

THIRD QUARTERLY ACCOUNTS
(UN-AUDITED)

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023



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COMPANY INFORMATION

Board of Directors

Mr. Hussain Dawood - Chairman
Mr. Abdul Samad Dawood - Vice Chairman
Ms. Sabrina Dawood - Director
Mr. Muhammed Amin - Director
Mr. Isfandiyar Shaheen - Director
Mr. Zamin Zaidi - Director
Mr. Muhammad Bilal Ahmed - Director
Mr. Mohammad Shamooun Chaudry - Chief Executive Officer

Board Audit Committee

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

Human Resource & 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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Chartered Accountants
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Bankers

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

DIRECTORS REVIEW

The Directors hereby submit their report along with the unaudited unconsolidated and consolidated condensed interim financial statements for the nine months period ended 30th September 2023.

Economic & Market Outlook

Ongoing global economic uncertainty persists due to the rising geopolitical tensions, leading to subdued growth. Although some resilience has been demonstrated, with global supply chain improving, strengthening of the US Dollar and unprecedented tightening of global monetary conditions somewhat mitigating decades-high inflation, the potential for growing divergences, war escalation, and the emerging geopolitical conflict could potentially lead to disparities in commodity prices across regions.

Pakistan's economy has faced a series of formidable challenges, including surging inflation driven by rising energy prices, a significant depreciation of the Rupee, and a persistent foreign exchange crisis. To stabilize the nation's economic landscape, the Government has diligently worked to reinstate the ongoing IMF program. The US\$3bn deal unlocked fresh funding from friendly countries, in conjunction with the rollover of SAFE deposits, thereby bolstering FX reserves to c.US\$8 billion. Inflation still remains elevated but seems to have marked a peak. These efforts have encompassed a range of policy measures, such as increasing fuel and electricity prices, adopting a market-determined exchange rate policy, implementing stringent taxation measures to enhance tax collection, tightening monetary policy to counter inflationary pressures and strengthen controls to curb smuggling. On the fiscal front, tax authorities collected PKR 2.04trn of tax revenue against the target of PKR 1.97trn during the quarter, and the caretaker government is reportedly working on a plan to deliver further fiscal improvement via a combination of higher taxation (wider tax net) and expenditure cuts.

The KSE100 Index began 3QCY23 at 41,452pts and peaked out at 48,764pts on optimism stemming from the IMF-SBA deal. This resurgence instilled renewed market confidence, successfully mitigating apprehensions of a potential default. KSE100 trading volumes experienced a notable upswing in July, reaching as high as US\$32mn. Nonetheless, by August, a sense of ambiguity prevailed, driven by the absence of clarity concerning impending general elections, a pronounced devaluation of PKR against the USD, and persistently high inflation. After continuous range-bound trading activity in September, clarity on politics emerged with announcement of an election date, while action by government to control currency speculation demonstrated the focus on the economy. This confluence of developments, coupled with the PKR's remarkable winning streak against the USD, injected a sense of positivity into the financial markets. Consequently, the KSE100 Index concluded the quarter at 46,232pts, yielding a substantial return of 11.53% over the course of 3QCY23.

Business Review

During the period, DH Corp's investment in the equity portfolio performed better than the market earning an alpha of 19.40% when compared to KSE-100 index. The portfolio earned dividends worth PKR 1,209 million with unrealized capital gains of PKR 2,400 million; however, the period ended with realized losses of PKR 984 million due to de-levering of the balance sheet and rebalancing of the portfolio to align with market conditions and outlook.

On a consolidated basis, the Company's revenue grew by 26% to PKR 339,299 million against PKR 268,740 million for the comparative period. The consolidated Profit-After-Tax (PAT) for nine months was PKR 42,638 million, while PAT attributable to the shareholders was PKR 7,863 million against PKR 3,030 million in the comparative period, resulting in an Earnings per Share (EPS) of PKR 16.34 compared to PKR 6.30 in same period last year. Major variance is attributable to higher urea sales, urea price increase, higher earnings from US Dollar denominated businesses, a one-off tariff true-up adjustment and higher costs incurred on research and business development last year, which has been partially offset by reversal of the commodity cycle.

On a standalone basis, the PAT was PKR 8,006 million against PKR 2,486 million for the same period last year, mainly due to higher dividends and unrealized gains from the equity portfolio. Earnings per share for the period was PKR 16.64 per share compared to PKR 5.15 in same period last year.

The Fertilizers business showed strong performance and recorded a revenue of PKR 148,531 million compared to PKR 110,876 million in the same period last year, primarily driven by higher urea sales and multiple increases in urea price to counter inflationary pressures. The business' PAT stood at PKR 15,045 million versus PKR 9,595 million in the same period last year.

The Polymer business recorded a revenue of PKR 62,038 million compared to revenue of PKR 62,308 million in the same period last year. The Company's PAT stood at PKR 5,387 million against PKR 9,309 million in the same period last year, mainly attributable to decline in domestic PVC sales due to slowdown in construction sector, commodity cycle reversal and higher gas prices.

Mining operations continued smoothly, supplying coal to Engro Powergen Thar, Thar Energy and ThalNova Power. To meet the potential increase in demand for energy, the Management has committed to initiate Phase III of the expansion to enhance capacity to 11.4 million tons per year, approval for which has been sought from the Government of Sindh.

During the period, the Qadirpur Power Plant dispatched a Net Electrical Output of 708 GWH to the national grid, compared to 558 GWH in the same period last year. The business posted a PAT of PKR 2,442 million for the current period, as compared to PKR 1,377 million in the same period last year, due to higher interest income and efficiencies on higher dispatch.

Engro Powergen Thar Limited achieved 80% availability during the period compared with 68% availability in same period last year and dispatched 2,617 GWH to the national grid as compared to 2,657 GWH in the same period last year. Plant availability remained higher compared to last year, primarily due to an incident in the first quarter of 2022.

The LNG terminal handled 55 cargoes, the same as last year, during the nine months ended in September 2023. It delivered 164 bcf re-gasified LNG in to the SSGC network, accounting for ~15% of the total gas supply of the Country. The chemical terminal handled 760 KT against 1,082 KT during the same period last year. This reduction is primarily linked to lower chemical volumes, attributed to the economic slowdown experienced in the first half of the year, largely due to LC opening issues.

Engro Eximp Agriproducts recorded basmati rice exports of 5.9 KT compared to 33.1 KT in the same period last year due to reduced procurement during the season. Resultantly, the rice business generated revenue of USD 8.3 million through export versus USD 28 million in the same period last year.

Enfrashare continued its national expansion efforts and achieved a scale of 3,787 tower sites by the end of September 2023 achieving a tenancy ratio of 1.20x, as compared to 3,132 sites in September 2022 with a tenancy ratio of 1.14x. These tower sites serve all four Mobile Network Operators (MNOs) in Pakistan. The company successfully secured a 55% market share in the rollout of Built-to-Suit (B2S) towers during this period.

FrieslandCampina Engro Pakistan demonstrated a topline growth of 40%, reporting a revenue of PKR 73,819 million against PKR 52,827 million in the same period last year due to price increases and growth in sales volumes. Olper's, the flagship brand, led the growth by strengthening its leadership position in the market through consistent brand and trade investments.

The company's PAT stood at PKR 1,575 million in 9M 2023 vs PKR 1,765 million during the same period last year on account of higher interest cost and additional super tax.

Shares Buyback - Engro

Engro Corporation Limited, which started its buyback program in Feb '23, ended the process on July 25, 2023, in line with the approval of its members vide special resolution dated January 26, 2023.

During the period from February 03, 2023, to July 25, 2023, the Company purchased an aggregate of 39,536,762 shares, representing 6.86% of the issued and paid-up capital of the company. All repurchased shares have been cancelled.

Post cancellation of shares, DH holding in Engro Corporation has increased to 39.97% from 37.22%.

Future Outlook

The IMF-SBA has had a pivotal role in garnering substantial bilateral assistance from Saudi Arabia, UAE, and China, with the aim of shoring up dwindling FX reserves. As the economy progresses towards achieving stability, the removal of import restrictions has eased the strain on import reliant industries. Nevertheless, in order to develop confidence on its FX reserves, Pakistan must actively seek FDI from friendly countries. The forthcoming IMF review, scheduled for November, holds the prospect of the next disbursement of US\$700mn anticipated to materialize on December 1st. Presently, Pakistan appears to be maintaining a close alignment with IMF conditions, as demonstrated by recent adjustments in electricity tariffs and fuel prices, along with the anticipated substantial escalation in gas prices to curb gas circular debt. Political stability and continued focus on economic reforms remain key for Pakistan's success in the coming years.

The equity portfolio shall continue to be managed actively and prudently, while keeping a close watch on the macroeconomic indicators.

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

Acknowledgement

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

Muhammed Amin
Director

Mohammad Shamoony Chaudry
Chief Executive Officer

Dated: October 26, 2023

ڈائریکٹرز کی جائزہ رپورٹ

کمپنی کے ڈائریکٹرز مورخہ 30 ستمبر 2023 کو ختم ہونے والے نو ماہ کی مدت کے لئے اپنی رپورٹ کے ہمراہ عبوری، غیر آڈٹ شدہ، غیر اشتمال شدہ اور اشتمال شدہ مختصر مالیاتی گوشوارے پیش کرتے ہوئے انتہائی مسرت محسوس کر رہے ہیں۔

اقتصادیات اور بازار کا منظر نامہ

بڑھتے ہوئے جغرافیائی سیاسی تناؤ کے سبب عالمی اقتصادیات پر غیر یقینی کے بادل بدستور چھائے ہوئے ہیں جس سے ترقی کی رفتار کم ہو گئی ہے۔ اگرچہ کچھ چمک کا مظاہرہ کیا گیا ہے اور عالمی سپلائی چین میں حائل رکاوٹوں میں کچھ کمی واقع ہونے، امریکی ڈالر کی مضبوطی اور عالمی مالیاتی ماحول کی بے مثال سختی نے کئی عشروں کے افراط زر میں کسی قدر تخفیف ہونے کے باوجود لیکن انتشار میں اضافے، جنگ میں شدت اور جیو پالیٹیکل تصادم شروع ہو جانے سے خطے میں اجناس کی قیمتوں میں عدم مساوات پیدا ہو جانے کے امکانات ہیں۔

