سسٹمز لمیٹڈ ان مواقع سے فائدہ اٹھانے کی بہتر حالت میں ہے۔ پاکستانی کرنسی میں استحکام آنے سے اس کمپنی کے منافع میں کسی حد تک کمی آسکتی ہے تاہم طویل مدت میں یہ کمپنی اپنا مرکزی کاروبار بڑھانے پر توجہ مرکوز کئے ہوئے ہے جس کے متعلق ہمیں پختہ یقین ہے کہ وہ اس کے منافع میں اضافہ کرے گا۔

اسی طرح توانائی کے سیکٹر میں بھی ہم نے اپنا حصہ بڑھا لیا ہے اور خاص طور سے OGDC اور PPL میں ہماری ہولڈنگز ہیں۔ ہم یقین رکھتے ہیں کہ گیس کے سیکٹر میں ڈھانچہ جاتی اصلاحات سے یہ دونوں کمپنیاں سب سے زیادہ سب سے زیادہ فائدہ اٹھائیں گی۔ ویسے تو قیمتوں کے ضمن میں ان کمپنیوں کی کارکردگی مارکیٹ سے کم رہی ہے لیکن ہمیں یقین ہے کہ ان میں بہتری آئے گی کیونکہ کمپنیوں کی مالیاتی حیثیت گیس کی بڑھتی ہوئی قیمتوں کے اثرات کی آئینہ دار ہے۔

ہمیں یہ اطلاع دیتے ہوئے انتہائی مسرت ہو رہی ہے کہ بینکاری سیکٹر میں کمپنی کی پرانی سرمایہ کاری سے بھاری بھر کم منافع کی وصولی بدستور جاری ہے۔ یہاں یو

نقصان پہنچایا ہے۔ یہ بدستور ایک چینج رہے گا کیونکہ بجلی کی زیادہ قیمتوں کی ادائیگی ایک جانب تو صنعتوں کے بس سے نکل رہی ہے اور دوسری جانب صارف زچ ہو چکا ہے اور لاگت کی صورت میں کسی بھی دباؤ کو برداشت کرنے کی حکومت کی صلاحیت بھی کم ہو گئی ہے۔ تاہم ایسے فیصلوں سے ہونے والی تکالیف کو تسلیم کرنا تو اہمیت رکھتا ہے لیکن یہ بات بھی مد نظر رکھنی چاہیے کہ ان اقتصادی اصلاحات کی اہمیت بھی کم نہیں۔ بجلی کی پیداوار کے سیکٹر میں اور کپسٹی کے مسئلے کا حل حکومت کو عام ڈگر سے ہٹ کر سوچنا ہوگا۔ اس سلسلے میں آنے والے مہینے انتہائی اہمیت کے حامل ہوں گے۔

مجموعی طور سے دیکھا جائے تو اگر ڈھانچہ جاتی اصلاحات پر توجہ مرکوز رہے تو معیشت نے درست سمت اختیار کر لی ہے تاہم یہ سفر انتہائی تکلیف دہ ثابت ہوگا۔ ماضی کے فیصلوں کے نتیجے میں پیش آنے والی مشکلات سے نکلنے کی غرض سے موجودہ اٹھائے گئے اقدامات کے متعلق یہی کہا جاسکتا ہے کہ..... تکلیف دہ تو ہیں لیکن ان کے بغیر چارہ بھی نہیں۔

ہمارے پورٹ فولیو

اینگر و کارپوریشن

اینگر و کارپورٹ فولیو کی جانب سے مضبوط آمدنی دینے کا سلسلہ جاری ہے۔

باوجود اس کے کہ ایک پلانٹ مکمل طور سے بند رہا جس دوران انتظامی ٹیم نے یادیر قابل بھروسہ بنانے کی غرض سے EnVen پلانٹ میں بڑی اور پیچیدہ تبدیلیاں کی اینگر و کے پورٹ فولیو میں شامل کمپنیوں میں فریٹلائزر کا بزنس مستحکم کارکردگی دکھا رہا ہے۔ غذائی تحفظ کا ایک اہم ترین جزو ہونے کی حیثیت سے فریٹلائزر کا شعبہ پاکستان کی مجموعی معیشت میں اہم کردار ادا کرتا رہے گا۔ تاہم یہ مد نظر رکھنا بھی اہم ہے کہ یہ شعبہ گیس کی غیر مستحکم قیمتوں کے سبب حالیہ طور سے کافی متاثر ہو رہا ہے؛ البتہ ڈی ریگولیشن اور مارکیٹ پر مبنی اصلاحات اس شعبے کی کارکردگی میں بہتری لائیں گے۔

ٹیلی کمیونیکیشن کے کاروبار، اینگر و انفراسٹرکچر نے پاکستان بھر میں کل 4,063 سائٹوں تک اپنی موجودگی بڑھاتے ہوئے ترقی کا عمل جاری رکھا ہے۔ اگر اسکے کے سرمایہ جاتی ڈھانچے کو دیکھا جائے تو یہ بزنس شرح سود میں کمی لائے جانے سے کافی فائدہ اٹھائے گا۔ اگر شرح سود میں کمی ہوتی رہے تو توقع ہے کہ اس کاروبار سے حاصل ہونے والا منافع بڑھتا رہے گا کیونکہ کرایہ داری کے تناسب میں خصوصاً MNO کی مارکیٹ میں استحکام آنے کے بعد کافی بہتری آئے گی۔

ٹرمینلز کے کاروبار نے بھی اچھی کارکردگی دکھائی جس کی وجہ میکرو اکنامک عناصر میں اتار چڑھاؤ میں کمی اور اقتصادی سرگرمی کی بحالی کے سبب بہتر پیداوار تھی۔ واضح رہے کہ گزشتہ برس معاشی سرگرمیوں میں کمی واقع ہوئی تھی۔ فکسڈ ریٹرن اور کاروبار کے ڈالر پر بنیاد کرنے کے سبب ٹرمینلز اس پورٹ فولیو کو قابل ذکر استحکام بخشتے ہیں۔ ڈالر پر مبنی ایک اور کاروبار Engro Eximp FZE ہے جو دبئی میں قائم اینگر و کا عالمی تجارت کرنے والا بازو ہے۔ زیر جائزہ ششماہی کے دوران اس کاروبار کا ٹرن اوور 199 ملین ڈالر ہا جو گزشتہ برس کی اسی مدت کے دوران 157 ملین ڈالر رہا تھا۔

اینگر و Vopak، اینگر و Elengy Terminal اور اینگر و Eximp FZE ہمارے کونگلو میریٹ کو کرنسی کے اتار چڑھاؤ کے اثرات سے بچائے رکھتے ہیں۔ اپنی عالمی پلک برقرار رکھنے کی غرض سے اینگر و کارپوریشن نے ”اینگر و ٹیکنیکل سالیوشنز“ کے نام سے کاروباروں کا ایک نیا سلسلہ شروع کیا ہے جو دنیا بھر میں انجینئرنگ کی خدمات اور اپنی کلائنٹس کو ٹیکنیکی حل فراہم کرے گی۔ یہ ایک مثبت پیش رفت ہے جو گاہکوں سے گہرے تعلقات بنانے کے ساتھ ساتھ ڈالر کی صورت میں آمدنی کا بہاؤ مہیا کرنے کی غرض سے اینگر و کو اپنے عالمی نیٹ ورک کو مضبوط تر بنانے کے قابل بنائے گی۔ ہم اس کاروبار کی کارکردگی کے منتظر ہیں۔

ڈائریکٹرز کی رپورٹ

داؤد ہرکولیس کارپوریشن لمیٹڈ (کمپنی) کا بورڈ آف ڈائریکٹرز نہایت مسرت کے ساتھ 30 جون، 2024 کو ختم ہونے والی ششماہی مدت کے لئے اپنی رپورٹ کے ہمراہ مالیاتی گوشوارے پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

ماحول جس میں ہم نے کام کیا

فروری 2024 میں حکومت کی تبدیلی کے بعد ملک کے اقتصادی ڈھانچے میں اصلاحات کی سنجیدہ کوششیں دیکھی گئیں جس کی اولین ترجیح آمدنی میں اضافہ تھی۔ تمام انتظامی سرگرمیوں میں ڈی ریگولیشن، پرائیویٹائزیشن اور ٹیکسوں کی آمدنی میں اضافہ مرکزی نکتہ ہے؛ کہ حکومتی آمدنی میں اضافہ انتہائی اہمیت کا حامل ہے جو جون 2024 میں وفاقی حکومت کی جانب سے پیش کئے جانے والے اولین بجٹ میں بھی اظہر من الشمس ہے جس میں کئی ایک صنعتوں پر (بشمول زیرو ریٹڈ سیکٹرز) براہ راست اور بالواسطہ ٹیکسوں میں اضافہ کیا گیا تاکہ سرکاری آمدنی بڑھائی جاسکے۔ یہاں یہ کہنا بے جا نہ ہوگا کہ اگرچہ اقتصادی اصلاحات کرنا ایک قابل تحسین عمل ہے لیکن موجودہ بجٹ قلیل سے وسط مدت میں عام آدمی کی آمدنی پر انتہائی تکلیف دہ اثرات پیدا کرے گا کیونکہ ٹیکسوں کی شرح بڑھائے جانے کے سبب ان کی آمدنی کافی کم ہو جائے گی۔ ماضی کی طرح یہ تکلیف تنخواہ دار طبقہ سب سے زیادہ محسوس کرے گا۔

