

**HALF YEARLY ACCOUNTS**  
**(UN-AUDITED)**

**FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2022**



**Dawood Hercules**

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# COMPANY INFORMATION

## Board of Directors

Mr. Hussain Dawood - Chairman  
Mr. Abdul Samad Dawood - Vice Chairman  
Mr. Shahzada Dawood - Director  
Ms. Sabrina Dawood - Director  
Mr. Parvez Ghias - Director  
Mr. Shabbir Hussain Hashmi - Director  
Mr. Kamran Nishat - Director  
Mr. Hasan Reza Ur Rahim - Director  
Mr. Imran Sayeed - Director  
Mr. Mohammad Shamoony Chaudry - Chief Executive Officer

## Board Audit Committee

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

## Human Resource & Remuneration Committee

Mr. Hasan Reza Ur Rahim - Chairman  
Mr. Abdul Samad Dawood - Member  
Ms. Sabrina Dawood - Member  
Mr. Parvez Ghias - Member

## Board Investment Committee

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

## Chief Financial Officer

Mr. Kamran Hanif Jangda

## Company Secretary

Mr. Asim H. Akhund

## Registered Office

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Website: [www.dawoodhercules.com](http://www.dawoodhercules.com)

## Auditors

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Chartered Accountants  
State Life Building No 1-C, I.I. Chundrigar Road  
P.O. Box 4716, Karachi- 74000  
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## Shares Registrar

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Tel: +92 (21) 34380101-2  
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A.F. Ferguson & Co.  
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## Legal Advisors

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(Barristers at law)  
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## Bankers

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

# DIRECTORS REVIEW

The Directors are pleased to present their report along with the unaudited unconsolidated condensed interim financial statements of DH Corp and the unaudited consolidated condensed interim financial statements of the Group for the six months ended 30 June 2022.

Super commodity cycle that initiated by supply chain disruptions caused by Russia-Ukraine conflict has started showing early signs of a potential cool down. During Q2 CY22 prices of non-energy commodities has witnessed a double-digit decline with Urea, Ethylene, Copper, and Steel declining by 31%, 21%, 18% and 17% respectively. However, energy prices have further increased during the quarter with Crude, Brent and Coal increasing by 5.5%, 6.4% and 34.2% respectively. This has kept inflationary levels on the higher side which may induce further monetary tightening across the globe.

Pakistan faces a similar situation, with foreign exchange reserves deteriorating and market pricing in the risk of default on the foreign obligations of the Country. The Credit Default Swap (CDS) rate is above 15% and the Yield To Maturity (YTM) on Pakistan's international bond maturing in 2024 is above 30%. To secure IMF funding, the government has taken a series of austerity measures to reduce the Current Account and Fiscal Deficit including increase in income taxes, 525 bps increase in policy rate, and capital controls (restrictions on imports, increase in regulatory tape for import approvals and more). These measures have affected the economy by curtailment of demand and has particularly impacted the corporate / industrial sector of the Country. Accordingly, the stock markets reacted with a decline of 7.5% during the quarter pushing CYTD return to -6.85%. It is expected that, going forward, pressure on foreign reserves of Pakistan will ease with the resumption of IMF program, expected funding from friendly countries, and other sources.

During the period, DH Corp's investment in equity market portfolio moved slightly lower than the market. The portfolio earned significant dividends during H1 2022 worth PKR 594mn, along with realizing capital gains of PKR 54mn. However, the H1 2022 ended with unrealized capital losses of PKR 1.86bn. The portfolio performed slightly below KSE 100 index returns during H1 2022 due to its non-trading and value investing nature; however, the portfolio is 2% above the KSE-100 when comparing inception-to-date returns.

The balance funds were placed in both long and short-term instruments in money markets and to reduce loan liabilities, allowing us to efficiently manage our treasury portfolio in-line with our liquidity requirements and optimize finance cost. However, our profitability has been impacted by the implication of Super Tax and management is working with the relevant stakeholders to shield our portfolio from adverse impact of potential import restrictions.