توانائی کی قیمتوں میں اضافے کے سبب مہنگائی بڑھ جانے، پاکستانی روپے کی قدر میں اچھی خاصی کمی آ جانے، اور غیر ملکی زرمبادلہ کے بحران سمیت پاکستانی معیشت نے خوفناک چیلنجوں کا سامنا کیا ہے۔ ملک کی اقتصادیات کو مستحکم کرنے کی غرض سے جاری آئی ایم ایف پروگرام دوبارہ شروع کرنے کی خاطر حکومت نے تن دہی سے کام کر رہی ہے۔ تین ارب ڈالر کی ڈیل نے دوست ممالک کی جانب سے تازہ مالیات کے آنے کے دروازے کھلنے کے ساتھ ساتھ SAFE ڈپازٹس کی توسیع نے بھی غیر ملکی زرمبادلہ کے ذخائر 08 ارب ڈالر تک پہنچانے میں مدد دی ہے۔ مہنگائی بدستور زیادہ ہے تاہم لگتا ہے کہ اپنی بلند ترین سطح پر آ کر ٹھہر گئی ہے۔ حکومت نے سرگرم اقدامات اٹھائے ہیں جن میں تیل اور بجلی کی قیمتیں بڑھانا، زرمبادلہ کی قیمتیں مارکیٹ کی بنیاد پر مقرر کرنا، ٹیکسوں کی آمدنی میں اضافے کی غرض سے سخت اقدامات کا نفاذ، مہنگائی کے دباؤ کا مقابلہ کرنے کی غرض سے زرعی پالیسی میں سختی لانا، اور اسمگلنگ روکنے کی غرض سے سخت اقدامات اٹھانا شامل ہیں۔ مالیات کے ضمن میں ٹیکس حکام نے زیر جائزہ سہ ماہی کے دوران 1.97 کھرب روپے کے ٹارگٹ کے برعکس 2.04 کھرب روپے کی ٹیکس آمدنی حاصل کی۔ اطلاعات ہیں کہ نگران حکومت (ڈائرہ کار میں توسیع کر کے) ٹیکسوں کی آمدنی بڑھانے اور اخراجات میں کٹوتی کر کے مالیاتی صورت حال بہتر کرنے کے ایک منصوبے پر کام کر رہی ہے۔

2023 کی تیسری سہ ماہی میں KSE100 انڈیکس نے 41,452 پوائنٹ سے کاروبار کا آغاز کیا اور زیر نظر سہ ماہی کے دوران 48,764 پوائنٹ کی بلند ترین سطح تک پہنچی جس کی وجہ آئی ایم ایف۔ ایس بی اے ڈیل سے پیدا ہونے والی امید تھی۔ اس کے باعث مارکیٹ کا اعتماد بحال ہوا اور ممکنہ ڈیفالٹ کے خدشات میں کمی واقع ہوئی۔ کے ایس ای 100 کے تجارتی حجم میں جولائی کے مہینے میں بڑھاوا دیکھنے میں آیا جب مہینے کے دوران 32 ملین امریکی ڈالر کا کاروبار ہوا، تاہم اگست کے مہینے میں ایک بار پھر ابھام پیدا ہوا جس کی وجوہات میں عام انتخابات کے انعقاد کے بارے میں صورت حال کا واضح نہ ہونا، امریکی ڈالر کے مقابلے میں پاکستانی روپے کی قدر میں کمی کیا جانا، اور مہنگائی کا مسلسل بڑھنا شامل تھے۔ ستمبر کے مہینے میں ریج کی حد تک محدود کاروباری سرگرمیاں جاری رہنے کے بعد سیاسی ماحول اس وقت واضح ہوا جب عام انتخابات کی تاریخ کا اعلان کیا گیا، جب کہ پاکستانی روپے کے بارے میں قیاس آرائیوں کے خاتمے کے لئے حکومت کی جانب سے اٹھائے گئے اقدامات پاکستانی معیشت کے بارے میں اس کی سنجیدگی کا مظہر تھے۔ ان اقدامات اور ڈالر کے مقابلے میں پاکستانی روپے کے مضبوط ہونے نے مالیاتی مارکیٹوں میں مثبت رجحان پیدا کیا۔ نتیجہ یہ ہوا کہ سہ ماہی کے اختتام تک کے ایس ای 100 انڈیکس 46,232 پوائنٹ تک پہنچا اور سال 2023 کی تیسری سہ ماہی میں 11.53% کا حاصل ملا۔

کاروباری جائزہ

زیر جائزہ مدت کے دوران ایکویٹی پورٹ فولیو میں DH Corp کی سرمایہ کاری مارکیٹ سے بہتر رہی اور کے ایس ای 100 انڈیکس کے مقابلے میں 19.40% کی الفا آمدنی حاصل کی۔ اس پورٹ فولیو نے 1,209 ملین روپے کا منافع منقسمہ اور 2,400 ملین روپے کے غیر وصول شدہ سرمایہ جاتی فوائد کمائے؛ تاہم زیر جائزہ مدت کا اختتام 984 ملین روپے کے حاصل شدہ خسارے پر ہوا۔ نقصان کی وجہ قرضوں کی ادائیگی کے سبب ہیملنس شیٹ میں کمی آنا اور مارکیٹ کی صورت حال اور آئندہ امکانات کی مناسبت سے پورٹ فولیو میں دوبارہ توازن لانا تھا۔

اشتمال شدہ بنیاد پر کمپنی کی آمدنی میں زیر جائزہ مدت کے دوران 26% اضافہ ہوا جو گزشتہ برس کی اسی مدت کے 268,740 ملین روپے سے بڑھ کر اس سال کی اسی مدت کے اختتام پر 339,299 ملین روپے ہو گئی۔ ابتدائی نو (9) ماہ کیلئے اشتمال شدہ بعد از ٹیکس منافع 42,638 ملین روپے رہا جبکہ شیئر ہولڈروں کو قابل ادائیگی بعد از ٹیکس منافع 7,863 ملین روپے رہا جو گزشتہ برس کی اسی مدت کے دوران 3,030 ملین روپے تھا جس کے نتیجے میں 16.34 روپے کی فی شیئر کمائی (EPS) حاصل ہوئی جو گزشتہ برس کی اسی مدت کے دوران 6.30 روپے رہی تھی۔ اس تبدیلی کی بڑی وجہ یورپ کی زیادہ فروخت، یورپ کی قیمتوں میں اضافہ، امریکی ڈالر کے مقابلے میں پاکستانی روپے کی قدر میں کمی آنے سے آمدنیوں کا بڑھ جانا، ٹیرف کی درستگی کے لئے ایک بار ایڈجسٹمنٹ اور گزشتہ برس تحقیق اور کاروبار کی ترقی پر اٹھنے والی زیادہ لاگت تھے جس کی، کموڈٹی سائیکل کے الٹ جانے سے جزوی طور سے تلافی ہوئی ہے۔

غیر اشتمال شدہ بنیادوں پر بعد از ٹیکس نفع 8,006 ملین روپے رہا جو گزشتہ برس کی اسی مدت میں 2,486 ملین روپے رہا تھا جس کی بڑی وجہ ایکویٹی پورٹ فولیو سے حاصل ہونے والا زیادہ منافع منقسمہ اور غیر وصول شدہ سرمایہ جاتی فوائد تھی۔ اس مدت میں فی شیئر کمائی 16.64 روپے رہی جو گزشتہ برس کی اسی مدت میں 5.15 روپے تھی۔

مصنوعی کھاد کے کاروبار نے مضبوط کارکردگی دکھائی اور 148,531 ملین روپے کی آمدنی ریکارڈ کی جو گزشتہ برس کی اسی مدت کے دوران 110,876 ملین روپے رہی تھی جس کی وجہ بڑی وجہ یورپ کی فروخت میں اضافہ اور مہنگائی کے دباؤ کو سہارنے کی خاطر یورپ کی قیمتوں میں کمی کا اضافہ کیا جانا تھا۔ فریٹلائزر کے کاروبار کا بعد از ٹیکس نفع 15,045 ملین روپے رہا جو گزشتہ برس کی اسی مدت کے دوران 9,595 ملین روپے رہا تھا۔

زیر جائزہ مدت کے دوران پولیمر کے کاروبار نے 62,308 ملین روپے کی آمدنی ریکارڈ کی جو گزشتہ برس کی اسی مدت میں 62,308 ملین روپے رہی تھی۔ کمپنی کا بعد از ٹیکس نفع 5,387 ملین روپے رہا جو گزشتہ برس کی اسی مدت میں 9,309 ملین روپے رہا تھا۔ نفع میں یہ کمی بنیادی طور سے تعمیراتی سیکٹر میں سست رفتاری آنے، اجناسی چکر کے الٹنے اور گیس کی قیمتیں بڑھ جانے کے سبب اندرون ملک پی وی سی کی فروخت میں کمی ہو جانا تھی۔

کان کنی کے آپریشن معمول کے مطابق جاری رہے اور زیر جائزہ مدت کے دوران اینگرو پاور چین، تھر، تھرانز جی اور تھل نووا پاور کوئلے کی سپلائی جاری رہی۔ توانائی کی طلب میں آئندہ ہونے والے اضافے کے پیش نظر انتظامیہ نے کوئلے کی کان کی توسیع کا تیسرا مرحلہ (فیز III) شروع کرنے کا فیصلہ کیا ہے جس کے بعد کان کی سالانہ پیداواری صلاحیت 11.4 ملین ٹن تک بڑھ جائے گی۔ اس کے لئے حکومت سندھ سے منظوری حاصل کی جا چکی ہے۔

زیر جائزہ مدت کے دوران قادر پور پاور پلانٹ نے قومی گرڈ کو 708 GwH بجلی مہیا کی جبکہ گزشتہ برس کی اسی مدت کے دوران 558 GwH بجلی قومی گرڈ کو فراہم کی گئی تھی۔ اس کاروبار نے زیر جائزہ مدت کے دوران 2,442 ملین روپے کا بعد از ٹیکس نفع ظاہر کیا جو پچھلے سال کی اسی مدت کے دوران 1,377 ملین روپے رہا تھا۔ نفع میں اضافے کی بڑی وجہ سودی آمدنی کا بڑھنا اور بجلی کی سپلائی میں بہتری آنا تھی۔

اینگرو پاور چین تھرمیٹڈ نے گزشتہ برس کی اسی مدت میں 68% کے مقابلے میں زیر جائزہ مدت کے دوران 80% کی دستیابی حاصل کی اور 2,617 GWh بجلی مہیا کی جبکہ گزشتہ برس کی اسی مدت کے دوران 2,657 GWh بجلی قومی گرڈ کو مہیا کی گئی تھی۔ گزشتہ برس کے مقابلے میں پلانٹ کی دستیابی کا تناسب زیادہ رہا جس کی بڑی وجہ 2022 کی پہلی سہ ماہی میں ایک واقعہ کا ہونا تھی۔

LNG ٹرمینل نے گزشتہ برس کی اسی مدت کی طرح ستمبر 2023 تک 9 ماہ کے دوران 55 کارگو سنبھالے اور SSGC کے نیٹ ورک کو 164 bcf ری گیسفائیڈ ایل این جی مہیا کی جو ملک کو سپلائی کی جانیوالی گیس کا 15% حصہ بنتی ہے۔ کیمیکل ٹرمینل نے 760 کلوٹن سنبھالا جبکہ گزشتہ برس کی اسی مدت کے دوران 1,082 کلوٹن کیمیکل سنبھالا تھا۔ کمی کی وجہ ایل سی کھولے جانے کے مسائل کے باعث رواں سال کے پہلے نصف حصے میں معیشت کی رفتار سست پڑ جانے کے سبب کیمیکل کے حجم میں کمی ہونا تھی۔

Engro Eximp Agriproducts نے 5.9 کلوٹن چاول برآمد کیا جبکہ گزشتہ برس کی اسی مدت کے دوران 33.1 کلوٹن چاول بیرون ملک فروخت کیا گیا تھا۔ برآمدی حجم میں کمی کی وجہ سیزن کے دوران پروکیورمنٹ میں کمی واقع ہونا تھی۔ یہی وجہ ہے کہ چاول کی برآمد کا کاروبار صرف 8.3 ملین امریکی ڈالر کی آمدنی ریکارڈ کر سکا جبکہ یہ آمدنی گزشتہ برس کی اسی مدت کے دوران 28 ملین امریکی ڈالر رہی تھی۔