پہلے سہ ماہی میں فارماسیوٹیکل سیکٹر کی کامیابی سے ڈی ریگولیشن کے بعد اب تیل کی بازار کاری (آئل مارکیٹنگ) کی کمپنیوں کو بھی ڈی ریگولیشن کرنے کی باتیں شروع ہو گئی ہیں۔ یہ اقدام وسط سے طویل مدت میں پاکستان کے لئے مثبت رہے گا کیونکہ حکومت، اپنے قوانین خود وضع کرنے والے پرائیویٹ سیکٹر کے اداروں میں مارکیٹ کی قوتوں پر بھروسہ کرتے ہوئے اس عمل سے خود کو باہر نکال لے گی۔ اس معاملے میں ایک اہم سنگ میل پی آئی اے کی نج کاری کی تکمیل ہوگی جو اب اگلے مرحلوں میں پہنچ گئی ہے؛ تمام نظریں اس طرف ہیں کہ قومی پرچم بردار ائر لائن کے نئے مالکان کون ہوں گے اور اس کی کارکردگی میں بہتری آئے گی۔

اشیائے صرف کی قیمتوں میں کمی بھی محسوس کی گئی ہے جو تازہ ترین (جولائی 2024) تخمینوں کے مطابق %11.1 ہے اور جو گزشتہ 33 ماہ کی کم ترین شرح ہے۔ کم ہوتی طلب اور رسد میں کوئی رکاوٹ نہ ہونے کے نتیجے میں کم ہوتی مہنگائی ہی وہ وجہ ہے جس کے باعث اسٹیٹ بینک آف پاکستان نے مئی 2024 کے بعد مسلسل دو مرتبہ شرح سود میں کمی کی ہے۔ پالیسی ریٹ کی شرح اب %22 سے کم ہو کر %19.5 تک آگئی ہے؛ افراط زر یا مہنگائی کا رخ پستی کی جانب رہنے کی توقع کے ساتھ ہم امید رکھتے ہیں کہ اسٹیٹ بینک زری پالیسی میں نرمی برقرار رکھے گا کیونکہ یہ نرمی ملک میں اقتصادی سرگرمیوں کی بحالی میں اہم کردار ادا کرے گی۔

نئے معاشی انتظامات کے سبب آئندہ پروگرام کے لئے آئی ایم ایف کے ساتھ مذاکرات کامیاب رہے ہیں جس سے، توقع ہے کہ کرنسی مارکیٹوں میں استحکام کا تاثر پیدا ہوگا۔ اس پروگرام میں 2025 کے آغاز سے صوبائی سطح پر زراعت پر انکم ٹیکس عائد کرنے، ایندھن اور توانائی کی قیمتوں میں بروقت رد و بدل اور SOE آپریشنوں میں بہتری لانے کی تجاویز دی گئی ہیں۔ اگرچہ اس پروگرام کی منظوری ابھی آئی ایم ایف کے ایگزیکٹو بورڈ کی جانب سے دی جانی ہے تاہم امید کی جا رہی ہے کہ نتائج مثبت رہیں گے۔

توانائی کی بڑھتی ہوئی قیمتیں وہ کڑوی گولی ہے جسے پاکستانیوں کے لئے نگلنا انتہائی مشکل ہے۔ گیس کی زیادہ قیمتیں گیس سے چلنے والی صنعتوں خصوصاً ٹیکسٹائل اور کیمیکل کی صنعتوں پر منفی اثر ڈال رہی ہے جب کہ بجلی کی ناقابل برداشت قیمتوں نے بیشتر صنعتوں کو عام طور سے اور صارفین کو خاص طور سے بہت زیادہ

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Dawood Hercules Corporation Limited

Report on review of Interim Financial Statements

Introduction

We have reviewed the accompanying unconsolidated condensed interim statement of financial position of Dawood Hercules Corporation Limited as at June 30, 2024 and the related unconsolidated condensed interim statement of profit or loss, unconsolidated condensed interim statement of comprehensive income, unconsolidated condensed interim statement of changes in equity, and unconsolidated condensed interim statement of cash flows, and notes to the financial statements for the six months period then ended (here-in-after referred to as the interim financial statements'). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review.

The figures of the unconsolidated condensed interim statement of profit or loss and unconsolidated condensed interim statement of comprehensive income for the quarters ended June 30, 2024 and June 30, 2023 and the notes forming part thereof have not been reviewed, as we are required to review only the cumulative figures for the six months period ended June 30, 2024.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the review resulting in this independent auditor's review report is Osama Moon.



A. F. Ferguson & Co.,
Chartered Accountants
Karachi

Date: August 28, 2024

UDIN: RR202410056WSGV8bRha

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DAWOOD HERCULES CORPORATION LIMITED

**Unconsolidated Condensed Interim Financial
Statements**

FOR THE SIX MONTHS PERIOD ENDED
JUNE 30, 2024

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2024

	Note	June 30, 2024 (Un-audited)	December 31, 2023 (Audited)
----- (Rupees in '000) -----			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	42,073	44,485
Right-of-use assets		14,336	22,938
Investment properties		49,422	50,680
Long-term investments	6	23,309,927	23,308,927
		23,415,758	23,427,030
CURRENT ASSETS			
Advances, deposits and prepayment		10,401	11,301
Other receivables		48,074	101,972
Short-term investments	7	11,345,786	8,550,096
Cash and bank balances		33,950	33,123
		11,438,211	8,696,492
TOTAL ASSETS		34,853,969	32,123,522
EQUITY			
SHARE CAPITAL AND RESERVES			
Authorised share capital	8	12,500,000	10,000,000
Issued, subscribed and paid-up share capital		4,812,871	4,812,871
Revenue reserves		25,531,545	23,760,295
TOTAL EQUITY		30,344,416	28,573,166
LIABILITIES			
NON-CURRENT LIABILITIES			
Lease liabilities		-	7,870
Defined benefit liabilities		7,355	5,103
Deferred taxation		798,142	213,490
		805,497	226,463
CURRENT LIABILITIES			
Current portion of lease liabilities		18,482	20,002
Trade and other payables		44,039	79,491
Unclaimed dividend		965,224	901,814
Taxation - net		2,676,311	2,322,586
		3,704,056	3,323,893
TOTAL LIABILITIES		4,509,553	3,550,356
TOTAL EQUITY AND LIABILITIES		34,853,969	32,123,522
CONTINGENCIES AND COMMITMENTS	9		

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

Kamran Hanif
Chief Financial Officer

Mohammad Shamoony Chaudry
Chief Executive Officer

Muhammed Amin
Director

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

FOR THE QUARTER AND SIX MONTHS PERIOD ENDED JUNE 30, 2024

	Note	Quarter Ended		Six Months Period Ended	
		June 30, 2024	June 30, 2023 (Restated)	June 30, 2024	June 30, 2023 (Restated)
----- (Rupees in '000) -----					
Return on investments - net		5,205,923	9,301,890	5,709,165	10,112,065
Administrative expenses	10	(73,923)	(46,047)	(114,370)	(84,717)
		<u>5,132,000</u>	<u>9,255,843</u>	<u>5,594,795</u>	<u>10,027,348</u>
Other income - net		18,069	26,385	31,415	68,419
Operating profit		<u>5,150,069</u>	<u>9,282,228</u>	<u>5,626,210</u>	<u>10,095,767</u>
Finance cost		(1,689)	(123,038)	(1,755)	(318,252)
Profit before taxation and levy		<u>5,148,380</u>	<u>9,159,190</u>	<u>5,624,455</u>	<u>9,777,515</u>
Levy	2.4 & 11	<u>(108,944)</u>	<u>(134,004)</u>	<u>(132,709)</u>	<u>(220,551)</u>
Profit before taxation		5,039,436	9,025,186	5,491,746	9,556,964
Taxation	2.4 & 11	(1,208,943)	(2,800,885)	(1,314,866)	(2,918,722)
Profit after taxation		<u>3,830,493</u>	<u>6,224,301</u>	<u>4,176,880</u>	<u>6,638,242</u>
----- (Rupees) -----					
Earnings per share - basic and diluted	12	<u>7.96</u>	<u>12.93</u>	<u>8.68</u>	<u>13.79</u>

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

Kamran Hanif
Chief Financial Officer

Mohammad Shamoan Chaudry
Chief Executive Officer

Muhammed Amin
Director

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

FOR THE QUARTER AND SIX MONTHS PERIOD ENDED JUNE 30, 2024

	Quarter Ended		Six Months Period Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
	----- (Rupees in '000) -----			
Profit after taxation	3,830,493	6,224,301	4,176,880	6,638,242
Other comprehensive (loss) / income for the period				
<i>Items that will not be reclassified to profit or loss</i>				
Remeasurements of post-retirement benefits liability	806	(564)	806	(564)
Total comprehensive income for the period	<u>3,831,299</u>	<u>6,223,737</u>	<u>4,177,686</u>	<u>6,637,678</u>