On a consolidated basis, the Company's revenue grew by 27%, to PKR 177,579 million in the first half compared to PKR 139,420 million in H1 2021. The consolidated PAT for the half year was PKR 14,571 million against PKR 28,480 million in similar period last year, primarily driven by PKR 9,601 million for the additional tax charge promulgated through Finance Act 2022 (Super Tax) and a one-off adjustment of PKR 2,693 for tariff true-up of Engro Powergen Thar Limited (EPTL). PAT attributable to the shareholders is PKR 518 million against PKR 5,716 million in the comparative period. The Earnings per Share (EPS) is PKR 1.08 as compared to PKR 11.88 in same period last year.

On a standalone basis, the profit after tax was PKR 632 million against PAT of PKR 2,469 million for the same period last year, mainly due to unrealized losses of PKR 1,865 million on equity portfolio and Super Tax charge of PKR 400mn. Earnings per share for the period was PKR 1.31 per share.

Fertilizer business recorded a revenue of PKR 75,136 million compared to PKR 55,359 million in H1 2021, primarily driven by global commodity prices upturn. Whereas PAT stood at PKR 5,413 million versus PKR 10,509 million same period last year, mainly due to the imposition of Super Tax amounting to PKR 5,220 million. Phosphate and other traded businesses benefitted from the commodity cycle upturn, adding PKR 2,896 million to the PAT versus PKR 1,749 million in the same period last year.

The Polymer business recorded a revenue of PKR 45,404 million compared to PKR 30,496 million in H1 2021, attributing the increase to higher PVC volumes sold. Whereas PAT stood at PKR 7,052 million against a PAT of PKR 7,265 million in same period last year, despite the impact of Super Tax of PKR 2,062 million. The business continued to benefit from the tailwind of high commodity prices, with average core delta of USD 746/T against a long-term average of USD 450/T.

Mining operations continued smoothly, and the mine supplied 1.4 million tons of coal to Engro Powergen Thar during the period. Phase II expansion of the mine to 7.6 million tons per annum is on track and expected to be completed during Q4 of 2022.

The Qadirpur power plant dispatched a Net Electrical Output of 331 GwH to the national grid against 394 GwH in same period last year due to shutdown for scheduled major inspection. The business posted a PAT of PKR 406 million for the current period as compared to PKR 905 million for H1 2022 primarily on account of lower Period Weighting Factor (PWF) applicable during the period and lower finance income. The company received PKR 4.8 billion in June 2022 to fully settle the payment agreed under the Master Agreement with the Central Power Purchasing Agency Guarantee Limited (CPPA-G).

Engro Powergen Thar Limited achieved a collection of 86% from inception to date, bringing it at par with other coal IPPs. During the first half, the plant achieved 58% availability, dispatching 1,504 GwH to the national grid. The LNG terminal handled 37 cargoes, higher than H1 2021, delivering 110 bcf re-gasified LNG in to the SSGC network, accounting for ~13% of the total gas supply of the Country. The chemicals terminal had an actual throughput of 720 KT against 638 KT during the same period last year. The increase was primarily observed in chemical volumes offset by lower LPG handling.

Engro Eximp Agriproducts continued its excellence in rice export business, recording 62% growth in volumes versus same period last year (33.4 KT versus 20.6 KT). During the half year, rice business generated revenue of USD 21 million through export versus USD 12 million in 1H 2021, represented by export of 26 KT in 1H 2022, with PAT of PKR 239 million versus PKR 23 million in 1H 2021

Enfrashare continued to expand its national footprint and achieved a scale of 2,937 tower sites by the end of 1H with a 1.14x tenancy ratio, catering to all four Mobile Network Operators (MNOs) in Pakistan. The company captured a market share of 62% in Build-to-Suit (B2S) towers rollout in comparison to other independent tower companies, leading to a ~2x increase in revenue in comparison to 1H 2021.

## **Future Outlook**

Pakistan's equity market is trading at a forward P/E of c.3.9x (Bloomberg consensus), at a steep discount to the 10-year average of 8.1x and now trading almost near to multiyear trough levels. Going forward, resumption of IMF programme, following staff-level agreement, is a welcoming step for the economy. However, FY23 will be a challenging year as the country will go through a consolidation phase in order to tame the burgeoning inflation and current account situation, with further tightening on both the fiscal and monetary fronts. The recent budgetary measures, especially imposition of supertax, will downplay June quarter earnings due to a one-off high tax charge, and restricted dividend payouts. Moreover, the political noise and uncertainty is adding to market volatility, keeping the much desired local as well as foreign portfolio investment at bay. Accordingly, shift towards defensive and high yielding stocks will continue to be the major theme in the near-term.