Enfrashare ملک میں اپنی توسیع کی راہ پر گامزن ہے اور ستمبر 2023 کے اختتام پر 3,787 ٹاور سائٹس کی تکمیل کا ٹارگٹ حاصل کیا گیا جس کی کرایہ داری شرح 1.20x تھی جبکہ گزشتہ برس ستمبر 2022 تک 3,132 ٹاور سائٹس کی تکمیل ہوئی تھی جس کی کرایہ داری کی شرح 1.14x تھی۔ یہ ٹاور سائٹس پاکستان میں مصروف کاروبار تمام چار موبائل نیٹ ورک آپریٹرز (MNOs) کو خدمات مہیا کرتی ہیں۔ زیر جائزہ مدت میں کمپنی نے Build-to-Suit (B2S) ٹاورز کی مارکیٹ میں 55% حصہ کامیابی سے حاصل کر لیا ہے۔

فرائیز لینڈ کیمپینا (Friesland Campina) اینگرو پاکستان نے 40% کی بلند ہوتی ترقی کا مظاہرہ کیا اور 73,819 ملین روپے کی آمدنی دکھائی جو گزشتہ برس کی اسی مدت کے دوران 52,827 ملین روپے رہی تھی۔ اس بڑھوتی کی وجہ قیمتوں کا بڑھنا اور فروخت کے حجم میں اضافہ تھا۔ بڑھوتی میں بڑا حصہ فلیگ شپ برانڈ اولپر کا تھا جس نے مستقل برانڈ اور تجارتی سرمایہ کاری کے ضمن میں مارکیٹ میں اپنی اولین حیثیت برقرار رکھی۔ 2023 کی 9 ماہ کی مدت میں کمپنی کا بعد از ٹیکس منافع 1,575 ملین روپے تھا جو گزشتہ برس کی اسی مدت کے دوران 1,765 ملین روپے رہا تھا۔ کمی کی وجہ سودی لاگت میں اضافہ اور اضافی سپر ٹیکس کا عائد ہونا تھا۔

شیئرز کی واپس خریداری..... اینگرو

اینگرو کارپوریشن لمیٹڈ نے اپنے شیئرز کی واپس خریداری کا جو پروگرام فروری 2023 میں شروع کیا تھا اسے، 26 جنوری 2023 کو ممبران کی جانب سے منظور کردہ خصوصی قرارداد کے عین مطابق 25 جولائی 2023 کو کامیابی سے مکمل کر لیا۔

03 فروری 2023 تا 25 جولائی 2023 کی مدت کے دوران کمپنی نے مجموعی طور سے 39,536,762 شیئرز واپس خریدے جو کمپنی کے جاری اور ادشدہ سرمائے کا 6.86% حصہ تھے۔ خریدے گئے تمام شیئرز منسوخ کئے جا چکے ہیں۔

شیئرز کی منسوخی کے بعد، اینگرو کارپوریشن میں ڈی ایچ ہولڈنگ 37.22% سے بڑھ کر 39.97% ہو گئی۔

مستقبل کا منظر

سعودی عرب، متحدہ عرب امارات اور چین سے مالی امداد کے حصول میں IMF-SBA نے اہم ترین کردار ادا کیا ہے جس سے غیر ملکی زرمبادلہ کی دگرگوں صورت حال میں بہتری لانے کا مقصد پورا ہوا ہے۔ معیشت کے استحکام کی جانب گامزن ہو جانے پر درآمدات پر عائد پابندیوں میں نرمی لائے جانے کی بدولت درآمدات پر انحصار کرنے والی صنعتوں نے بھی سکون کا سانس لیا ہے۔ تاہم غیر ملکی زرمبادلہ کے ذخائر کو اعتماد کی حد تک بڑھانے کی غرض سے پاکستان کو دوست ممالک سے FDI کی جستجو میں تیزی لانی ہوگی۔ نومبر کے مہینے میں مقرر آئی ایم ایف کے جائزے کے بعد 700 ملین ڈالر کی اگلی قسط 01 دسمبر کو ملنے کی امید ہے۔ پاکستان بظاہر آئی ایم کی تمام شرائط کی تکمیل کرتا دکھائی دیتا ہے جو بجلی کی ٹیرف اور تیل کی قیمتوں میں ردوبدل کی صورت میں ظاہر ہوئی اور گیس کے ضمن میں سرکلر ڈیٹ میں کمی لانے کی غرض سے گیس کی قیمتوں میں اضافے کی نوید سنائی جا رہی ہے۔ آنے والے برسوں میں پاکستان کی کامیابی کا دارومدار سیاسی استحکام اور اقتصادی اصلاحات پر مسلسل توجہ مرکوز رکھنا ہے۔

میکرو اکنامک اشاریوں پر گہری نظر رکھتے ہوئے ایکویٹی کے پورٹ فولیو کا انتظام سرگرمی اور دانائی سے کیا جاتا رہے گا۔

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

اظہار تشکر

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

محمد شمعون چوہدری
چیف ایگزیکٹو آفیسر

محمد امین
ڈائریکٹر

مورخہ 26 اکتوبر 2023ء

DAWOOD HERCULES CORPORATION LIMITED

**Unconsolidated Condensed Interim Financial
Statements**

FOR THE NINE MONTHS PERIOD ENDED
SEPTEMBER 30, 2023

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2023

| | Note | September 30, 2023 (Un-audited) | December 31, 2022 (Audited) |
|--|------|---------------------------------------|-----------------------------------|
| ----- (Rupees in '000) ----- | | | |
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 5 | 98,550 | 110,616 |
| Right-of-use assets | | 31,540 | 40,141 |
| Capital work-in-progress | | - | 1,921 |
| Long-term investments | 6 | 23,645,683 | 23,748,950 |
| Deferred taxation | | - | 304,935 |
| | | 23,775,773 | 24,206,563 |
| CURRENT ASSETS | | | |
| Loan, advances, deposits and prepayment | | 45,195 | 41,829 |
| Other receivables | | 158,889 | 143,529 |
| Short-term investments | 7 | 6,292,183 | 10,530,484 |
| Cash and bank balances | | 17,750 | 8,695 |
| | | 6,514,017 | 10,724,537 |
| TOTAL ASSETS | | 30,289,790 | 34,931,100 |
| EQUITY | | | |
| SHARE CAPITAL AND RESERVES | | | |
| Authorised capital | | 10,000,000 | 10,000,000 |
| Issued, subscribed and paid-up share capital | | 4,812,871 | 4,812,871 |
| Revenue reserves | | 22,377,041 | 22,071,883 |
| TOTAL EQUITY | | 27,189,912 | 26,884,754 |
| LIABILITIES | | | |
| NON-CURRENT LIABILITIES | | | |
| Lease liabilities | | 18,482 | 27,873 |
| Defined benefit liabilities | | 7,716 | 6,151 |
| Deferred taxation | | 27,488 | - |
| TOTAL NON-CURRENT LIABILITIES | | 53,686 | 34,024 |
| CURRENT LIABILITIES | | | |
| Short-term running finance | 8 | - | 6,486,683 |
| Current portion of lease liabilities | | 17,669 | 15,537 |
| Trade and other payables | | 92,918 | 92,637 |
| Unclaimed dividend | | 714,948 | 381,678 |
| Accrued mark-up | | 10,893 | 157,666 |
| Taxation - net | | 2,209,764 | 878,121 |
| TOTAL CURRENT LIABILITIES | | 3,046,192 | 8,012,322 |
| TOTAL LIABILITIES | | 3,099,878 | 8,046,346 |
| TOTAL EQUITY AND LIABILITIES | | 30,289,790 | 34,931,100 |
| CONTINGENCIES AND COMMITMENTS | 9 | | |

The annexed notes 1 to 18 form an integral part of these unconsolidated condensed interim financial statements.

Kamran Hanif Jangda
Chief Financial Officer

Mohammad Shamooun Chaudry
Chief Executive

Muhammed Amin
Director

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

FOR THE QUARTER AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023

| | Note | Quarter ended | | Nine months period ended | |
|--|------|------------------------------|-----------------------|------------------------------|-----------------------|
| | | September 30, 2023 | September 30, 2022 | September 30, 2023 | September 30, 2022 |
| | | ----- (Rupees in '000) ----- | | ----- (Rupees in '000) ----- | |
| Return on investments - net | 10 | 1,760,531 | 2,611,919 | 11,872,596 | 4,335,886 |
| Administrative expenses | | (42,063) | (48,916) | (126,780) | (176,384) |
| Gross profit | | 1,718,468 | 2,563,003 | 11,745,816 | 4,159,502 |
| Other income - net | | 14,858 | 1,680 | 83,277 | 5,789 |
| Operating profit | | 1,733,326 | 2,564,683 | 11,829,093 | 4,165,291 |
| Finance costs | | (8,902) | (190,898) | (327,154) | (503,575) |
| Profit before taxation | | 1,724,424 | 2,373,785 | 11,501,939 | 3,661,716 |
| Taxation | | (356,350) | (528,730) | (3,495,623) | (1,184,731) |
| Profit after taxation | | 1,368,074 | 1,845,055 | 8,006,316 | 2,476,985 |
| Earnings per share (Rupees) - basic and diluted | 11 | 2.84 | 3.83 | 16.64 | 5.15 |

The annexed notes 1 to 18 form an integral part of these unconsolidated condensed interim financial statements.

Kamran Hanif Jangda
Chief Financial Officer

Mohammad Shamoony Chaudry
Chief Executive

Muhammed Amin
Director

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

FOR THE QUARTER AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023

| | Quarter ended | | Nine months period ended | |
|--|------------------------------|-----------------------|------------------------------|-----------------------|
| | September 30, 2023 | September 30, 2022 | September 30, 2023 | September 30, 2022 |
| | ----- (Rupees in '000) ----- | | ----- (Rupees in '000) ----- | |
| Profit after taxation | 1,368,074 | 1,845,055 | 8,006,316 | 2,476,985 |
| Other comprehensive (loss) / income for the period | | | | |
| <i>Items that will not be reclassified to profit or loss</i> | | | | |
| Remeasurements of post-retirement benefit liabilities | - | - | (564) | 1,843 |
| Total comprehensive income for the period | <u>1,368,074</u> | <u>1,845,055</u> | <u>8,005,752</u> | <u>2,478,828</u> |

The annexed notes 1 to 18 form an integral part of these unconsolidated condensed interim financial statements.