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

Kamran Hanif
Chief Financial Officer

Mohammad Shamoan Chaudry
Chief Executive Officer

Muhammed Amin
Director

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

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2024

	Note	Six Months Period Ended	
		June 30, 2024	June 30, 2023
----- (Rupees in '000) -----			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash utilised in operations	13	(46,426)	(45,636)
Finance costs paid		(229)	(350,365)
Taxes and levy paid		(509,198)	(1,711,533)
Defined benefit liabilities paid		(854)	(1,455)
Interest received on bank deposits and investments		15,591	20,399
Short-term investments purchased and redeemed - net		(437,660)	4,594,254
Dividends received		3,318,943	9,683,545
Net cash generated from operating activities		2,340,167	12,189,209
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(2,506)	-
Sale proceeds from disposal of property, plant and equipment		101	981
Long-term investment made in DHPL		(1,000)	-
Net cash (used in) / generated from investing activities		(3,405)	981
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease rentals paid during the period		(10,916)	(9,923)
Dividends paid		(2,343,026)	(7,101,541)
Net cash used in financing activities		(2,353,942)	(7,111,464)
Net (decrease) / increase in cash and cash equivalents		(17,180)	5,078,726
Cash and cash equivalents at the beginning of the period		51,130	(6,459,981)
Cash and cash equivalents at the end of the period	14	33,950	(1,381,255)

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

Kamran Hanif
Chief Financial Officer

Mohammad Shamoony Chaudry
Chief Executive Officer

Muhammed Amin
Director

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2024

1. THE COMPANY AND ITS OPERATIONS

- 1.1 Dawood Hercules Corporation Limited (the Company) was incorporated in Pakistan on April 17, 1968 as a public limited company under the Companies Act, 1913 (now the Companies Act, 2017) and its shares are quoted on the Pakistan Stock Exchange (PSX). The principal activity of the Company is to manage investments including in its subsidiaries and associated companies. The registered office of the Company is situated at Dawood Center, M. T. Khan Road, Karachi and a liaison office is in Islamabad.
- 1.2 Based on the concept of 'control' as stipulated in the International Financial Reporting Standard (IFRS) - 10 'Consolidated Financial Statements', the Company continues to conclude that although the Company has less than 50% voting rights in Engro Corporation Limited (ECL), yet, based on the absolute size of the Company's shareholding, the relative size of other shareholdings and the number of representation on ECL's Board of Directors, the Company has the ability to exercise control over ECL. Accordingly, the Company is deemed to be the Holding Company of ECL.
- 1.3 These unconsolidated 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.
- 1.4 During the period, the Company, along with ECL and DH Partners Limited (DHPL) filed a petition in the Islamabad High Court in respect of a Scheme of Arrangement (the Scheme) under which it is envisaged that:
- the Company shall be demerged into two legal entities whereby all its assets, liabilities and obligations other than its investment in shares of ECL as specified in the Scheme shall vest into DHPL against which DHPL shall issue its shares to the existing shareholders of the Company in the same proportion in which they hold shares in the Company;
 - shares held by the shareholders of ECL, other than the Company, ("the Transferred Shareholders") shall vest with and into the Company (i.e., ECL shall become a wholly owned subsidiary of the Company) in exchange whereof the Company shall issue shares in its share capital to the Transferred Shareholders in a proportion such that the Transferred Shareholders shall hold their present proportionate shareholding in ECL indirectly through the Company; and
 - name of the Company shall be changed to "Engro Holdings Limited.

Subsequent to the period end on July 18, 2024, through its order, the IHC has sanctioned the Scheme. As per the Scheme, it shall become effective from January 1, 2025.

2. STATEMENT OF COMPLIANCE AND MATERIAL ACCOUNTING POLICY INFORMATION

- 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:
- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Act; and
 - 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, 2023, except relating to the matters stated in notes 2.3 and 2.4 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.

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2024

2.4 Amendments to published accounting and reporting standards and interpretation / guidance which became effective during the period ended June 30, 2024:

There were certain amendments to accounting and reporting standards which became effective for the Company 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 condensed interim financial statements except that during the year, the Institute of Chartered Accountant of Pakistan (ICAP) has withdrawn Technical Release 27 'IAS 12, Income Taxes (Revised 2012)' and issued the 'IAS 12 Application Guidance on Accounting for Minimum Taxes and Final Taxes' (the Guidance). Accordingly, in accordance with the Guidance, the Company has changed its accounting policy to recognise minimum and final taxes as 'levy' under IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" which were previously being recognised as 'Income tax'.

The Company has accounted for the effects of these changes in accounting policy retrospectively under IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and the corresponding figures have been restated in these unconsolidated condensed interim financial statements. The effects of restatements are as follows:

	Had there been no change in accounting policy	Impact of change in accounting policy	After incorporating effects of change in accounting policy
	------(Rupees in '000)-----		
Effect on condensed interim statement of profit or loss			
For the quarter ended June 30, 2024			
Levy	-	108,944	108,944
Profit before taxation	5,148,380	(108,944)	5,039,436
Taxation	(1,317,887)	108,944	(1,208,943)
Profit after taxation	3,830,493	-	3,830,493
For the quarter ended June 30, 2023			
Levy	-	134,004	134,004
Profit before taxation	9,159,190	(134,004)	9,025,186
Taxation	(2,934,889)	134,004	(2,800,885)
Profit after taxation	6,224,301	-	6,224,301
For the six months period ended June 30, 2024			
Levy	-	132,709	132,709
Profit before taxation	5,624,455	(132,709)	5,491,746
Taxation	(1,447,575)	132,709	(1,314,866)
Profit after taxation	4,176,880	-	4,176,880
For the six months period ended June 30, 2023			
Levy	-	220,551	220,551
Profit before taxation	9,777,515	(220,551)	9,556,964
Taxation	(3,139,273)	220,551	(2,918,722)
Profit after taxation	6,638,242	-	6,638,242

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2024

The related changes to the statement of cash flows with respect to the amount of profit before taxation have been made as well. There is no impact on profit after taxation and earnings per share, basic and diluted and the statement of financial position.

2.5 **New standards and amendments to published accounting and reporting standards that are not yet effective and not early adopted by the Company:**

There are certain new standards and amendments that will be applicable to the Company for its annual periods beginning on or after January 1, 2025. The new standards include IFRS 18 Presentation and Disclosure in Financial Statements and IFRS 19 Subsidiaries without Public Accountability: Disclosures both with applicability date of January 1, 2027 as per IASB. These standards will become part of the Company's financial reporting framework upon adoption by the Securities and Exchange Commission of Pakistan (SECP). The overall amendments include those made to IFRS 7 and IFRS 9 which clarify the date of recognition and derecognition of a financial asset or financial liability which are applicable effective January 1, 2026. The Company's management at present is in the process of assessing the full impacts of these new standards and the amendments to IFRS 7 and IFRS 9 and is expecting to complete the assessment in due course.

2.6 **Basis of preparation**

2.6.1 These unconsolidated condensed interim financial statements include the unconsolidated condensed statement of financial position as at June 30, 2024 and the unconsolidated condensed interim statement of profit or loss, the unconsolidated condensed interim statement of comprehensive income, the unconsolidated condensed interim statement of changes in equity, the unconsolidated condensed interim statement of cash flows and notes thereto for the six months period then ended. These unconsolidated condensed interim financial statements also include the unconsolidated condensed interim statement of profit or loss and the unconsolidated condensed interim statement of comprehensive income for the quarter ended June 30, 2024 which were not subjected to auditor's review.

2.6.2 The comparative statement of financial position presented in these unconsolidated condensed interim financial statements as at December 31, 2023 has been extracted from the December 31, 2023 unconsolidated financial statements. The comparative statement of profit or loss, statement of total comprehensive income, statement of changes in equity and statement of cash flows for the six months period ended June 30, 2023 have been extracted from the unconsolidated condensed interim financial statements of the Company for the six months period then ended, which were subjected to auditor's review but were not audited.

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, 2023 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 2023 financial statements.

3.3 The Company's financial risk management objectives and policies are consistent with those disclosed in the December 2023 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 (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2024

	Note	June 30, 2024 (Un-audited)	December 31, 2023 (Audited)
----- (Rupees in '000) -----			
5. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets (WDV) opening balance - As at January 1		44,485	110,616
Additions during the period / year	5.1	2,506	191
		46,991	110,807
Disposals during the period / year (WDV)	5.2	(78)	(287)
"Transfers to investment properties during the period / year (WDV)"		-	(53,196)
Depreciation charge for the period / year		(4,840)	(12,839)
		(4,918)	(66,322)
Operating fixed assets (WDV) - closing balance		42,073	44,485
5.1 Additions during the period / year			
Vehicles		165	-
Furniture, fittings and equipment		526	-
Data processing equipment		1,815	-
		2,506	-
5.2 Disposals during the period - net book value			
Furniture, fittings and equipment		-	7
Vehicles		72	-
Data processing equipment		6	216
		78	223
6. LONG-TERM INVESTMENTS			
Investments in subsidiaries - at cost	6.1	23,309,927	23,308,927
"Other investment - at fair value through profit or loss"	6.2	-	-
		23,309,927	23,308,927
6.1 Investments in subsidiaries - at cost			
Engro Corporation Limited (ECL) - quoted 214,469,810 (December 31, 2023: 214,469,810) ordinary shares of Rs 10 each. Percentage of holding 39.97% (December 31, 2023: 39.97%)	6.1.1 & 6.1.2	23,308,927	23,308,927
DH Partners Limited (DHPL) - unquoted 100,000 (December 31, 2023: Nil) ordinary shares of Rs 10 each. Percentage of holding 100% (December 31, 2023: Nil)	6.1.3	1,000	-
		23,309,927	23,308,927

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2024

6.1.1 The market value of investment in ECL as at June 30, 2024 was Rs 71,356 million (December 31, 2023: Rs 63,249 million).