Despite the above challenges, improvements in the economy through ongoing structural reforms and the expected settlement of political uncertainty over the next 12 months should bring the market back on to its growth trajectory in the longer-run, as forex reserves buildup via IMF disbursement and potential funds from bilateral countries. Therefore, the management's investment philosophy is to hold blue-chip stocks with strong fundamentals.

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

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

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

**Shabbir Hussain Hashmi**  
Director

**Mohammad Shamoan Chaudry**  
Chief Executive

Dated: August 23, 2022

## ڈائریکٹرز کی جائزہ رپورٹ

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

روس یوکرین تصادم کے نتیجے میں سپلائی چین میں رکاوٹیں آنے سے شروع ہونے والے سپر کموڈٹی سائیکل نے اب ٹھنڈا ہونے کے اشارے دینا شروع کر دیئے ہیں۔ سال 2022 کی دوسری سہ ماہی میں توانائی سے غیر متعلق اشیاء کی قیمتوں نے دہرے ہندسے میں کمی دیکھی اور یورپ، اٹھائیلین، تانبے اور اسٹیل کی قیمتوں میں بالترتیب 31%، 21%، 18% اور 17% کی کمی واقع ہوئی۔ تاہم سہ ماہی کے دوران توانائی کی قیمتیں مزید بڑھ گئی ہیں اور خام تیل، برینٹ اور کونکے کی قیمتوں میں بالترتیب 5.5%، 6.4% اور 34.2% کا اضافہ ہوا۔ اس واقعے نے مہنگائی کی شرح کارخ بلندی کی جانب رکھا ہوا ہے لہذا دنیا بھر میں مزید زری پابندیوں پر منتج ہو سکتا ہے۔

پاکستان کو بھی ایسے ہی البٹوز کا سامنا ہے۔ غیر ملکی زرمبادلہ کی صورتحال بدتر ہے، شرح مبادلہ بڑھ رہی ہے اور ملک کو دیوالیہ ہونے کے خطرے کا سامنا ہے۔ کریڈٹ ڈیفالٹ سویپ (CDS) ریٹ 15% سے زائد ہے اور 2024 میں واجب الادا ہونیوالے پاکستان کے عالمی بونڈز (Yield to Maturity) کی ادائیگی کی شرح 30% سے بھی اوپر ہے۔ آئی ایم ایف سے فنڈز کے حصول کیلئے حکومت نے جاری کھاتے اور مالیاتی خساروں میں کمی لانے کیلئے کئی ایک اقدامات اٹھائے ہیں جن میں انکم ٹیکس بڑھانا، پالیسی ریٹ میں 525bps کا اضافہ، سرمائے پر کنٹرول (درآمدات پر پابندیاں، درآمدات کی منظوری کیلئے قواعد و ضوابط میں سختی اور مزید) شامل ہیں۔ ان اقدامات نے طلب میں کٹوتیاں کر کے معیشت کو متاثر کیا ہے اور خاص طور سے ملک کے کارپوریٹ/صنعتی سیکٹر پر مضراثر ڈالا ہے۔ اسی طرح اسٹاک مارکیٹ نے بھی اپنا ردعمل دیا اور سہ ماہی کے دوران مارکیٹ میں 7.5% گری اور CYTD آمدنی منفی 6.85% تک کم ہوئی۔ توقع ہے کہ آئی ایم ایف کا پروگرام دوبارہ شروع ہونے، دوست ملکوں اور دیگر ذرائع سے فنڈز ملنے کے بعد ملک میں غیر ملکی زرمبادلہ کی صورت حال میں بہتری آئے گی۔