Kamran Hanif Jangda
Chief Financial Officer

Mohammad Shamoon Chaudry
Chief Executive

Muhammed Amin
Director

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

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023

| | Revenue reserves | | | | |
|---|---|--------------------|--------------------------------|-------------|-------------|
| | Issued, subscribed and paid up share capital | General reserve | Un-appro- priated profit | Sub-total | Total |
| | (Rupees in '000) | | | | |
| Balance as at January 1, 2022 (Audited) | 4,812,871 | 700,000 | 24,895,066 | 25,595,066 | 30,407,937 |
| Total comprehensive income | | | | | |
| Profit for the period | - | - | 2,476,985 | 2,476,985 | 2,476,985 |
| Other comprehensive income | - | - | 1,843 | 1,843 | 1,843 |
| Total comprehensive income for the period | - | - | 2,478,828 | 2,478,828 | 2,478,828 |
| Transaction with owners | | | | | |
| 1 st Interim cash dividend @ 45% for the year ended December 31, 2022 (Rs 4.5 per ordinary share) | - | - | (2,165,792) | (2,165,792) | (2,165,792) |
| 2 nd Interim cash dividend @ 45% for the year ended December 31, 2022 (Rs 4.5 per ordinary share) | - | - | (2,165,792) | (2,165,792) | (2,165,792) |
| Balance as at September 30, 2022 (Un-audited) | 4,812,871 | 700,000 | 23,042,310 | 23,742,310 | 28,555,181 |
| Balance as at January 1, 2023 (Audited) | 4,812,871 | 700,000 | 21,371,883 | 22,071,883 | 26,884,754 |
| Total comprehensive income | | | | | |
| Profit for the period | - | - | 8,006,316 | 8,006,316 | 8,006,316 |
| Other comprehensive loss | - | - | (564) | (564) | (564) |
| Total comprehensive income for the period | - | - | 8,005,752 | 8,005,752 | 8,005,752 |
| Transaction with owners | | | | | |
| 1 st Interim cash dividend @ 150% for the year ending December 31, 2023 (Rs 15 per ordinary share) | - | - | (7,219,307) | (7,219,307) | (7,219,307) |
| 2 nd Interim cash dividend @ 10% for the year ending December 31, 2023 (Rs 1 per ordinary share) | - | - | (481,287) | (481,287) | (481,287) |
| Balance as at September 30, 2023 (Un-audited) | 4,812,871 | 700,000 | 21,677,041 | 22,377,041 | 27,189,912 |

The annexed notes 1 to 18 form an integral part of these unconsolidated condensed interim financial statements.

Kamran Hanif Jangda
Chief Financial Officer

Mohammad Shamoon Chaudry
Chief Executive

Muhammed Amin
Director

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

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023

| | Note | Nine months period ended | |
|---|------|------------------------------|-----------------------|
| | | September 30, 2023 | September 30, 2022 |
| | | ----- (Rupees in '000) ----- | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash (utilised in) / generated from operations | 12 | (31,686) | 167,562 |
| Finance costs paid | | (471,262) | (378,910) |
| Income taxes paid | | (1,831,558) | (923,610) |
| Defined benefit liabilities paid | | (2,365) | (4,492) |
| Interest received on bank deposits and investments | | 23,286 | 205,998 |
| Short-term investments purchased and redeemed - net | | 5,749,411 | (998,263) |
| Investment in subsidiary | | - | (375,000) |
| Dividends received | | 10,417,564 | 5,955,289 |
| Net cash generated from operating activities | | 13,853,390 | 3,648,574 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of property, plant and equipment | | - | (66,485) |
| Sale proceeds from disposal of property, plant and equipment | | 1,588 | 4,512 |
| Net cash generated from / (utilized in) investing activities | | 1,588 | (61,973) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Lease rentals paid during the period | | (9,923) | (9,021) |
| Dividends paid | | (7,367,324) | (4,325,177) |
| Net cash utilized in financing activities | | (7,377,247) | (4,334,198) |
| Net increase in cash and cash equivalents | | 6,477,731 | (747,597) |
| Cash and cash equivalents at the beginning of the period | | (6,459,981) | (4,590,051) |
| Cash and cash equivalents at the end of the period | 13 | 17,750 | (5,337,648) |

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements

Kamran Hanif Jangda
Chief Financial Officer

Mohammad Shamoon Chaudry
Chief Executive

Muhammed Amin
Director

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

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023

1. LEGAL STATUS AND OPERATIONS

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

2. STATEMENT OF COMPLIANCE AND SIGNIFICANT ACCOUNTING POLICIES

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

- (a) International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 (the Act); and
- (b) Provisions of and directives issued under the Act.

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

- 2.2 The accounting policies and the methods of computation adopted in the preparation of these unconsolidated condensed interim financial statements are consistent with those applied in the preparation of the Company's unconsolidated audited financial statements for the year ended December 31, 2022 (December 2022 unconsolidated financial statements), except relating to the matter stated in note 2.3 below.
- 2.3 Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.
- 2.4 **New standards, amendments and interpretation to published accounting and reporting standards which became effective during the period ended September 30, 2023:**

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

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

There is a new standard and certain amendments to the accounting and reporting standards as applicable in Pakistan which will be effective for the Company for its accounting periods beginning on or after January 1, 2024. However, this will not have any significant impact on the financial reporting of the Company and, therefore, has not been disclosed in these unconsolidated condensed interim financial statements.

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

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023

2.6 BASIS OF PREPARATION

2.6.1 These unconsolidated condensed interim financial statements include the unconsolidated condensed statement of financial position as at September 30, 2023 and the unconsolidated condensed interim statement of profit or loss, the unconsolidated condensed interim statement of total comprehensive income, the unconsolidated condensed interim statement of changes in equity, the unconsolidated condensed interim statement of cash flows and notes thereto for the nine months period then ended.

2.6.2 The comparative statement of financial position presented in these unconsolidated condensed interim financial statements as at December 31, 2022 has been extracted from the December 2022 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 nine months period ended September 30, 2022 have been extracted from the unconsolidated condensed interim financial statements of the Company for the nine months period then ended.

2.6.3 These unconsolidated condensed interim financial statements should be read in conjunction with the unconsolidated audited financial statements of the Company for the year ended December 31, 2022 as these provide an update of previously reported information.

3. SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

3.1 The preparation of these condensed interim financial statements in conformity with approved accounting and reporting standards for interim reporting requires the use of certain accounting estimates. It also requires management to exercise its judgments in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.

3.2 During the preparation of these unconsolidated condensed interim financial statements, significant judgements made by management in applying the Company's accounting policies and key sources of estimation were the same as those applied in the December 2022 financial statements.

3.3 The financial risk management objectives and policies are consistent with those disclosed in the December 2022 unconsolidated financial statements.

4. SEASONALITY OF OPERATIONS

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

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

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023

| | Note | September 30, 2023 (Un-audited) | December 31, 2022 (Audited) |
|---|---------------|--|---------------------------------------|
| ----- (Rupees in '000) ----- | | | |
| 5. PROPERTY, PLANT AND EQUIPMENT | | | |
| Operating fixed assets (WDV) opening balance - As at January 1 | | 110,616 | 61,982 |
| Additions during the period / year | 5.1 | - | 66,823 |
| | | 110,616 | 128,805 |
| Disposals during the period / year (WDV) | 5.2 | (224) | (1,152) |
| Depreciation charge for the period / year | | (11,842) | (17,037) |
| | | (12,066) | (18,189) |
| Operating fixed assets (WDV) - closing balance | | 98,550 | 110,616 |
| ----- (Rupees in '000) ----- | | | |
| | | September 30, 2023 (Un-audited) | September 30, 2022 (Un-audited) |
| ----- (Rupees in '000) ----- | | | |
| 5.1 Additions during the period | | | |
| Furniture, fittings and equipment | | - | 59,749 |
| Vehicles | | - | 6,164 |
| Data processing equipment | | - | 572 |
| | | - | 66,485 |
| 5.2 Disposals during the period - net book value | | | |
| Furniture, fittings and equipment | | 7 | 113 |
| Vehicles | | - | 91 |
| Data processing equipment | | 217 | 924 |
| | | 224 | 1,128 |
| ----- (Rupees in '000) ----- | | | |
| | | September 30, 2023 (Un-audited) | December 31, 2022 (Audited) |
| ----- (Rupees in '000) ----- | | | |
| 6. LONG-TERM INVESTMENTS | | | |
| Investment in a subsidiary - at cost | 6.1 | 23,308,927 | 23,308,927 |
| Other investments - at fair value through profit or loss | 6.2 | 336,756 | 440,023 |
| | | 23,645,683 | 23,748,950 |
| 6.1 Investment in a subsidiary - at cost | | | |
| Engro Corporation Limited (ECL) - quoted 214,469,810 (December 31, 2022: 214,469,810) ordinary shares of Rs 10 each. Percentage of holding 39.97% (December 31, 2022: 37.22%) | 6.1.1 & 6.1.2 | 23,308,927 | 23,308,927 |
| | | 23,308,927 | 23,308,927 |

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

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023

6.1.1 The market value of investment in ECL as at September 30, 2023 was Rs 51,503 million (December 31, 2022: Rs 56,193 million).

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

| Bank | As at September 30, 2023 | | | As at December 31, 2022 | | |
|---|--------------------------|------------------------------|--------------------------------|------------------------------|------------------------------|--------------------------------|
| | Number of shares pledged | Face value of pledged shares | Market value of pledged shares | Number of shares pledged | Face value of pledged shares | Market value of pledged shares |
| | (in '000) | ----- (Rupees in '000) ----- | | (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 | 10,492 | 104,918 | 2,519,501 | 10,492 | 104,918 | 2,748,957 |
| | | | Note | September 30, 2023 | December 31, 2022 | |
| | | | | (Un-audited) | (Audited) | |
| | | | | ----- (Rupees in '000) ----- | | |

6.2 Other investments - at fair value through profit or loss

e2e Business Enterprises (Private) Limited - unquoted
[23,770,701 (December 31, 2022: 23,770,701)
ordinary shares of Rs 10 each]
Percentage of holding 39% (December 31, 2022: 39%)
Less: Accumulated impairment

| | |
|------------------|-----------|
| 237,707 | 237,707 |
| (237,707) | (237,707) |
| - | - |

Octopus Limited - (a subsidiary of Avanceon Limited) - quoted Consideration for swapping shares in Empiric AI (Private) Limited (EMPAK)

6.2.1

| | |
|----------------|---------|
| 336,756 | 440,023 |
| 336,756 | 440,023 |

6.2.1 During the year ended December 31, 2022, in accordance with the share swap arrangement, the Company disposed of its entire shareholding in EMPAK to Avanceon Limited in exchange for 7,767,400 ordinary shares of Octopus Limited (a subsidiary of Avanceon Limited). In accordance with the share swap arrangement, the Company has agreed to hold the shares of Octopus Limited for atleast two (02) years. During the year, the Company received 1,165,100 ordinary shares as bonus shares on the above mentioned shares aggregating the total ordinary shares held by the Company to 8,932,500.

| | |
|------------------------------|-------------------|
| September 30, 2023 | December 31, 2022 |
| (Un-audited) | (Audited) |
| ----- (Rupees in '000) ----- | |

7. SHORT-TERM INVESTMENTS

At amortized cost

Term Deposit Receipts (TDRs)

7.1

18,007

18,007

At fair value through profit or loss

Government securities

- Market Treasury bills (T-Bills)

Mutual Funds

Quoted shares

| | |
|------------------|------------|
| - | 1,899,434 |
| 468,553 | - |
| 5,805,623 | 8,613,043 |
| 6,274,176 | 10,512,477 |
| 6,292,183 | 10,530,484 |

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

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023

- 7.1 This carries profit at the rate of 17.45% per annum (December 31, 2022: 10.25% per annum). The TDR is due to mature on March 21, 2024. The bank has marked lien over this TDR against Corporate Credit Card facilities.

| | Note | September 30, 2023 (Un-audited) | December 31, 2022 (Audited) |
|--|---------------|---------------------------------------|-----------------------------------|
| ----- (Rupees in '000) ----- | | | |
| 8. SHORT-TERM RUNNING FINANCE | | | |
| Running finance under mark-up arrangements | 8.1.1 - 8.1.4 | - | 2,826,683 |
| Short-term loans | | - | 3,660,000 |
| | | <u>-</u> | <u>6,486,683</u> |

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

8.1.1 Short-term running finance facility of Rs 3,000 million (December 31, 2022: Rs 3,000 million) was obtained under mark-up arrangements from Bank Al Habib Limited. The amount which remained unutilised as at September 30, 2023 was Rs 3,000 million (December 31, 2022: Rs 2,173.317 million). The facility is secured by way of pledge of shares. Rate of mark-up applicable to the facility is three months KIBOR plus 5 basis points per annum. The facility will expire on September 30, 2024.