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

Bank	As at June 30, 2024			As at December 31, 2023		
	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 favor of Fatima Fertilizer Company Limited against potential liabilities of DH Fertilizer Limited						
Meezan Bank Limited - as agent (note 9.2)	-	-	-	10,491,800	104,918	3,094,137

6.1.3 As disclosed in note 1.4 to these unconsolidated condensed interim financial statements and pursuant to the Scheme of Arrangement, DHPL has been incorporated and registered under the Companies Act, 2017, as a public unlisted company and a wholly owned subsidiary of the Company. DHPL will also become listed on the Pakistan Stock Exchange (PSX) in due course.

	Note	June 30, 2024 (Un-audited)	December 31, 2023 (Audited)
		----- (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, 2023: 23,770,701) ordinary shares of Rs 10 each] Percentage of holding 39% (December 31, 2023: 39%)		237,707	237,707
Less: Accumulated impairment		(237,707)	(237,707)
		-	-

7. SHORT-TERM INVESTMENTS

At amortised cost

Term Deposit Receipt (TDR) 7.1 **18,007** 18,007

At fair value through profit or loss

Mutual Funds	192,166	617,560
Quoted shares	11,135,613	7,914,529
	11,327,779	8,532,089
	11,345,786	8,550,096

7.1 These carry profit at the rate of 19.90% per annum (December 31, 2023: 17.45% per annum). The TDR is due to mature on March 12, 2025. The bank has marked lien over this TDR against Corporate Credit Card facilities.

8. AUTHORISED SHARE CAPITAL

During the period ended June 30, 2024 and in pursuance of the matter stated in note 1.4 of these unconsolidated condensed interim financial statements, the authorized share capital of the Company has been increased from Rs 10 billion, divided into 1 billion ordinary shares of Rs 10 each to Rs 12.5 billion, divided into 1.25 billion ordinary shares of Rs 10 each. The new 250 million ordinary shares of Rs 10 each shall rank pari passu in every respect with the existing ordinary shares of the Company.

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2024

9. CONTINGENCIES AND COMMITMENTS

9.1 There has been no significant change in the status of matters stated in notes 19.1 and 19.2 to the unconsolidated audited financial statements for the year ended December 31, 2023 except for the matter disclosed in note 9.2 below.

9.2 During the period ended June 30, 2024, the Company has replaced all pledged shares of Engro Corporation Limited (ECL), previously held as collateral for guarantees in favor of DH Fertilizer Limited (DHFL, now Fatima Fertilizer Company Limited - FFCL) with alternative security provided by Dawood Investments (Private) Limited (DIPL), an associated company. These guarantees were related to potential tax and WWF liabilities up to June 30, 2015 as disclosed in note 19.1.1 to the December 2023 financial statements. This replacement is pursuant to the scheme of arrangement as disclosed in note 1.4 to these unconsolidated condensed interim financial statements.

DIPL has pledged 21.625 million shares of its investment in the Company with Meezan Bank Limited as agent on behalf of FFCL.

The Company, DIPL, and FFCL have agreed that the terms of the Share Pledge and Escrow Agreement, including provisions for the release of pledged shares, will apply mutatis mutandis to these alternate shares i.e., shares of DHFL.

	Note	Quarter Ended		Six Months Period Ended	
		June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
----- (Un-audited) -----					
----- (Rupees in '000) -----					
10. RETURN ON INVESTMENTS - net					
Dividend income	10.1	3,034,591	8,999,075	3,318,943	9,683,545
Interest income	10.2	11,329	7,534	14,185	11,535
Others	10.3	2,160,003	295,281	2,376,037	416,985
		<u>5,205,923</u>	<u>9,301,890</u>	<u>5,709,165</u>	<u>10,112,065</u>
10.1 Dividend income					
Subsidiary - Engro Corporation Limited		2,788,108	8,578,792	2,788,108	8,793,262
Other investments		<u>246,483</u>	<u>420,283</u>	<u>530,835</u>	<u>890,283</u>
		<u>3,034,591</u>	<u>8,999,075</u>	<u>3,318,943</u>	<u>9,683,545</u>
10.2 Interest income					
- Income on T-Bills		-	-	-	3,466
- Return on TDRs		893	789	1,672	1,256
- Profit on savings accounts		<u>10,436</u>	<u>6,745</u>	<u>12,513</u>	<u>6,813</u>
		<u>11,329</u>	<u>7,534</u>	<u>14,185</u>	<u>11,535</u>
10.3 Others					
Gain / (loss) on sale of quoted shares		-	(471,914)	5,585	(699,834)
Gain on sale of mutual funds units		21,075	-	31,842	-
Unrealised gain on quoted shares		2,138,712	767,195	2,338,123	1,116,819
Unrealised gain on mutual funds		<u>216</u>	<u>-</u>	<u>487</u>	<u>-</u>
		<u>2,160,003</u>	<u>295,281</u>	<u>2,376,037</u>	<u>416,985</u>

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2024

	Note	Quarter Ended		Six Months Period Ended	
		----- (Un-audited) -----			
		June 30, 2024	June 30, 2023 (Restated)	June 30, 2024	June 30, 2023 (Restated)
----- (Rupees in '000) -----					
11. LEVY AND TAXATION					
Levy	11.1	108,944	134,004	132,709	220,551
Taxation	11.2	<u>1,208,943</u>	<u>2,800,885</u>	<u>1,314,866</u>	<u>2,918,722</u>
Total levy and tax charged		<u>1,317,887</u>	<u>2,934,889</u>	<u>1,447,575</u>	<u>3,139,273</u>

11.1 This represents final taxes paid under section 150 of Income Tax Ordinance, 2001, representing levy in terms of requirements of IFRIC 21 and IAS 37.

		Quarter Ended		Six Months Period Ended	
		----- (Un-audited) -----			
		June 30, 2024	June 30, 2023 (Restated)	June 30, 2024	June 30, 2023 (Restated)
----- (Rupees in '000) -----					
11.2 Taxation					
Current					
- for the period		669,225	2,182,662	730,213	2,224,352
- for the prior period		-	522,323	-	522,323
		<u>669,225</u>	<u>2,704,985</u>	<u>730,213</u>	<u>2,746,675</u>
Deferred		<u>539,718</u>	<u>95,900</u>	<u>584,653</u>	<u>172,047</u>
		<u>1,208,943</u>	<u>2,800,885</u>	<u>1,314,866</u>	<u>2,918,722</u>

12. EARNINGS PER SHARE

Profit for the period after levy & taxation		<u>3,830,493</u>	<u>6,224,301</u>	<u>4,176,880</u>	<u>6,638,242</u>
----- (Number of shares) -----					
Weighted average number of ordinary shares outstanding during the period		<u>481,287,116</u>	<u>481,287,116</u>	<u>481,287,116</u>	<u>481,287,116</u>
----- (Rupees) -----					
Earning per share - basic and diluted		<u>7.96</u>	<u>12.93</u>	<u>8.68</u>	<u>13.79</u>

12.1 There were no convertible dilutive potential ordinary shares outstanding as at June 30, 2024 and June 30, 2023.

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2024

	Note	Six Months Period Ended	
		June 30, 2024	June 30, 2023
		(Un-audited)	(Restated) (Un-audited)
----- (Rupees in '000) -----			
13. CASH (UTILISED IN) / GENERATED FROM OPERATIONS			
Profit before taxation		5,491,746	9,556,964
<i>Adjustments for non cash expenses and other items:</i>			
Levy		132,709	220,551
Depreciation on property, plant and equipment		4,840	8,200
Depreciation on right-of-use assets		8,602	8,602
Depreciation on investment properties		1,258	-
Finance costs		1,755	318,252
Provision for employees' retirement and other service benefits		3,912	2,469
Return on investments		(5,709,165)	(10,112,065)
Gain on disposal of property, plant & equipment		(23)	(758)
Working capital changes	13.1	17,940	(47,851)
Cash utilised in operations		(46,426)	(45,636)
13.1 Working capital changes			
(Increase) / decrease in current assets			
Advances, deposits and prepayment		900	975
Other receivables		52,492	(38,880)
		53,392	(37,905)
Decrease in trade and other payables		(35,452)	(9,946)
		17,940	(47,851)
14. CASH AND CASH EQUIVALENTS			
Cash and bank balances		33,950	10,048
Short-term financing		-	(1,391,303)
		33,950	(1,381,255)
15. FINANCIAL RISK MANAGEMENT AND FINANCIAL DISCLOSURES			
15.1 Financial risk factors			

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

These unconsolidated condensed interim financial statements do not include all financial risk management information and disclosures which are required in the annual financial statements and should be read in conjunction with the Company's annual financial statements as at December 31, 2023. There have been no changes in any risk management policies since the year end.