اس مدت کے دوران ایکویٹی مارکیٹ پورٹ فولیو میں ڈی ایچ کارپ کی سرمایہ کاری مارکیٹ سے زراسی نیچے تھی۔ سال 2022 کی پہلی ششماہی میں اس پورٹ فولیو نے 54 بلین روپے کے کیپٹل گینٹر (سرمایہ جاتی فائدے) کے ساتھ ساتھ 594 ملین روپے کا قابل ذکر منافع منقسمہ حاصل کیا۔ تاہم 2022ء کی پہلی ششماہی کا اختتام 1.86 بلین روپے کے سرمایہ جاتی نقصان پر ہوا۔ اس سال کی پہلی ششماہی میں اس پورٹ فولیو کی کارکردگی KSE 100 انڈیکس ریٹرن سے نیچے رہی جسکی وجہ انڈیکس کی عدم کاروبار اور قدر کی سرمایہ کاری والا مزاج تھا تاہم ابتداء سے آج کی تاریخ تک آمدنی سے موازنہ کرنے پر یہ پورٹ فولیو KSE 100 انڈیکس سے 2% اوپر رہا۔

باقیمانہ فنڈز بازار زر کے طویل اور قلیل مدتی انسٹرومنٹس میں رکھا گیا اور قرضوں کی ادائیگی کی گئی جس نے ہمیں اپنے ٹریڈری پورٹ فولیو کو اپنی نقدی کی ضروریات کی مناسبت سے بہتر طور سے منظم کرنے اور مالیاتی لاگت میں بہتری لانے کے قابل بنایا۔ تاہم ہمارے منافع پر سپر ٹیکس کے نفاذ نے مضراثر ڈالا اور انتظامیہ متعلقہ اسٹیک ہولڈروں کے ساتھ کام کر رہی ہے تاکہ ہمارے پورٹ فولیو کو کم آمدی پابندیوں کے مضراثرات سے تحفظ دیا جاسکے۔

اشتهال شدہ بنیاد پر کمپنی کی آمدنی میں زیر جائزہ سال کی پہلی ششماہی کے دوران 27% اضافہ ہوا جو سال 2021 کی پہلی ششماہی میں 139,420 ملین روپے

سے بڑھ کر اس سال کی اسی مدت کے اختتام پر 177,579 ملین روپے ہو گئی۔ نصف سال کیلئے ایشیا شدہ بعد از ٹیکس منافع 14,571 ملین روپے رہا جو گزشتہ برس کی اسی مدت کے دوران 28,480 جسکی بڑی وجہ فنانس ایکٹ 2022 کے ذریعے اضافی ٹیکس (سپر ٹیکس) کا نفاذ کے ذریعے 9,601 ملین روپے کے اضافی ٹیکس کی وصولی اور اینگرو پاور چین تھر لمیٹڈ (EPTL) کی ٹیرف کی درستی کیلئے 2,693 ملین روپے کی ایک بار ایڈجسٹمنٹ تھی۔ شیئر ہولڈروں سے قابل نسبت بعد از ٹیکس منافع (PAT) زیر جائزہ ششماہی میں 518 ملین روپے تھا جو زیر موازنہ مدت میں 5,716 ملین روپے رہا تھا۔ فی شیئر کمائی (EPS) سال 2022 کی دوسری ششماہی میں 1.08 روپے رہی جو گزشتہ برس کی اسی مدت میں 11.88 روپے تھی۔

غیر ایشیا شدہ بنیادوں پر بعد از ٹیکس نفع 632 ملین روپے رہا جو گزشتہ برس کی اسی مدت میں 2,469 ملین روپے رہا تھا جس کی بڑی وجہ ایکویٹی پورٹ فولیو میں 1,865 ملین روپے کا غیر حاصل شدہ نفع اور 400 ملین روپے کے سپر ٹیکس کی ادائیگی تھا۔ اس مدت میں فی شیئر کمائی 1.31 روپے تھی۔

مصنوعی کھاد کے کاروبار نے 75,136 ملین روپے کی آمدنی ریکارڈ کی جو 2021 کی پہلی ششماہی کے دوران 55,359 ملین روپے رہی تھی جسکی وجہ ایشیائے صرف کی قیمتوں میں عالمی اضافہ تھا۔ جبکہ بعد از ٹیکس نفع 5,413 ملین روپے رہا جو گزشتہ برس کی اسی مدت کے دوران 10,509 ملین روپے رہا تھا۔ اس کی بڑی وجہ 5,220 ملین روپے مالیت کے سپر ٹیکس کا نفاذ تھا۔ فاسفیٹ اور دیگر تجارتی کاروباروں نے کموڈٹی سائیکل میں تیزی سے فائدہ اٹھایا اور 2,896 ملین روپے کے بعد از ٹیکس منافع کا اضافہ کیا۔ یہ منافع گزشتہ برس کی اسی مدت کے دوران 1,749 ملین روپے رہا تھا۔