8.1.2 Short-term running finance facility of Rs 2,500 million (December 31, 2022: Rs 2,500 million) was obtained under mark-up arrangements from United Bank Limited. The amount which remained unutilised as at September 30, 2023 was Rs 2,500 million (December 31, 2022: Rs 2,500 million). The facility is secured by way of pledge of shares and lien over other securites. Rate of mark-up applicable to the facility is one month KIBOR plus 10 basis points per annum. The facility will expire on November 1, 2023.

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

8.1.4 Short-term running finance facility of Rs 1,500 million (December 31, 2022: Rs 2,000 million) was obtained under mark-up arrangements from Habib Bank Limited. The amount which remained unutilised as at September 30, 2023 was Rs 1,500 million (December 31, 2022: Rs Nil). The facility is secured by way of pledge of shares. Rate of mark-up applicable to the facility is three months KIBOR plus 10 basis points per annum. The facility will expire on June 30, 2024.

9. CONTINGENCIES AND COMMITMENTS

9.1 There has been no significant change in the status of matters stated in notes 18.1 to 18.2 of the December 2022 unconsolidated financial statements, except for the year facts and the matters disclosed in the notes 9.2, 9.3, 9.4, 9.5 and 9.6 below.

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

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

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023

On December 13, 2021, 'Commissioner Inland Revenue Appeals' (CIRA) issued an order wherein CIRA accepted management's contention with regard to super tax on intercorporate dividend. Accordingly, CIRA had directed ACIR to adjust the order to the extent of Rs 547 million on account of super tax on intercorporate dividend.

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

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

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

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

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

- 9.4 During the current period on April 11, 2023, the Company received a notice from ACIR wherein ACIR stated that the Company had paid tax on dividend at 12.5% whereas the applicable tax rate on dividend was 15%. The Company replied to the notice stating that the applicable tax rate at the time of receipt of dividend was 12.5%. However, during the Tax Year 2018, the tax rate applicable on dividends was revised to 15% through Finance Act, 2017 and dividend received after the change of tax rate was charged to tax at the rate of 15%. Since dividend income is charged under the Final Tax Regime, the tax deducted at the time of receipt is deemed to be the full and final tax.

The ACIR did not accept the Company's contention and issued an order on May 29, 2023, demanding tax of Rs 43.87 million. The Company filed an appeal with the Commissioner Appeals against the order. On September 20, 2023, Commissioner Appeals issued an order in favor of the Company, accepting Company's contention.

- 9.5 During the year ended December 31, 2021, the Company received an income tax demand dated March 31, 2021 amounting to Rs 159.66 million in relation to the tax year 2020. Out of such demand, an amount of Rs 15.9 million had been paid in protest to obtain the stay order till the decision of appeal by the Commissioner (Appeals). The taxation authorities are of the view that the Company's interest income does not meet the criteria of the 'income from business' and should be treated as 'income from other sources'. As a result, the common expenses incurred by the Company cannot be allocated to 'income from other sources' resulting in increased tax liability. However, the Company is of the view that earning interest / money market income is one of the principal revenue streams of the Company and should be treated as 'income from business'.

On April 21, 2021, an appeal was filed by the Company before the Commissioner Inland Revenue Appeals (CIRA) on which the CIRA issued an order on September 20, 2023, wherein CIRA ordered that profit on debt / interest income should be classified as 'income from other sources' rather than 'Income from business'. However, CIRA accepted management's contention with respect to apportionment of administrative expenses and finance cost to profit on debt and have directed the ADCIR to reassess the apportionment accordingly. The Company on the advice of tax consultant will file an appeal with the Appellate Tribunal and is expecting a favourable outcome of the appeal. Hence, no provision has been recorded in these unconsolidated financial statements.

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

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023

9.6 The Company has filed its annual tax return for the Tax Year 2023 within the due date i.e., September 30, 2023. However, with respect to super tax applicable u/s 4C of the Income Tax Ordinance 2001, the Company has filed a petition before the Islamabad High Court on the ground that, tax on income falling under the Final Tax Regime is deducted at the time of receipt of income and is deemed full and final, therefore, no further tax should be applicable on such income.

Accordingly, the Company has obtained a stay order on the aforementioned petition which also caters super tax payable for the Tax Year 2024 as advance tax u/s 147 of Income Tax Ordinance 2001 and therefore, on prudence basis, the Company has recorded a provision for super tax in these unconsolidated financial statements.

| | Note | Quarter ended | | Nine months period ended | |
|---|------|------------------------------|-----------------------|------------------------------|-----------------------|
| | | September 30, 2023 | September 30, 2022 | September 30, 2023 | September 30, 2022 |
| | | (Un-audited) | | (Un-audited) | |
| | | ----- (Rupees in '000) ----- | | ----- (Rupees in '000) ----- | |
| 10. RETURN ON INVESTMENTS - net | | | | | |
| Dividend income | 10.1 | 747,969 | 2,573,521 | 10,431,514 | 5,955,289 |
| Interest income | 10.2 | 3,697 | 75,247 | 15,232 | 237,215 |
| Others | 10.3 | 1,008,865 | (36,849) | 1,425,850 | (1,856,618) |
| | | 1,760,531 | 2,611,919 | 11,872,596 | 4,335,886 |
| 10.1 Dividend income | | | | | |
| Subsidiary - Engro Corporation Limited | | 428,940 | 2,359,167 | 9,222,202 | 5,147,275 |
| Other investments in quoted shares | | 319,029 | 214,354 | 1,209,312 | 808,014 |
| | | 747,969 | 2,573,521 | 10,431,514 | 5,955,289 |
| 10.2 Interest income | | | | | |
| - Income on T-Bills | | - | 12,618 | 3,466 | 34,248 |
| - Income on PIBs | | - | 60,259 | - | 150,883 |
| - Income on TDRs | | 810 | 1,642 | 2,066 | 33,724 |
| - Income on loan to EMPAK | | - | - | - | 17,107 |
| - Return on savings account | | 2,887 | 728 | 9,700 | 1,253 |
| | | 3,697 | 75,247 | 15,232 | 237,215 |
| 10.3 Others | | | | | |
| Loss on sale of quoted shares | | (284,397) | (86,394) | (984,231) | (32,374) |
| Gain on redemption from mutual funds | | 7,242 | - | 7,242 | - |
| Unrealised profit / (loss) on quoted shares | | 1,283,006 | 49,545 | 2,399,825 | (1,815,876) |
| Unrealised loss on Pakistan Investment Bonds (PIBs) | | - | - | - | (8,368) |
| Unrealised profit on mutual funds | | 3,014 | - | 3,014 | - |
| | | 1,008,865 | (36,849) | 1,425,850 | (1,856,618) |

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

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023

| | Quarter ended | | Nine months period ended | |
|--|--|-----------------------|------------------------------|-----------------------|
| | September 30, 2023 | September 30, 2022 | September 30, 2023 | September 30, 2022 |
| | (Un-audited) | | (Un-audited) | |
| | ----- (Rupees in '000) ----- | | ----- (Rupees in '000) ----- | |
| 11. EARNING PER SHARE | | | | |
| Profit for the period after taxation | <u>1,368,074</u> | <u>1,845,055</u> | <u>8,006,316</u> | <u>2,476,985</u> |
| | ----- (Number of shares in '000) ----- | | | |
| Weighted average number of ordinary shares outstanding during the period | <u>481,287</u> | <u>481,287</u> | <u>481,287</u> | <u>481,287</u> |
| | ----- (Rupees) ----- | | | |
| Earning per share - basic and diluted | <u>2.84</u> | <u>3.83</u> | <u>16.64</u> | <u>5.15</u> |

11.1 There were no convertible dilutive potential ordinary shares outstanding as at September 30, 2023 and September 30, 2022.

| | Note | Nine months period ended | |
|--|------|------------------------------|------------------------------|
| | | September 30, 2023 | September 30, 2022 |
| | | (Un-audited) | (Un-audited) |
| | | ----- (Rupees in '000) ----- | ----- (Rupees in '000) ----- |
| 12. CASH (UTILISED IN) / GENERATED FROM OPERATIONS | | | |
| Profit before taxation | | 11,501,939 | 3,661,716 |
| Adjustments for non cash expenses and other items: | | | |
| Depreciation on property, plant and equipment | | 11,842 | 12,384 |
| Depreciation on right-of-use assets | | 8,602 | 6,840 |
| Write-off of capital work-in-progress | | 1,921 | - |
| Finance costs | | 327,154 | 503,575 |
| Provision for employees' retirement and other service benefits | | 3,365 | 3,552 |
| Return on investments | | (11,872,596) | (4,335,886) |
| Gain on disposal of property, plant & equipment | | (1,364) | (3,384) |
| Gain on termination of lease arrangement | | - | (41,527) |
| Working capital changes | 12.1 | (12,549) | 360,292 |
| Cash (utilised in) / generated from operations | | <u>(31,686)</u> | <u>167,562</u> |

12.1 Working capital changes

| | | |
|---|------------------------|----------------|
| (Increase) / decrease in current assets | (3,366) | 298,995 |
| Loan, advances, deposits and prepayment | (9,464) | 72,385 |
| Other receivables | (12,830) | 371,380 |
| Increase / (decrease) in trade and other payables | 281 | (11,088) |
| | <u>(12,549)</u> | <u>360,292</u> |

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

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023

Nine months period ended
September September
30, 2023 30, 2022
(Un-audited) (Un-audited)
 ----- (Rupees in '000) -----

13. CASH AND CASH EQUIVALENTS

| | | |
|----------------------|---------------|-------------|
| Cash at bank | 17,750 | 5,227 |
| Short-term financing | - | (5,342,875) |
| | 17,750 | (5,337,648) |

14. FINANCIAL RISK MANAGEMENT AND FINANCIAL DISCLOSURES

14.1 Financial risk factors

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

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

14.2 Fair value of financial assets and liabilities

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.

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). 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.