15.2 Fair value of financial assets and liabilities

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

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2024

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

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

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

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

The fair value of the Company's short term investments carried at fair value as disclosed in note 7 is based on quoted price of shares at the PSX (Level I) while for mutual funds, it is based on net asset value (Level II). The carrying value of all other financial assets and liabilities reflected in these unconsolidated condensed interim financial statements approximate their fair values.

During the period, there were no transfers between level 1, level 2 and level 3 fair value measurements.

16. RELATED PARTY TRANSACTIONS

16.1 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.

16.2 Transactions with related parties are as follows:

	Six Months Period Ended	
	June 30, 2024 (Un-audited)	June 30, 2023 (Un-audited)
	----- (Rupees in '000) -----	
Subsidiary company		
Dividend income	2,788,108	8,793,262
Sale of services	26,434	65,100
Reimbursement of expenses made by the Company	1,901	1,988
Advances and deposits	-	18,000
Investment made	1,000	104,938
Associated companies and undertakings		
Dividend paid	721,905	2,165,714
Purchase of services	11,349	10,654
Reimbursement of expenses made by associates	63,265	57,872
Reimbursement of expenses made to associates	4,061	3,152
Donation	236	270
Accrued markup on loan / Markup on delayed payment	4,912	2,549
Other related parties		
Purchase of services	-	563
Contribution to staff gratuity fund	1,940	1,756
Contribution to staff provident fund	3,491	3,131
Key management personnel		
Salaries and other short-term employee benefits	30,257	31,381
Post retirement benefit plans	2,632	2,251
Director's fee	6,250	6,250
Sale proceeds on disposal of vehicle to key management personnel	72	930

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2024

17. GENERAL

- 17.1 All financial information, except as otherwise stated, has been rounded to the nearest thousand Pakistan rupees.
- 17.2 These unconsolidated condensed interim financial statements have been authorised for issue by the Board of Directors on August 23, 2024.
- 17.3 The Board of Directors in its meeting held on August 23, 2024 declared an interim cash dividend of Rs 3 per share amounting to Rs 1,443.861 million for the year ending December 31, 2024 (Rs 1 per share amounting to Rs 481.287 million for the year ended December 31, 2023). These unconsolidated condensed interim financial statements do not recognise this interim dividend as deduction from unappropriated profit as it has been declared subsequent to the reporting date.

Kamran Hanif
Chief Financial Officer

Mohammad Shamoony Chaudry
Chief Executive Officer

Muhammed Amin
Director

DAWOOD HERCULES CORPORATION LIMITED

**CONSOLIDATED CONDENSED INTERIM
FINANCIAL STATEMENTS**

FOR THE SIX MONTHS PERIOD ENDED
June 30, 2024

CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2024

		Consolidated	
	Note	June 30, 2024 (Un-audited)	December 31, 2023 (Restated) (Audited)
----- (Rupees in '000) -----			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	193,338,609	339,373,902
Right-of-use assets		12,796,492	13,142,135
Intangible assets		6,071,132	6,530,945
Long-term investments		29,979,241	34,485,322
Deferred taxation		1,319,975	-
Financial assets at amortized cost		-	1,051,611
Derivative financial instruments		733,449	963,207
Net investment in leases		52,115,358	56,961,334
Long-term loans, advances, deposits and other receivables		5,159,578	4,925,619
		301,513,834	457,434,075
CURRENT ASSETS			
Stores, spares and loose tools		13,014,116	12,939,358
Stock-in-trade		39,642,126	33,736,767
Trade debts		15,693,500	75,497,556
Loans, advances, deposits and prepayments		17,225,365	9,551,732
Other receivables		22,819,900	50,184,492
Accrued Income		77,323	4,396,241
Contract assets		-	16,880,213
Current portion of net investment in leases		8,169,981	7,887,464
Short term investments		53,575,284	78,630,124
Cash and bank balances		29,373,710	67,128,803
		199,591,305	356,832,750
Assets classified as held for sale		280,617,398	1,525,396
TOTAL ASSETS		781,722,537	815,792,221

CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2024

	Note	June 30, 2024 (Un-audited)	December 31, 2023 (Restated) (Audited)
----- (Rupees in '000) -----			
EQUITY			
SHARE CAPITAL AND RESERVES			
Authorised share capital	6	<u>12,500,000</u>	<u>10,000,000</u>
Issued, subscribed and paid-up share capital		4,812,871	4,812,871
Reserves		<u>62,841,135</u>	<u>61,378,540</u>
		67,654,006	66,191,411
Non-controlling interest		<u>157,506,841</u>	<u>168,762,578</u>
TOTAL EQUITY		225,160,847	234,953,989
LIABILITIES			
NON-CURRENT LIABILITIES			
Borrowings		57,141,401	162,072,043
Government grant		1,759,783	2,020,187
Deferred taxation		3,210,602	16,809,752
Lease liabilities		61,595,932	66,785,160
Deferred liabilities		4,317,331	4,457,982
		128,025,049	252,145,124
CURRENT LIABILITIES			
Trade and other payables		109,248,229	182,915,947
Accrued interest / mark-up		2,221,227	2,807,643
Current portion of :			
- borrowings		7,111,591	28,580,236
- Government grant		473,146	452,387
- lease liabilities		10,635,887	10,637,203
- deferred liabilities		554,424	626,493
Taxation - Net		12,884,156	15,713,564
Provisions		26,806,568	27,153,499
Contract liabilities		-	14,427,927
Short term borrowings		40,822,152	31,639,719
Unclaimed dividend		1,788,719	13,738,490
		212,546,099	328,693,108
Liabilities classified as held for sale		215,990,542	-
TOTAL LIABILITIES		556,561,690	580,838,232
CONTINGENCIES AND COMMITMENTS			
	7		
TOTAL EQUITY AND LIABILITIES		<u>781,722,537</u>	<u>815,792,221</u>

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

Kamran Hanif
Chief Financial Officer

Mohammad Shamoony Chaudry
Chief Executive Officer

Muhammed Amin
Director

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

FOR THE QUARTER AND SIX MONTHS PERIOD ENDED JUNE 30, 2024

	Note	Quarter Ended		Six Months Period Ended	
		June 30, 2024	June 30, 2023 (Restated) ----- (Rupees in '000) -----	June 30, 2024	June 30, 2023 (Restated)
CONTINUING OPERATIONS					
Net sales		74,588,917	75,087,559	178,888,645	147,161,170
Cost of sales		(61,580,569)	(53,899,878)	(143,606,649)	(108,070,201)
Gross profit		13,008,348	21,187,681	35,281,996	39,090,969
Selling and distribution expenses		(1,371,727)	(1,948,149)	(5,118,150)	(4,035,191)
Administrative expenses		(3,943,484)	(2,789,724)	(7,337,031)	(5,433,060)
Loss allowance on subsidy receivable from GoP		177,508	(71,896)	235,291	(504,345)
		7,870,645	16,377,912	23,062,106	29,118,373
Other income		6,131,679	2,995,854	10,130,935	7,460,718
Other operating expenses		(1,324,142)	(1,758,555)	(2,252,371)	(3,705,179)
Finance cost		(5,481,836)	(3,884,524)	(9,528,776)	(8,435,717)
Share of income from associates & joint ventures		637,064	452,529	1,268,102	1,070,730
Profit before taxation and levy		7,833,410	14,183,216	22,679,996	25,508,925
Levy		(1,084,161)	(1,182,043)	(2,095,937)	(2,092,833)
Profit before taxation		6,749,249	13,001,173	20,584,059	23,416,092
Taxation		(3,483,873)	(13,880,521)	(9,610,903)	(17,997,698)
Profit from continuing operations		3,265,376	(879,348)	10,973,156	5,418,394
DISCONTINUED OPERATIONS					
Profit from discontinued operations		2,853,843	11,549,764	2,853,843	14,301,657
Profit for the period		6,119,219	10,670,416	13,826,999	19,720,051
Profit attributable to:					
- Owners of the Holding Company		1,938,865	88,526	3,891,242	2,153,656
- Non-controlling interest		4,180,354	10,581,890	9,935,757	17,566,395
		6,119,219	10,670,416	13,826,999	19,720,051
Earnings / (loss) per share (Rupees)- basic and diluted					
	8				
- Continuing operations		2.88	(5.52)	6.94	(2.29)
- Discontinued operations		1.15	5.70	1.15	6.76
		4.03	0.18	8.09	4.47

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

Kamran Hanif
Chief Financial Officer

Mohammad Shamoony Chaudry
Chief Executive Officer

Muhammed Amin
Director

CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)