زیر جائزہ مدت کے دوران پولیمر کے کاروبار نے 45,404 ملین روپے کی آمدنی ریکارڈ کی جو 2021 کے پہلے نصف حصے میں 30,496 ملین روپے رہی تھی اس اضافے کی وجہ PVC کی فروخت کا حجم بڑھ جانا تھی جبکہ بعد از ٹیکس نفع 7,052 ملین روپے رہا جو گزشتہ برس کی اسی مدت میں 7,265 ملین روپے تھا۔ واضح رہے کہ زیر جائزہ مدت کے دوران 2,062 ملین روپے کا سپر ٹیکس بھی ادا کرنا پڑا ہے۔ اس کاروبار نے ایشیائے صرف کی قیمتوں میں بڑھوتی کی دنیاوی ہوا سے بھی فائدہ اٹھانا جاری رکھا اور 450/T کی امریکی ڈالر کی طویل مدتی اوسط کے مقابل ڈالر کا اوسط core delta، 746/T رہا۔

کان کنی کے آپریشن معمول کے مطابق جاری رہے اور کونسلے کی کان نے زیر جائزہ مدت کے دوران اینگرو پاور چین تھر کو 1.4 ملین ٹن کونسلے فراہم کیا۔ کونسلے کی کان کی گنجائش 7.6 ملین ٹن سالانہ تک لانے کیلئے دوسرے مرحلے میں توسیع کا کام جاری ہے اور توقع ہے کہ سال 2022 کی چوتھی سہ ماہی میں یہ توسیع تکمیل تک پہنچے گی۔

زیر جائزہ مدت کے دوران قادر پور پاور پلانٹ نے قومی گرڈ کو 331 GWh بجلی مہیا کی جبکہ گزشتہ برس کی اسی مدت کے دوران 394 GWh بجلی قومی گرڈ کو فراہم کی گئی تھی۔ بجلی کی فراہمی میں کمی کی وجہ مقررہ معائنہ کاری (انسپکشن) کیلئے پلانٹ کی بندش تھی۔ اس کاروبار نے زیر جائزہ مدت کے دوران 406 ملین روپے کا بعد از ٹیکس نفع ظاہر کیا جو سال 2021ء کی پہلی ششماہی کے دوران 905 ملین روپے رہا تھا۔ اس کی بنیادی وجہ مدت کے دوران قابل اطلاق Period Weighting Factor (PWF) کا کم ہونا اور کم مالیت کی فراہمی تھی۔ کمپنی کو جون 2022 میں سینٹرل پاور پراجیکٹ ایجنسی گارنٹی لمیٹڈ (CPPA-G) کے ساتھ ہونے والے ماسٹراگریمنٹ کے تحت حتمی ادائیگی کے طور پر 4.8 ملین روپے موصول ہو چکے ہیں۔

اینگرو پاور چین تھر لمیٹڈ اپنے آغاز سے اب تک 86% کی گنجائش حاصل کر چکی ہے جو اسے کونسلے سے بجلی پیدا کرنے والے انڈیپنڈنٹ پاور پلانٹس کے برابر لے آئی ہے۔ پہلی ششماہی کے دوران اس پلانٹ نے 58% دستیابی حاصل کی اور قومی گرڈ کو 1,504 GWh بجلی فراہم کی۔

LNG ٹرمینل نے 37 کارگو سنبھالے جو 2021 کی پہلی ششماہی سے زیادہ تھے، اور SSGC کے نیٹ ورک کو 110 bcf ری گیسفائینڈ ایل این جی مہیا کی جو ملک کو سپلائی کی جانے والی گیس کا 13% حصہ بنتی ہے۔ کیمیکل ٹرمینل کی حقیقی پیداوار 720 کلوٹن رہی جو گزشتہ برس کی اسی مدت کے دوران 638 کلوٹن رہی تھی۔ کیمیکل کے حجم میں اضافے کی بنیادی وجہ LPG کی ہینڈلنگ کم ہونا تھی۔