15. RELATED PARTY TRANSACTIONS

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

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

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023

15.2 Transactions with related parties are as follows:

| | Nine months period ended | |
|--|--|---------------------------------------|
| | September 30, 2023 (Un-audited) | September 30, 2022 (Un-audited) |
| | ----- (Rupees in '000) ----- | |
| Subsidiary Companies | | |
| Dividend income | 9,235,850 | 5,153,379 |
| Investments made | 104,938 | 375,000 |
| Investments sold | 104,938 | - |
| Reimbursement of expenses made to the Company | - | 5,538 |
| Sale of services | 76,650 | 2,343 |
| Reimbursement of expenses made by the Company | 3,005 | 89,432 |
| Accrued markup on loan / Markup on delayed payment | - | 17,280 |
| Advances and deposits | 29,550 | - |
| Associated undertakings | | |
| Dividend paid | - | 1,383,509 |
| Investments made | - | 15,756 |
| Purchase of services | 15,939 | 9,202 |
| Sale of services | - | 6,934 |
| Reimbursement of expenses made by associates | 83,334 | 70,995 |
| Reimbursement of expenses made to associates | 4,969 | 17,892 |
| Accrued markup on loan / Markup on delayed payment | 5,251 | 1,962 |
| Donation | 463 | 205 |
| Other related parties | | |
| Purchase of services | 563 | 1,279 |
| Member Subscription and other fee | 2,500 | 2,500 |
| Contribution to staff gratuity fund | 2,652 | 2,993 |
| Contribution to staff provident fund | 4,741 | 5,410 |
| Key management personnel | | |
| Salaries and other short-term employee benefits | 41,983 | 49,704 |
| Post retirement benefit plans | 3,458 | 4,311 |
| Director's fee | 8,000 | 14,750 |
| Disposal of vehicle to key management personnel | 930 | - |

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

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023

16. CORRESPONDING FIGURES

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

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 October 26, 2023.

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

The Board of Directors in its meeting held on October 26, 2023 approved an interim cash dividend of Rs 2 per share amounting to Rs 963 million for the nine months period ended September 30, 2023. (Rs 6 per share amounting to Rs 2,888 million for the nine months period ended September 30, 2022). These unconsolidated condensed interim financial statements do not recognise the proposed interim dividend as deduction from unappropriated profit as it has been declared subsequent to the reporting date.

Kamran Hanif Jangda
Chief Financial Officer

Mohammad Shamoony Chaudry
Chief Executive

Muhammed Amin
Director

DAWOOD HERCULES CORPORATION LIMITED

**CONSOLIDATED CONDENSED INTERIM
FINANCIAL STATEMENTS**

FOR THE NINE MONTHS PERIOD ENDED
September 30, 2023

CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2023

| | | Consolidated | |
|---|------|--|-----------------------------------|
| | Note | September 30, 2023 (Un-audited) | December 31, 2022 (Audited) |
| | | ----- (Rupees in '000) ----- | |
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 5 | 365,639,341 | 329,989,765 |
| Right-of-use assets | | 13,177,991 | 13,368,964 |
| Intangible assets | | 6,494,256 | 6,774,962 |
| Long-term investments | | 37,783,952 | 36,521,269 |
| Deferred taxation | | 981,588 | 406,595 |
| Financial assets at amortized cost | | 1,051,611 | 3,783,265 |
| Derivative financial instruments | | 1,254,880 | 737,319 |
| Net investment in leases | | 54,773,620 | 52,160,406 |
| Long-term loans, advances, deposits and other receivables | | 4,575,582 | 3,816,788 |
| | | 485,732,821 | 447,559,333 |
| CURRENT ASSETS | | | |
| Stores, spares and loose tools | | 11,889,451 | 9,834,814 |
| Stock-in-trade | | 23,892,737 | 30,242,789 |
| Trade debts | | 71,975,614 | 71,195,463 |
| Loans, advances, deposits and prepayments | | 10,846,342 | 6,891,543 |
| Other receivables | | 41,829,442 | 36,096,420 |
| Accrued income | | 2,341,847 | 2,279,037 |
| Contract assets | | 18,160,993 | 14,124,293 |
| Current portion of net investment in leases | | 13,311,580 | 5,683,292 |
| Short term investments | | 63,420,752 | 96,635,951 |
| Cash and bank balances | | 77,899,149 | 44,995,322 |
| | | 335,567,907 | 317,978,924 |
| Asset classified as held for sale | | 1,474,401 | - |
| TOTAL ASSETS | | 822,775,129 | 765,538,257 |

CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2023

| | Note | September 30, 2023 (Un-audited) | December 31, 2022 (Audited) |
|--|------|---------------------------------------|-----------------------------------|
| ----- (Rupees in '000) ----- | | | |
| EQUITY | | | |
| SHARE CAPITAL AND RESERVES | | | |
| Authorised capital | | 10,000,000 | 10,000,000 |
| Issued, subscribed and paid-up share capital | | 4,812,871 | 4,812,871 |
| Reserves | | 60,789,002 | 65,349,143 |
| | | 65,601,873 | 70,162,014 |
| Non-controlling interest | | 182,670,272 | 178,498,202 |
| TOTAL EQUITY | | 248,272,145 | 248,660,216 |
| LIABILITIES | | | |
| NON-CURRENT LIABILITIES | | | |
| Borrowings | | 170,185,142 | 156,173,794 |
| Government grants | | 1,983,098 | 1,472,279 |
| Deferred taxation | | 15,657,604 | 13,395,214 |
| Lease liabilities | | 69,926,113 | 62,397,791 |
| Deferred liabilities | | 4,359,000 | 3,640,044 |
| Long term provision | | 558,142 | 2,952,970 |
| Staff retirement and other service benefits | | 7,716 | - |
| | | 262,676,815 | 240,032,092 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 153,706,019 | 125,868,610 |
| Accrued interest / mark-up | | 7,863,296 | 2,922,372 |
| Current portion of : | | | |
| - borrowings | | 30,723,628 | 27,699,919 |
| - Government grant | | 449,495 | 353,201 |
| - lease liabilities | | 11,178,148 | 9,062,433 |
| - deferred liabilities | | 396,730 | 577,116 |
| - long term provisions | | 29,192,475 | 25,503,815 |
| Taxes payable | | 22,873,079 | 19,066,343 |
| Contract liabilities | | 14,079,236 | 12,980,370 |
| Short term borrowings | | 25,630,467 | 39,471,643 |
| Unclaimed dividend | | 15,733,596 | 13,340,127 |
| | | 311,826,169 | 276,845,949 |
| TOTAL LIABILITIES | | 574,502,984 | 516,878,041 |
| CONTINGENCIES AND COMMITMENTS | 6 | | |
| TOTAL EQUITY AND LIABILITIES | | 822,775,129 | 765,538,257 |

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

Kamran Hanif Jangda
Chief Financial Officer

Mohammad Shamoony Chaudry
Chief Executive

Muhammed Amin
Director

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

FOR THE QUARTER AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023

| | Note | Quarter ended | | Nine months period ended | |
|--|------|-----------------------|-----------------------|--------------------------|-----------------------|
| | | September 30, 2023 | September 30, 2022 | September 30, 2023 | September 30, 2022 |
| ----- (Rupees in '000) ----- | | | | | |
| Net sales | | 136,816,615 | 91,160,356 | 339,298,587 | 268,739,804 |
| Cost of sales | | (92,400,460) | (64,542,809) | (233,665,904) | (187,924,029) |
| Gross profit | | 44,416,155 | 26,617,547 | 105,632,683 | 80,815,775 |
| Selling and distribution expenses | | (2,786,520) | (2,057,745) | (6,821,711) | (5,483,319) |
| Administrative expenses | | (2,704,712) | (2,601,098) | (8,667,769) | (7,558,084) |
| Remeasurement loss on provision for GIDC | | (98,416) | (329,526) | (683,814) | (1,331,046) |
| Loss allowance on subsidy receivable from GoP | | 1,264 | (415,981) | (503,081) | (415,981) |
| | | 38,827,771 | 21,213,197 | 88,956,308 | 66,027,345 |
| Other income | | 8,377,582 | 4,377,622 | 23,450,618 | 12,947,494 |
| Other operating expenses | | (2,456,743) | (1,355,474) | (5,701,645) | (7,786,313) |
| Finance cost | | (11,927,674) | (7,285,689) | (34,742,011) | (19,617,475) |
| Share of income from associates & joint ventures | | 1,480,045 | 818,054 | 3,085,277 | 2,090,173 |
| Profit before taxation | | 34,300,981 | 17,767,710 | 75,048,547 | 53,661,224 |
| Taxation | | (10,972,676) | (4,688,537) | (32,410,543) | (25,622,087) |
| Profit from continuing operations | | 23,328,305 | 13,079,173 | 42,638,004 | 28,039,137 |
| DISCONTINUED OPERATIONS | | | | | |
| Loss from discontinued operations | | - | (42,623) | - | (42,552) |
| Profit for the period | | 23,328,305 | 13,036,550 | 42,638,004 | 27,996,585 |
| Profit attributable to: | | | | | |
| - Owners of the Holding Company | | 6,091,514 | 2,123,410 | 7,862,533 | 3,030,350 |
| - Non-controlling interest | | 17,236,791 | 10,913,140 | 34,775,471 | 24,966,235 |
| | | 23,328,305 | 13,036,550 | 42,638,004 | 27,996,585 |
| Earnings per share (Rupees) - basic and diluted | 7 | 12.66 | 4.41 | 16.34 | 6.30 |

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

Kamran Hanif Jangda
Chief Financial Officer

Mohammad Shamoon Chaudry
Chief Executive

Muhammed Amin
Director

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

FOR THE QUARTER AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023

| | Quarter ended | | Nine months period ended | |
|--|------------------------------|-----------------------|--------------------------|-----------------------|
| | September 30, 2023 | September 30, 2022 | September 30, 2023 | September 30, 2022 |
| | ----- (Rupees in '000) ----- | | | |
| Profit for the period | 23,328,305 | 13,036,550 | 42,638,004 | 27,996,585 |
| Other comprehensive income: | | | | |
| Items that may be reclassified subsequently to profit or loss | | | | |
| Hedging reserve - cash flow hedges | | | | |
| - Profit / (loss) arising during the period | 188,259 | (63,858) | 517,561 | 123,849 |
| - Reclassification adjustments for loss included in statement of profit or loss | - | (220) | - | (653) |
| | 188,259 | (64,078) | 517,561 | 123,196 |
| Revaluation reserve on business combination | - | - | - | - |
| Exchange differences on translation of foreign operations | (4,307) | (43,198) | 798,132 | 312,663 |
| Continuing operations' (loss) / gain on remeasurement of long-term investments classified at fair value through other comprehensive income | (757,633) | - | (1,499,040) | - |
| | (573,681) | (107,276) | (183,347) | 435,859 |
| Items that will not be reclassified to profit or loss | | | | |
| - Remeasurement of post employment benefits obligation | - | - | (564) | 1,843 |
| Other comprehensive income for the period - net of tax | (573,681) | (107,276) | (183,911) | 437,702 |
| Total comprehensive income for the period | 22,754,624 | 12,929,274 | 42,454,093 | 28,434,287 |
| Total comprehensive income/(loss) attributable to: | | | | |
| - Continued operations | 22,754,624 | 12,929,274 | 42,454,093 | 28,434,216 |
| - Discontinuing operations | - | - | - | 71 |
| | 22,754,624 | 12,929,274 | 42,454,093 | 28,434,287 |
| Total comprehensive income attributable to: | | | | |
| - Owners of the Holding Company | 5,872,948 | 2,083,508 | 7,788,686 | 3,194,496 |
| - Non-controlling interest | 16,881,676 | 10,845,766 | 34,665,407 | 25,239,791 |
| | 22,754,624 | 12,929,274 | 42,454,093 | 28,434,287 |