FOR THE QUARTER AND SIX MONTHS PERIOD ENDED JUNE 30, 2024

	Quarter Ended		Six Months Period Ended	
	June 30, 2024	June 30, 2023 (Restated) ----- (Rupees in '000) -----	June 30, 2024	June 30, 2023 (Restated)
Profit for the period	6,119,219	10,670,416	13,826,999	19,720,051
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss				
Hedging reserve - cash flow hedges				
- Profit / (loss) arising during the period	(40,762)	112,774	(229,759)	329,302
Revaluation reserve on business combination				
Exchange differences on translation of foreign operations	(15,828)	216,599	(45,706)	802,439
Continuing operations' (loss) / gain on remeasurement of long-term investments classified at fair value through other comprehensive income	73,228	(42,499)	231,798	(726,908)
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of post employment benefits obligation	806	(564)	806	(564)
Loss on remeasurement of long-term investments classified at fair value through other comprehensive income	(667)	(13,249)	(13,916)	(14,499)
Other comprehensive income for the period - net of tax	16,777	273,061	(56,777)	389,770
Total Comprehensive income for the period	<u>6,135,996</u>	<u>10,943,477</u>	<u>13,770,222</u>	<u>20,109,821</u>
Total comprehensive income / (loss) attributable to:				
- Continuing operations	3,282,153	(606,287)	10,916,379	5,808,164
- Discontinued operations	2,853,843	11,549,764	2,853,843	14,301,657
	<u>6,135,996</u>	<u>10,943,477</u>	<u>13,770,222</u>	<u>20,109,821</u>
Total comprehensive income attributable to:				
- Owners of the Holding Company	1,946,055	197,330	3,869,032	2,309,109
- Non-controlling interest	4,189,941	10,746,147	9,901,190	17,800,712
	<u>6,135,996</u>	<u>10,943,477</u>	<u>13,770,222</u>	<u>20,109,821</u>

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

Kamran Hanif
Chief Financial Officer

Mohammad Shamooun Chaudry
Chief Executive Officer

Muhammed Amin
Director

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

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2024

	----- Attributable to owners of the Holding Company -----											Non-con- trolling interest	Total
	----- Capital reserves -----					----- Revenue reserves -----							
	Share capital	Revaluation reserve on business combination	Maintenance reserve	Other equity	Exchange revaluation reserve	Hedging reserve	Remeasure- ment of investments	General reserve	Un-appropri- ated profit	Remeasure- ment of post employment benefits - Actuarial gain / (loss)	Sub total		
	----- (Rupees in '000) -----												
Balance as at December 31, 2022 (audited) / January 01, 2023	4,812,871	1,665	60,117	-	601,674	259,838	(322,661)	700,000	64,115,162	(66,652)	65,349,143	178,498,202	248,660,216
Effect of retrospective application of change in accounting policy (note 4.3)	-	-	-	-	-	-	-	-	346,406	-	346,406	1,201,208	1,547,614
Balance as at January 1, 2023 - Restated	4,812,871	1,665	60,117	-	601,674	259,838	(322,661)	700,000	64,461,568	(66,652)	65,695,549	179,699,410	250,207,830
Total comprehensive income / (loss) for the six months period ended June 30, 2023 (un-audited)													
Profit for the period - restated	-	-	-	-	-	-	-	-	2,153,656	-	2,153,656	17,566,395	19,720,051
Other comprehensive income	-	-	-	-	298,668	122,566	(275,952)	-	-	(564)	144,718	245,052	389,770
	-	-	-	-	298,668	122,566	(275,952)	-	2,153,656	(564)	2,298,374	17,811,447	20,109,821
Own shares purchased by Engro Corporation for cancellation	-	-	-	-	-	-	-	-	(4,328,426)	-	(4,328,426)	(7,300,876)	(11,629,302)
Transaction with owners													
Dividend by subsidiaries allocable to Non-Controlling interest	-	-	-	-	-	-	-	-	-	-	-	(20,130,334)	(20,130,334)
Interim cash dividend @150% for the year ended December 31, 2023 (Rs 15 per share)	-	-	-	-	-	-	-	-	(7,219,307)	-	(7,219,307)	-	(7,219,307)
	-	-	-	-	-	-	-	-	(7,219,307)	-	(7,219,307)	(20,130,334)	(27,349,641)
Balance as at June 30, 2023 (un-audited) - Restated	4,812,871	1,665	60,117	-	900,342	382,404	(598,613)	700,000	59,395,917	(67,216)	60,774,616	177,380,523	242,968,010
Balance as at December 31, 2023 (audited) / January 01, 2024	4,812,871	1,665	258,607	(3,932,955)	854,909	341,086	(524,630)	700,000	63,277,411	(57,912)	60,918,181	167,166,220	232,897,272
Effect of retrospective application of change in accounting policy (note 4.3)	-	-	-	-	-	-	-	-	460,359	-	460,359	1,596,358	2,056,717
Balance as at January 1, 2024 - Restated	4,812,871	1,665	258,607	(3,932,955)	854,909	341,086	(524,630)	700,000	63,737,770	(57,912)	61,378,540	168,762,578	234,953,989
Total comprehensive income / (loss) for the six months period ended June 30, 2024 (un-audited)													
Profit for the period	-	-	-	-	-	-	-	-	3,891,242	-	3,891,242	9,935,757	13,826,999
Other comprehensive income	-	-	-	-	(18,269)	(91,835)	87,087	-	-	806	(22,211)	(34,566)	(56,777)
	-	-	-	-	(18,269)	(91,835)	87,087	-	3,891,242	806	3,869,031	9,901,191	13,770,222
Transaction with owners													
Dividend by subsidiaries allocable to Non-Controlling interest	-	-	-	-	-	-	-	-	-	-	-	(21,156,928)	(21,156,928)
Interim cash dividend @50% for the year ending December 31, 2024 (Rs 5 per share)	-	-	-	-	-	-	-	-	(2,406,436)	-	(2,406,436)	-	(2,406,436)
	-	-	-	-	-	-	-	-	(2,406,436)	-	(2,406,436)	(21,156,928)	(23,563,364)
Balance as at June 30, 2024 (un-audited)	4,812,871	1,665	258,607	(3,932,955)	836,640	249,251	(437,543)	700,000	65,222,576	(57,106)	62,841,135	157,506,841	225,160,847

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

Kamran Hanif
Chief Financial Officer

Mohammad Shamooun Chaudry
Chief Executive Officer

Muhammed Amin
Director

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

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2024

	Note	Six Months Period Ended	
		June 30, 2024	June 30, 2023 (Restated)
----- (Rupees in '000) -----			
Cash flows from operating activities			
Cash generated from operations	9	33,320,138	69,002,058
Retirement and other service benefits paid		(240,640)	(210,493)
Finance cost paid		(20,950,574)	(17,864,512)
Taxes and levy paid		(27,916,425)	(18,808,922)
Proceeds from net investment in lease		4,627,448	3,355,850
Finance income received on net investment in lease		3,416,030	3,832,433
Deferred incentive		(77,141)	263,169
Long term loans and advances - net		285,806	70,488
Bank balance held as margin		-	(513,589)
Net cash (used in) / generated from operating activities		(7,535,358)	39,126,482
Cash flows from investing activities			
Purchase of property, plant and equipment (PPE)		(14,655,080)	(17,602,653)
Sale proceeds on disposal of PPE		1,660,331	210,561
Payment for acquisition of shares of DHPL		(1,000)	-
Income on deposits / other financial assets		10,394,182	7,851,716
Short term investment purchased and redeemed - net		28,708,588	34,087,345
Dividends received		6,858,333	10,968,331
Net cash generated from investing activities		32,965,354	35,515,300
Cash flows from financing activities			
Repayment of borrowings - net		(7,746,077)	(14,140,214)
Repayment of lease liability		(4,883,412)	(11,639,225)
Finance cost paid on lease liability		(2,355,479)	(4,647,892)
Payment for own shares purchased for cancellation		-	(2,797,318)
Dividends paid		(37,929,989)	(35,422,154)
Net cash used in financing activities		(52,914,957)	(68,646,803)
Net (decrease) / increase in cash and cash equivalents		(27,484,961)	5,994,979
Effect of exchange rate changes on cash and cash equivalents		(198,910)	3,049,600
Cash and cash equivalents at beginning of the period		46,760,981	18,906,710
Cash and cash equivalents at end of the period	10	19,077,110	27,951,289

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

Kamran Hanif
Chief Financial Officer

Mohammad Shamoony Chaudry
Chief Executive Officer

Muhammed Amin
Director

NOTES TO AND FORMING PART OF THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2024

1. LEGAL STATUS AND OPERATIONS

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

1.2 The "Group" consists of:

Ultimate Parent Company: Dawood Hercules Corporation Limited;

Holding Company: Dawood Hercules Corporation Limited;

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

	Percentage of direct holding %	
	June 30, 2024	December 31, 2023
- Engro Corporation Limited (ECL)	39.97	39.97
- DH Partners Limited (DHPL) (note 1.3 and 1.4)	100.00	-

1.3 During the period, the Holding Company, along with ECL and DHPL filed a petition in the Islamabad High Court in respect of a Scheme of Arrangement (the Scheme) under which it is envisaged that:

- i. the Holding Company shall be demerged into two legal entities whereby all its assets, liabilities and obligations other than its investment in shares of ECL as specified in the Scheme shall vest into DHPL against which DHPL shall issue its shares to the existing shareholders of the Holding Company in the same proportion in which they hold shares in the Holding Company;
- ii. shares held by the shareholders of ECL, other than the Holding Company, ("the Transferred Shareholders") shall vest with and into the Holding Company (i.e., ECL shall become a wholly owned subsidiary of the Holding Company) in exchange whereof the Holding Company shall issue shares in its share capital to the Transferred Shareholders in a proportion such that the Transferred Shareholders shall hold their present proportionate shareholding in ECL indirectly through the Holding Company; and
- iii. name of the Holding Company shall be changed to "Engro Holdings Limited".

Subsequent to the period end on July 18, 2024, through its order, the IHC has sanctioned the Scheme. As per the Scheme, it shall become effective from January 1, 2025.

1.4 As disclosed in note 1.3 above and pursuant to the Scheme of Arrangement, DHPL has been incorporated and registered under the Companies Act, 2017, as a public unlisted company and a wholly owned subsidiary of the Holding Company. DHPL will also become listed on the Pakistan Stock Exchange (PSX) in due course.

NOTES TO AND FORMING PART OF THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2024

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

	Percentage of direct holding %	
	June 30 2024	December 31 2023
- 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
- Engro Fertilizers Limited	56.27	56.27
- Engro Polymer and Chemicals Limited	56.19	56.19
- Elengy Terminal Pakistan Limited	56	56
- Thermal Vision (Private) Limited	100	100
Joint Venture Company:		
- Engro Vopak Terminal Limited	50	50
Associated Company:		
- 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.

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, 2023.
- 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, 2023.

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.

NOTES TO AND FORMING PART OF THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2024

- 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. MATERIAL ACCOUNTING POLICY INFORMATION AND CHANGES THEREIN

- 4.1 The material accounting policies and the methods of computation 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, 2023 except relating to the matters stated in notes 4.2 and 4.3 below.
- 4.2 Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.
- 4.3 **Amendments to published accounting and reporting standards and interpretation / guidance which became effective during the period ended June 30, 2024:**

There were certain amendments to accounting and reporting standards which became effective for the Group during the current period. However, these do not have any significant impact on the Group's financial reporting and, therefore, have not been detailed in these condensed interim financial statements except that during the year, the Institute of Chartered Accountants of Pakistan (ICAP) has withdrawn Technical Release 27 'IAS 12, Income Taxes (Revised 2012)' and issued the 'IAS 12 Application Guidance on Accounting for Minimum Taxes and Final Taxes' (the Guidance). Accordingly, in accordance with the Guidance, the Group has changed its accounting policy to recognise minimum and final taxes as 'levy' under IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" which were previously being recognised as 'Income tax'.

The Group has accounted for the effects of these changes in accounting policy retrospectively under IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and the corresponding figures have been restated in these consolidated condensed interim financial statements. The effects of restatements are as follows:

	Had there been no change in accounting policy	Impact of change in accounting policy	After incorporating effects of change in accounting policy
	------(Rupees in '000)-----		
Effect on consolidated condensed interim statement of financial position			
As at June 30, 2024			
Deferred tax liability	5,364,019	(2,153,417)	3,210,602
Unappropriated profit	64,740,572	482,004	65,222,576
Non-controlling interest	155,835,428	1,671,413	157,506,841
As at December 31, 2023			
Deferred tax liability	18,866,469	(2,056,717)	16,809,752
Unappropriated profit	63,277,411	460,359	63,737,770
Non-controlling interest	167,166,220	1,596,358	168,762,578
As at December 31, 2022			
Deferred tax liability	13,395,214	(1,547,614)	11,847,600
Unappropriated profit	64,115,162	346,406	64,461,568
	178,498,202	1,201,208	179,699,410

NOTES TO AND FORMING PART OF THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2024

	Had there been no change in accounting policy	Impact of change in accounting policy	After incorporating effects of change in accounting policy
Effect on consolidated condensed interim statement of profit or loss			
For the quarter ended June 30, 2024			
Levy	-	(1,084,161)	(1,084,161)
Profit before taxation	7,833,410	(1,084,161)	6,749,249
Taxation	(4,613,910)	1,130,037	(3,483,873)
Profit after taxation	3,219,500	45,876	3,265,376
For the quarter ended June 30, 2023			
Levy	-	(1,182,043)	(1,182,043)
Profit before taxation	14,183,216	(1,182,043)	13,001,173
Taxation	(15,260,074)	1,379,553	(13,880,521)
Profit after taxation	(1,076,858)	197,510	(879,348)
For the six months period ended June 30, 2024			
Levy	-	(2,095,937)	(2,095,937)
Profit before taxation	22,679,996	(2,095,937)	20,584,059
Taxation	(11,798,591)	2,187,688	(9,610,903)
Profit after taxation	10,881,405	91,751	10,973,156
For the six months period ended June 30, 2023			
Levy	-	(2,092,833)	(2,092,833)
Profit before taxation	25,508,925	(2,092,833)	23,416,092
Taxation	(20,500,883)	2,503,185	(17,997,698)
Profit after taxation	5,008,042	410,352	5,418,394

The related changes to the consolidated condensed interim statement of cash flows with respect to the amount of profit before taxation have been made as well.

4.4 **Standards and amendments to published accounting and reporting standards and interpretations that are not yet effective and have not been early adopted by the Holding Company**

There are certain standards and amendments to accounting and reporting standards that are not yet effective and are considered either not to be relevant or to have any significant impact on the Holding Company's financial reporting and, therefore, have not been disclosed in these consolidated condensed interim financial statements.

NOTES TO AND FORMING PART OF THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2024

	June 30, 2024 (Un-audited)	December 31, 2023 (Audited)
	----- (Rupees in '000) -----	
5. PROPERTY, PLANT AND EQUIPMENT		
Operating assets, at net book value	149,894,842	301,893,784
Capital work in progress - Expansion and other projects	41,371,731	33,110,396
Capital spares and standby equipments	2,072,036	4,369,722
	193,338,609	339,373,902

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

	June 30, 2024 (Un-audited)	December 31, 2023 (Audited)
	----- (Rupees in '000) -----	
Land	-	23,000
Plant and machinery	1,165,729	9,462,582
Building	1,901,705	3,647,845
Furniture, fixture and equipment	1,595,636	6,275,481
Vehicles	801,171	1,776,889
Catalyst	-	886,638
Aircraft	-	595,315
Dredging	-	245,630
Data processing equipment	1,815	-
	5,466,056	22,913,380

5.2 During the period, operating assets costing Rs. 455,370 (December 31, 2023: Rs. 937,639), having net book value of Rs. 240,443 (December 31, 2023: Rs. 391,445) were disposed / written off for Rs. 296,518 (December 31, 2023: Rs. 485,561).

6. AUTHORISED SHARE CAPITAL

During the period ended June 30, 2024 and in pursuance of the matter stated in note 1.3 of these consolidated condensed interim financial statements, the authorized share capital of the Holding Company has been increased from Rs 10 billion, divided into 1 billion ordinary shares of Rs 10 each to Rs 12.5 billion, divided into 1.25 billion ordinary shares of Rs 10 each. The new 250 million ordinary shares of Rs 10 each shall rank pari passu in every respect with the existing ordinary shares of the Company.

7. CONTINGENCIES AND COMMITMENTS

7.1 Contingencies

There has been no significant change in the status of matters stated in note 34 to the consolidated audited financial statements for the year ended December 31, 2023 except for the matter disclosed in note 7.2 below.

7.2 During the period ended June 30, 2024, the Holding Company has replaced all pledged shares of Engro Corporation Limited (ECL), previously held as collateral for guarantees in favor of DH Fertilizer Limited (DHFL, now Fatima Fertilizer Company Limited - FFCL) with alternative security provided by Dawood Investments (Private) Limited (DIPL), an associated company. These guarantees were related to potential tax and WWF liabilities up to June 30, 2015 as disclosed in note 34.1.1 to the December 2023 financial statements. This replacement is pursuant to the scheme of arrangement as disclosed in note 1.3 to these consolidated condensed interim financial statements.

DIPL has pledged 21.625 million shares of its investment in the Holding Company with Meezan Bank Limited as agent on behalf of FFCL.

The Holding Company, DIPL, and FFCL have agreed that the terms of the Share Pledge and Escrow Agreement, including provisions for the release of pledged shares, will apply mutatis mutandis to these alternate shares i.e., shares of DHCL.

NOTES TO AND FORMING PART OF THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2024

7.3 Commitments

Commitments in respect of capital and operational expenditure contracted but not incurred amount to Rs 52,033,934 (December 31, 2023: Rs 77,623,023).