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

Kamran Hanif Jangda
Chief Financial Officer

Mohammad Shamoon Chaudry
Chief Executive

Muhammed Amin
Director

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023

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

Muhammed Amin
Director

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

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023

| | Note | Nine months period ended | |
|--|------|------------------------------|-----------------------|
| | | September 30, 2023 | September 30, 2022 |
| | | ----- (Rupees in '000) ----- | |
| Cash flows from operating activities | | | |
| Cash generated from operations | 8 | 119,617,346 | 72,839,213 |
| Retirement and other service benefits paid | | (171,500) | 366,731 |
| Finance cost paid | | (24,405,164) | (11,460,229) |
| Taxes paid | | (26,916,411) | (10,800,670) |
| Proceeds from net investment in lease | | 5,238,495 | 3,416,693 |
| Finance income received on net investment in lease | | 5,756,625 | 4,511,212 |
| Deferred incentive | | 439,058 | 1,085,385 |
| Long term loans and advances - net | | 90,763 | (759,062) |
| Bank balance held as margin | | (1,053,243) | 17,720 |
| Net cash utilized in operating activities of discontinued operations | | - | (25,287) |
| Net cash generated from operating activities | | 78,595,969 | 59,191,706 |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment (PPE) | | (25,685,609) | (27,208,909) |
| Sale proceeds on disposal of PPE | | 294,746 | 110,768 |
| Income on deposits / other financial assets | | 13,179,254 | 6,987,549 |
| Short term investment purchased and redeemed - net | | 32,947,650 | (38,649,115) |
| Dividends received | | 2,736,500 | 1,510,464 |
| Net cash utilized in investing activities of discontinued operations | | - | (37,141) |
| Net cash generated from / (utilized in) investing activities | | 23,472,541 | (57,286,384) |
| Cash flows from financing activities | | | |
| Repayment of borrowings - net | | (12,885,002) | (8,338,956) |
| Repayment of lease liability | | (5,740,128) | (3,873,064) |
| Finance cost paid on lease liability | | (4,189,504) | (3,171,644) |
| Payment for own shares purchased for cancellation | | (11,629,302) | - |
| Dividends paid | | (28,819,394) | (26,602,396) |
| Net cash utilized in financing activities of discontinued operations | | - | (291,187) |
| Net cash (utilised in) financing activities | | (63,263,330) | (42,277,247) |
| Net increase / decrease in cash and cash equivalents | | 38,805,180 | (40,371,925) |
| Effect of exchange rate changes on cash and cash equivalents | | 3,074,282 | 1,243,872 |
| Cash and cash equivalents at beginning of the period | | 18,906,710 | 87,131,332 |
| Cash and cash equivalents at end of the period | 9 | 60,786,172 | 48,003,279 |

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

Kamran Hanif Jangda
Chief Financial Officer

Mohammad Shamooun Chaudry
Chief Executive

Muhammed Amin
Director

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

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023

1. LEGAL STATUS AND OPERATIONS

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

1.2 The "Group" consists of:

Ultimate Parent Company: Dawood Hercules Corporation Limited;

Holding Company: Dawood Hercules Corporation Limited;

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

| | Percentage of direct holding | |
|-----------------------------------|-------------------------------------|-----------------------|
| | September 30, 2023 | September 30, 2022 |
| - Engro Corporation Limited (ECL) | 39.97 | 37.22 |
| - EmpiricAI (Private) Limited | 0.00 | 100.00 |

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

| | Percentage of direct holding | |
|--|-------------------------------------|----------------------|
| | September 30, 2023 | December 31, 2022 |
| - Engro Energy Limited | 100 | 100 |
| - Engro Eximp Agriproducts (Private) Limited | 100 | 100 |
| - Engro Connect (Private) Limited | 100 | 100 |
| - Engro Eximp FZE | 100 | 100 |
| - Engro Infiniti (Private) Limited | 100 | 100 |
| - Engro Fertilizers Limited | 56.27 | 56.27 |
| - Engro Polymer and Chemicals Limited | 56.19 | 56.19 |
| - Elengy Terminal Pakistan Limited | 56 | 56 |

Joint Venture Company:

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

Associated Company:

| | | |
|---|------|------|
| - FrieslandCampina Engro Pakistan Limited | 39.9 | 39.9 |
|---|------|------|

1.4 During the year ended December 31, 2022, in accordance with the share swap arrangement, the Holding Company disposed of its entire shareholding in EMPAK to Avanceon Limited in exchange for 7,767,400 ordinary shares of Octopus Limited (a subsidiary of Avanceon Limited). In accordance with the share swap arrangement, the Holding Company has agreed to hold the shares of Octopus Limited for atleast two (02) years. During the year, the Holding Company received 1,165,100 ordinary shares as bonus shares on the above mentioned shares aggregating the total ordinary shares held by the Holding Company to 8,932,500.

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

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023

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.

2.2 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.

The preparation of these consolidated condensed interim financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

2.3 During the preparation of these consolidated condensed interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation and uncertainty were the same as those that apply to the consolidated financial statements of the Group for the year ended December 31, 2022.

2.4 These consolidated condensed interim financial statements do not include all the information required for consolidated annual financial statements and therefore should be read in conjunction with the audited consolidated annual financial statements of the Group for the year ended December 31, 2022.

3. BASIS OF CONSOLIDATION

3.1 The condensed interim financial statements of the subsidiary companies have been consolidated on a line by line basis. The carrying value of investments held by the Holding Company is eliminated against the subsidiaries' share capital and pre-acquisition reserves.

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

3.3 The Group's interest in jointly controlled and associated entity i.e. Engro Vopak Terminal Limited and FrieslandCampina Engro Pakistan Limited has been accounted for using the equity method.

4. ACCOUNTING POLICIES

4.1 The significant accounting policies adopted in the preparation of these consolidated condensed interim financial statements are the same as those applied in the preparation of audited annual consolidated financial statements of the Group for the year ended December 31, 2022.

5. PROPERTY, PLANT AND EQUIPMENT

Operating assets, at net book value

Capital work in progress - Expansion and other projects

Capital spares and standby equipments

| September 30 2023 (Un-audited) | December 31, 2022 (Audited) |
|---|--|
| ----- (Rupees in '000) ----- | |
| 327,199,144 | 300,765,556 |
| 34,055,188 | 24,841,736 |
| 4,385,009 | 4,382,473 |
| 365,639,341 | 329,989,765 |

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

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023

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

| | September 30 2023 (Un-audited) ----- (Rupees in '000) ----- | September 30, 2022 (Un-audited) ----- |
|---|---|--|
| Plant and machinery | 3,010,880 | 37,705,769 |
| Building and civil works including pipelines | 32,892,619 | 5,025,369 |
| Furniture, fixture and equipment | 3,332,294 | 9,766,354 |
| Vehicles | 1,196,557 | 689,551 |
| Catalyst | 729,626 | 402,520 |
| Aircraft | 567,159 | 2,634,870 |
| Jetty | - | 9,724 |
| Dredging | - | 369,996 |
| Data processing equipment / communication devices | - | 919 |
| | 41,729,135 | 56,605,072 |

5.2 During the period, operating assets costing Rs. 525,138 (December 31, 2022: Rs. 2,581,886), having net book value of Rs. 229,581 (December 31, 2022: Rs. 720,729) were disposed / written off for Rs. 294,746 (December 31, 2022: Rs. 619,487).

6. CONTINGENCIES AND COMMITMENTS

6.1 Contingencies

As at September 30, 2023, there is no material change in the status of matters reported as contingencies in audited financial statements of the Group for the year ended December 31, 2022, except for the matters disclosed below:

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

On December 13, 2021, 'Commissioner Inland Revenue Appeals' (CIRA) issued an order wherein CIRA accepted management's contention with regard to super tax on intercorporate dividend. Accordingly, CIRA had directed ACIR to adjust the order to the extent of Rs 547 million on account of super tax on intercorporate dividend.

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

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

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

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

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023

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

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

6.1.3 During the current period on April 11, 2023, the Holding Company received a notice from ACIR wherein ACIR stated that the Holding Company had paid tax on dividend at 12.5% whereas the applicable tax rate on dividend was 15%. The Holding Company replied to the notice stating that the applicable tax rate at the time of receipt of dividend was 12.5%. However, during the Tax Year 2018, the tax rate applicable on dividends was revised to 15% through Finance Act, 2017 and dividend received after the change of tax rate was charged to tax at the rate of 15%. Since dividend income is charged under the Final Tax Regime, the tax deducted at the time of receipt is deemed to be the full and final tax.

The ACIR did not accept the Holding Company's contention and issued an order on May 29, 2023, demanding tax of Rs 43.87 million. The Holding Company filed an appeal with the Commissioner Appeals against the order. On September 20, 2023, Commissioner Appeals issued an order in favor of the Holding Company, accepting Holding Company's contention.

6.1.4 During the year ended December 31, 2021, the Holding Company received an income tax demand dated March 31, 2021 amounting to Rs 159.66 million in relation to the tax year 2020. Out of such demand, an amount of Rs 15.9 million had been paid in protest to obtain the stay order till the decision of appeal by the Commissioner (Appeals). The taxation authorities are of the view that the Holding Company's interest income does not meet the criteria of the 'income from business' and should be treated as 'income from other sources'. As a result, the common expenses incurred by the Holding Company cannot be allocated to 'income from other sources' resulting in increased tax liability. However, the Company is of the view that earning interest / money market income is one of the principal revenue streams of the Holding Company and should be treated as 'income from business'.

On April 21, 2021, an appeal was filed by the Holding Company before the Commissioner Inland Revenue Appeals (CIRA) on which the CIRA issued an order on September 20, 2023, wherein CIRA ordered that profit on debt / interest income should be classified as 'income from other sources' rather than 'Income from business'. However, CIRA accepted management's contention with respect to apportionment of administrative expenses and finance cost to profit on debt and have directed the ADCIR to reassess the apportionment accordingly. The Holding Company on the advice of tax consultant will file an appeal with the Appellate Tribunal and is expecting a favourable outcome of the appeal. Hence, no provision has been recorded in these consolidated financial statements.

6.1.5 The Holding Company has filed its annual tax return for the Tax Year 2023 within the due date i.e., September 30, 2023. However, with respect to super tax applicable u/s 4C of the Income Tax Ordinance 2001, the Holding Company has filed a petition before the Islamabad High Court on the ground that, tax on income falling under the Final Tax Regime is deducted at the time of receipt of income and is deemed full and final, therefore, no further tax should be applicable on such income.

Accordingly, the Holding Company has obtained a stay order on the aforementioned petition which also caters super tax payable for the Tax Year 2024 as advance tax u/s 147 of Income Tax Ordinance 2001 and therefore, on prudence basis, the Holding Company has recorded a provision for super tax in these consolidated financial statements.