	Quarter Ended		Six Months Period Ended	
	----- (Un-audited) -----			
	June 30,	June 30,	June 30,	June 30,
	2024	2023	2024	2023

----- (Rupees in '000) -----

8. EARNINGS PER SHARE - BASIC AND DILUTED

Profit after taxation (attributable to the owners of the Holding Company) from:

- Continuing operations	1,385,352	(2,656,769)	3,337,729	(1,101,872)
- Discontinued operations	<u>553,513</u>	<u>2,745,295</u>	<u>553,513</u>	<u>3,255,528</u>
	<u>1,938,865</u>	<u>88,526</u>	<u>3,891,242</u>	<u>2,153,656</u>

----- (Number in '000) -----

Weighted average number of ordinary shares	<u>481,287</u>	<u>481,287</u>	<u>481,287</u>	<u>481,287</u>
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----- (Rupees) -----

Earnings per share - basic and diluted

- Continuing operations	2.88	(5.52)	6.94	(2.29)
- Discontinued operations	<u>1.15</u>	<u>5.70</u>	<u>1.15</u>	<u>6.76</u>
	<u>4.03</u>	<u>0.18</u>	<u>8.09</u>	<u>4.47</u>

8.1 There were no convertible dilutive potential ordinary shares outstanding as at June 30, 2024 and June 30, 2023.

NOTES TO AND FORMING PART OF THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2024

	----- (Un-audited) ----- Six Months Period Ended	
	June 30, 2024	June 30, 2023 (Restated)
	----- (Rupees in '000) -----	
9. CASH GENERATED FROM OPERATIONS		
Profit before taxation from continuing operations	20,584,059	32,218,986
Add: profit before taxation attributable to discontinued operations	2,639,840	15,238,641
Profit before taxation	23,223,899	47,457,627
Adjustment for non cash expenses and other items:		
Levy	2,095,937	2,092,833
Depreciation and amortization	8,649,204	9,774,478
Loss on disposal / write-off of property, plant and equipment	164,324	(58,661)
Provision for retirement and other service benefits	182,151	153,535
Provisions - net	(994,611)	478,355
Income on deposits / other financial assets	(9,056,514)	(8,189,033)
Share of loss / (income) from joint venture and associate	(2,099,203)	(1,605,232)
Return on investments	(5,709,165)	(10,112,065)
Finance cost	21,833,444	18,169,897
Adjustment in respect of carrying amount of thermal energy assets	19,313,000	-
Finance income on net investment in lease	(3,973,129)	(3,832,433)
Finance cost on lease liability	2,355,479	2,797,318
Exchange gain / (loss) on lease liability	(753,012)	15,390,216
Exchange loss / (gain) on net investment in lease	493,110	(15,108,069)
Foreign currency translations	36,272	1,887,486
Working capital changes (note 9.1)	(22,441,048)	9,705,806
	33,320,138	69,002,058
9.1 Working capital changes		
(Increase) / decrease in current assets		
- Stores, spares and loose tools	(596,057)	(1,042,317)
- Stock-in-trade	(7,563,516)	(5,526,982)
- Trade debts and contract assets	16,833,334	(6,506,352)
- Loans, advances, deposits and prepayments	(9,262,466)	(3,881,499)
- Other receivables - net	(5,554,240)	(6,544,709)
	(6,142,945)	(23,501,859)
Increase in current liabilities		
- Trade and other payables	(16,298,103)	33,207,665
	(22,441,048)	9,705,806
10. CASH AND CASH EQUIVALENTS		
Attributable to continuing operations:		
Cash and bank balances	29,373,710	17,313,770
Short term investments - with original maturity less than 3 months	13,785,663	439,500
Bank balances under lien	(3,042,845)	(1,742,947)
Short term borrowings	(40,243,205)	(18,088,970)
	(126,677)	(2,078,647)
Attributable to discontinued operations:		
Cash and bank balances	40,334,135	50,573,052
Short term borrowings	(21,130,348)	(20,543,116)
	19,203,787	30,029,936
	19,077,110	27,951,289

NOTES TO AND FORMING PART OF THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2024

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.

These consolidated condensed interim financial statements do not include all financial risk management information and disclosures which are required in the annual consolidated financial statements and should be read in conjunction with the Company's annual consolidated financial statements as at December 31, 2023. There have been no changes in any risk management policies since the year end.

11.2 Fair value estimation

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

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

	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
Assets				
Financial assets at fair value through profit and loss	<u>11,135,613</u>	<u>6,395,001</u>	<u>-</u>	<u>17,530,614</u>
Financial assets at fair value through other comprehensive income	<u>51,665</u>	<u>11,812,149</u>	<u>-</u>	<u>11,863,814</u>

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

- Level 1 fair values have been determined using price quoted on Pakistan Stock Exchange.
- Level 2 fair values have been determined on the basis of PKRV rates and closing net asset values for government securities and mutual funds units, respectively.

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

12. TRANSACTIONS WITH RELATED PARTIES

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

NOTES TO AND FORMING PART OF THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2024

	Six Months Period Ended	
	June 30, 2024 (Un-audited)	June 30, 2023 (Un-audited)
----- (Rupees in '000) -----		
Associated companies, joint ventures and other related parties		
Purchases and services	31,516,680	27,447,109
Services rendered / sale of goods	3,079,523	-
Dividends received / receivable	405,000	1,294,418
Dividend paid / payable	12,320,206	905,650
Reimbursements of expenses made by associates and joint ventures	664,979	319,124
Reimbursements of expenses made to associates and joint ventures	106,908	251,606
Reimbursement of expenses of other related parties	75	222
Donations	244,970	298,510
Finance costs	3,920,724	2,405,480
Directors and Key Management Personnel		
Remuneration paid to key management personnel / directors	1,937,191	1,331,760
Post retirement benefit plans	2,632	2,251
Dividend paid	476,534	1,568,656
Directors' fee	74,846	48,439
Advisory agreement	-	51,000
Disposal of vehicle to key management personnel	72	930
Contribution for retirement benefits	624,598	626,044

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. The Company carrying on the fertilizer business is listed on Islamic Index.
Polymer	This part of the business manufactures, markets and sells Poly Vinyl Chloride (PVC), PVC compounds, Caustic soda and related chemicals in Pakistan and internationally. The Company carrying on the polymer business is listed on Islamic Index.
Terminal	This part of the business includes operating and maintaining integrated liquid chemical terminal and storage farm, and LNG terminal for receipt, storage and regasification of LNG.
Power and mining	This part of the business includes power generation, distribution, transmission and sale of electricity in Pakistan. This also includes investments made in coal mining business.
Connectivity and telecom	This part of the business includes buying, building, maintaining and operating telecommunications infrastructure and ancillary products and services.
Other operations	It includes management of investments in associates and joint venture by the Holding Company. It also includes investments made in the foods, dairy and commodities trading businesses.

NOTES TO AND FORMING PART OF THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2024

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

	Quarter Ended		Six Months Period Ended	
	June 30, 2024	June 30, 2023 (Restated) ----- (Un-audited) ----- ----- (Rupees in '000) -----	June 30, 2024	June 30, 2023 (Restated)
Revenue				
Fertilizer	39,420,771	38,375,077	113,204,214	82,366,176
Polymer	17,812,468	19,044,034	34,384,676	37,022,364
Terminal	4,919,168	5,480,711	10,125,175	10,870,229
Power and mining	39,816,279	30,314,659	69,739,495	55,718,581
Connectivity and telecom	3,953,236	3,123,744	7,770,693	6,140,230
Other operations	42,365,446	37,021,486	73,159,962	58,466,675
Elimination - net	(34,028,764)	(28,210,169)	(60,128,489)	(48,102,283)
Consolidated	114,258,604	105,149,542	248,255,726	202,481,972
Less: Discontinued operations	(39,669,687)	(30,061,983)	(69,367,081)	(55,320,802)
Continuing operations	74,588,917	75,087,559	178,888,645	147,161,170
Profit / (loss) before taxation for the period				
Fertilizer	2,559,248	7,128,465	14,665,886	13,918,596
Polymer	(1,354,263)	3,197,213	(2,641,961)	4,853,604
Terminal	1,724,929	1,751,719	3,688,477	2,528,152
Power and mining	1,481,452	11,988,756	2,365,182	14,963,983
Connectivity and telecom	(591,894)	(327,497)	(1,225,233)	(839,192)
Other operations	16,036,501	15,320,956	24,402,180	22,259,251
Elimination - net	(10,008,270)	(13,514,612)	(18,030,632)	(19,029,661)
Consolidated	9,847,703	25,545,000	23,223,899	38,654,733
Less: Discontinued operations	(3,098,454)	(12,543,827)	(2,639,840)	(15,238,641)
Continuing operations	6,749,249	13,001,173	20,584,059	23,416,092
			June 30, 2024 (Un-audited)	December 31, 2023 (Audited)
			----- (Rupees in '000) -----	
Assets				
Fertilizer			165,737,948	160,842,670
Polymer			95,908,652	90,597,810
Terminal			79,103,839	83,026,306
Power and mining			284,149,654	331,476,813
Connectivity and telecom			70,863,447	69,097,845
Other operations			163,236,570	155,594,269
Elimination - net			(77,277,573)	(74,843,492)
Consolidated			781,722,537	815,792,221

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 business through appropriate inventory management.

NOTES TO AND FORMING PART OF THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2024

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 business through appropriate inventory management.

15. CORRESPONDING FIGURES

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

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

16. GENERAL

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

16.2 These consolidated condensed interim financial statements have been authorised for issue by the Board of Directors on August 23, 2024.

16.3 The Board of Directors in its meeting held on August 23, 2024 declared an interim cash dividend of Rs 3 per share amounting to Rs 1,443.861 million for the year ending December 31, 2024 (Rs 1 per share amounting to Rs 481.287 million for the year ended December 31, 2023). These consolidated condensed interim financial statements do not recognise this interim dividend as deduction from unappropriated profit as it has been declared subsequent to the reporting date.

Kamran Hanif
Chief Financial Officer

Mohammad Shamoony Chaudry
Chief Executive Officer

Muhammed Amin
Director



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