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

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023

6.2 Commitments

Commitments in respect of capital and operational expenditure contracted but not incurred amount to Rs 50,868,645 (December 31, 2022: Rs 43,204,163).

7. EARNINGS PER SHARE - BASIC AND DILUTED

| | Quarter ended | | Nine months period ended | |
|--|------------------------------|-----------------------|--------------------------|-----------------------|
| | September 30, 2023 | September 30, 2022 | September 30, 2023 | September 30, 2022 |
| | (Un-audited) | | (Un-audited) | |
| | ----- (Rupees in '000) ----- | | | |
| There is no dilutive effect on the basic earnings per share of the Group, which is based on: Profit after taxation (attributable to the owners of the Holding Company) | 6,091,514 | 2,123,410 | 7,862,533 | 3,030,350 |
| | ----- (Number in '000) ----- | | | |
| Weighted average number of ordinary shares | 481,287 | 481,287 | 481,287 | 481,287 |
| | ----- (Rupees in '000) ----- | | | |
| Earnings per share - basic and diluted | 12.66 | 4.41 | 16.34 | 6.30 |

8. CASH GENERATED FROM OPERATIONS

| | September 30, 2023 | September 30, 2022 |
|--|------------------------------|-----------------------|
| | (Un-audited) | (Un-audited) |
| | ----- (Rupees in '000) ----- | |
| Profit before taxation | 75,048,547 | 53,661,224 |
| Add: profit before taxation attributable to discontinued operations | - | (42,552) |
| Profit before taxation from continuing operations | 75,048,547 | 53,618,672 |
| Adjustment for non cash expenses and other items: | | |
| Depreciation and amortization | 15,122,224 | 12,003,531 |
| (Gain) / loss on disposal / write-off of property, plant and equipment | (63,244) | 386,339 |
| Rent concession on lease liability | - | (12,729) |
| Gain on termination of lease | - | (41,527) |
| Impairment loss | - | 36,115 |
| Provision for retirement and other service benefits | 125,832 | 246,019 |
| Provisions - net | 726,553 | 433,792 |
| Income on deposits / other financial assets | (13,228,509) | (7,222,539) |
| Share of loss / (income) from joint venture and associate | (3,085,277) | (2,090,173) |
| Return on investments | (2,636,746) | 811,389 |
| Finance cost | 29,348,753 | 16,248,432 |
| Stock-in-trade / stores and spares written-off | 208,846 | 109,878 |
| Finance income on net investment in lease | (5,756,625) | (4,511,212) |
| Finance cost on lease liability | 4,189,504 | 3,369,043 |
| Exchange loss on lease liability | 14,815,181 | 13,310,981 |
| Exchange (gain) on net investment in lease | (15,479,997) | (13,808,854) |
| Other exchange loss - net | 2,109,143 | 3,598,251 |
| Working capital changes (note 8.1) | 18,173,161 | (3,646,195) |
| | 119,617,346 | 72,839,213 |

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

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023

| | Nine months period ended September 30, 2023 (Un-audited) | September 30, 2022 (Un-audited) |
|--|---|---------------------------------------|
| | ----- (Rupees in '000) ----- | |
| 8.1 Working capital changes | | |
| (Increase) / decrease in current assets | (2,263,483) | (1,158,222) |
| - Stores, spares and loose tools | 6,350,052 | (10,861,737) |
| - Stock-in-trade | (4,816,851) | (4,545,683) |
| - Trade debts and contract assets | (3,984,349) | (4,775,689) |
| - Loans, advances, deposits and prepayments | (6,220,475) | (8,710,471) |
| - Other receivables - net | (10,935,106) | (30,051,802) |
| Increase in current liabilities | | |
| - Trade and other payables, including other service benefits - net | 29,108,267 | 26,405,607 |
| | 18,173,161 | (3,646,195) |

9. CASH AND CASH EQUIVALENTS

| | | |
|--|---------------------|--------------|
| Cash and bank balances | 77,899,149 | 54,687,885 |
| Short term investments - with original maturity less than 3 months | 8,928,987 | 24,378,079 |
| Bank balances under lien | (2,282,601) | - |
| Short term borrowings | (23,759,363) | (31,062,685) |
| | 60,786,172 | 48,003,279 |

10. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

10.1 Financial risk factors

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

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

10.2 Fair value estimation

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (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)

| Assets | Level 1 | Level 2 | Level 3 | Total |
|---|------------------------------|------------|---------|------------|
| | ----- (Rupees in '000) ----- | | | |
| Financial assets at fair value through profit and loss | 5,805,623 | 32,714,958 | - | 38,520,581 |
| Financial assets at fair value through other comprehensive income | 66,164 | 11,004,098 | - | 11,070,262 |

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

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023

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

- Level 1 fair valued instruments comprise quoted shares.
- Level 2 fair valued instruments comprise mutual funds, treasury bills and fixed income placements which are valued using discounted cash flow model.

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

11. 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.

| | Nine months period ended | |
|---|--|---------------------------------------|
| | September 30, 2023 (Un-audited) | September 30, 2022 (Un-audited) |
| | ----- (Rupees in '000) ----- | |
| Associated companies, joint ventures and other related parties | | |
| Purchases and services | 46,681,897 | 38,573,141 |
| Services rendered / sale of goods | - | 6,934 |
| Dividends received | 1,554,786 | 708,553 |
| Dividend paid / payable | 3,355,718 | 2,422,882 |
| Contribution for Corporate Social Responsibility | - | 128,742 |
| Reimbursements from associates | 587,886 | 462,313 |
| Reimbursements to associates | 268,239 | 243,970 |
| Reimbursement of expenses of other related parties | 222 | 371 |
| Loan disbursed | - | 2,740,000 |
| Loan repaid | 62,840 | 3,554,520 |
| Donations | 512,301 | 205 |
| Finance costs | 4,215,692 | 2,740,957 |
| Member Subscription and other fee | 2,500 | 2,500 |
| Accrued profit on loan / markup on delayed payment | 5,251 | 2,742,035 |
| Key Management Personnel | | |
| Remuneration paid to key management personnel / directors | 1,820,840 | 1,338,678 |
| Post retirement benefit plans | 3,458 | - |
| Dividend paid | 1,648,335 | 885,421 |
| Disposal of vehicle to KMP | 930 | - |
| Directors' fee | 67,845 | 111,170 |
| Reimbursement of expenses | 243 | 371 |
| Advisory agreement | 55,224 | - |
| Contribution for retirement benefits | 940,680 | 627,802 |

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

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023

12. SEGMENT REPORTING

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

12.1 Type of segments Nature of business

| | |
|--------------------------|--|
| Fertilizer | This part of the business manufactures, purchases and markets fertilizers. The operations of this segment include a wide range of fertilizer brands, besides urea, which primarily comprises of Engro Zarkhez, Zingro, Engro DAP optimized for local cultivation needs and demand. Further, the segment is a leading importer and seller of phosphate products which are marketed extensively across Pakistan as phosphatic fertilizers. The Company carrying on the fertilizer business is listed on Islamic Index. |
| Polymer | This part of the business manufactures, markets and sells Poly Vinyl Chloride (PVC), PVC compounds, Caustic soda and related chemicals 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. |

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

| | Quarter ended | | Nine months period ended | |
|--|------------------------------|-----------------------|------------------------------|-----------------------|
| | September 30, 2023 | September 30, 2022 | September 30, 2023 | September 30, 2022 |
| | (Un-audited) | | (Un-audited) | |
| | ----- (Rupees in '000) ----- | | ----- (Rupees in '000) ----- | |
| Revenue | | | | |
| Fertilizer | 66,164,543 | 35,739,302 | 148,530,719 | 110,875,573 |
| Polymer | 25,015,742 | 16,904,431 | 62,038,106 | 62,308,363 |
| Terminal | 5,422,403 | 4,597,809 | 16,292,632 | 12,244,952 |
| Power and mining | 34,332,473 | 29,365,958 | 90,051,054 | 70,395,195 |
| Connectivity and telecom | 3,418,078 | 2,647,734 | 9,558,308 | 6,288,516 |
| Other operations | 30,367,953 | 13,094,982 | 88,834,628 | 48,834,721 |
| Elimination - net | (27,904,577) | (11,189,860) | (76,006,860) | (42,207,516) |
| Consolidated | 136,816,615 | 91,160,356 | 339,298,587 | 268,739,804 |
| Profit before taxation for the period | | | | |
| Fertilizer | 15,785,188 | 6,218,404 | 29,703,784 | 21,040,125 |
| Polymer | 4,410,510 | 3,112,387 | 9,494,432 | 14,889,185 |
| Terminal | 2,433,338 | 1,224,572 | 6,324,034 | 3,508,956 |
| Power and mining | 10,350,653 | 5,672,709 | 24,752,388 | 12,447,082 |
| Connectivity and telecom | (787,810) | 46,341 | (1,372,738) | 95,818 |
| Other operations | 6,581,199 | 5,547,070 | 29,648,405 | 23,291,861 |
| Elimination - net | (4,472,097) | (4,053,773) | (23,501,758) | (21,611,803) |
| Consolidated | 34,300,981 | 17,767,710 | 75,048,547 | 53,661,224 |

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

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023

| | September 30, 2023 (Un-audited) | December 31, 2022 (Audited) |
|--------------------------|---------------------------------------|-----------------------------------|
| | ----- (Rupees in '000) ----- | |
| Assets | | |
| Fertilizer | 155,818,211 | 145,413,332 |
| Polymer | 86,639,491 | 85,400,579 |
| Terminal | 87,400,905 | 74,971,634 |
| Power and mining | 363,915,452 | 300,492,673 |
| Connectivity and telecom | 67,765,205 | 60,974,587 |
| Other operations | 144,026,195 | 155,793,667 |
| Elimination - net | <u>(82,790,330)</u> | <u>(57,508,215)</u> |
| Consolidated | <u>822,775,129</u> | <u>765,538,257</u> |

13. SEASONALITY

13.1 The Group's fertilizer business is subject to seasonal fluctuations as a result of two different farming seasons viz, Rabi (from October to March) and Kharif (from April to September). On an average, fertilizer sales are more tilted towards Rabi season. The Group manages seasonality in business through appropriate inventory management.

13.2 The Group's agri business is subject to seasonal fluctuation as majority of paddy / unprocessed rice is procured during the last quarter of the year which is the harvesting period for all rice varieties grown in Pakistan. However, rice is sold evenly throughout the year. The Group manages seasonality in business through appropriate inventory management.

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

14.1 The Board of Directors of the Holding Company in its meeting held on October 26, 2023 approved an interim cash dividend of Rs 2 per share amounting to Rs 963 million for the nine months period ended September 30, 2023. (Rs 6 per share amounting to Rs 2,888 million for the nine months period ended September 30, 2022). These consolidated condensed interim financial statements do not recognise the proposed interim dividend as deduction from unappropriated profit as it has been declared subsequent to the reporting date.

15. CORRESPONDING FIGURES

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

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

16. DATE OF AUTHORIZATION

These consolidated condensed interim financial statements were authorized for issue on October 26, 2023 by the Board of Directors of the Holding Company.

Kamran Hanif Jangda
Chief Financial Officer

Mohammad Shamoony Chaudry
Chief Executive

Muhammed Amin
Director



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