Engro Eximp Agriproducts نے چاول کے برآمدی کاروباری میں بدستور شان دار کارکردگی کا مظاہرہ کیا اور گزشتہ برس کی اسی مدت کے مقابلے میں چاول کے حجم میں 62% بڑھوتی ریکارڈ کی (زیر جائزہ مدت میں 33.4 کلوٹن اور گزشتہ برس کی اسی مدت کے دوران 20.6 کلوٹن)۔ زیر جائزہ نصف سال کے دوران چاول کے کاروبار نے برآمدات کے ذریعے 21 بلین ڈالر کی آمدنی حاصل کی جو سال 2021 کے پہلے نصف حصے میں 12 بلین ڈالر رہی تھی؛ 2022 کی پہلی ششماہی میں 26 کلوٹن چاول برآمد کیا گیا جس سے بعد از ٹیکس منافع 239 بلین روپے حاصل ہوا جو 2021 کی پہلی ششماہی میں 23 بلین روپے رہا تھا۔

Enfrashare ملک میں اپنے نقش قدم بڑھانے کے عمل میں بدستور مصروف رہی اور پہلی ششماہی کے اختتام پر 2,937 ٹاور سائٹس کی تکمیل کا ٹارگٹ حاصل کیا گیا جس کی کرایہ داری شرح 1.14x تھی اور پاکستان میں مصروف کاروبار تمام چار موبائل نیٹ ورک آپریٹرز (MNOs) کو ٹاور سائٹس مہیا کی گئیں۔ کمپنی نے دیگر آزاد ٹاور کمپنیوں کے مقابلے میں متعارف کردہ Build-to-Suit (B2S) ٹاورز کی مارکیٹ میں 62% حصہ حاصل کیا جس کی بدولت 2021 کے پہلے نصف حصے کی بہ نسبت آمدنی میں دوگنا اضافہ ہوا۔

### مستقبل کا منظر

پاکستانی ایکویٹی مارکیٹ کی ایکویٹی مارکیٹ c.3.9x کی فاورڈ P/E (بلومبرگ کی متفقہ رائے) پر 8.1x کی 10 سال کی اوسط پر ناقابل یقین ڈسکاؤنٹ کے ساتھ کاروبار کر رہی ہے اور اب کئی تہوں والی مندی کی سطحوں پر کاروبار کر رہی ہے۔ آئندہ کی بات کی جائے تو اسٹاف کی سطح پر اجلاس کے بعد آئی ایم ایف پروگرام کے دوبارہ شروع ہونا ملکی اقتصادیات کیلئے خوش آئند اقدام ہے۔ تاہم مالی سال 2023 مشکل سال رہے گا کیونکہ مہنگائی کے جن اور کرنٹ اکاؤنٹ خسارے کی صورتحال کو قابو میں لانے کی غرض سے ملک استحکامی مرحلے سے گزرے گا اور مالیاتی اور زری، دونوں جانب سختیاں اختیار کی جائیں گی۔ بجٹ میں اٹھائے گئے حالیہ اقدامات خصوصاً سپرنٹیکس کا نفاذ ایک بار قابل ادائیگی بلند محصول اور محدود منافع منقسمہ کی ادائیگیاں جون میں ختم ہونے والی سہ ماہی میں آمدنیوں پر منفی اثرات ڈالیں گے۔ مزید یہ کہ سیاسی ہنگامہ آرائی اور غیر یقینی بھی مارکیٹ کی نزاکتوں میں اضافہ کر رہے ہیں اور غیر ملکی سرمائے کے ملک میں آنے میں رکاوٹ بن رہے ہیں۔ لہذا محفوظ اور زیادہ حاصل دینے والے اسٹاکس پر منتقلی قلیل مدت میں بڑا چلن رہے گا۔

مذکورہ بالا مشکلات کے باوجود ہانچے میں اصلاحات لانے کے عمل اور آئندہ 12 ماہ میں سیاسی غیر یقینی ختم ہونے کی توقعات معیشت میں بہتری آنے اور طویل مدت میں مارکیٹ کو بڑھوتی کی اپنی معمول کی رفتار حاصل کرنے کی وجہ ہونی چاہئے، اور اس دوران آئی ایم ایف سے ملنے والی اقساط اور دوست ممالک سے ملنے والے فنڈز ملک میں زرمبادلہ کے ذخائر کی صورت حال میں بھی بہتری لائے گا۔ چنانچہ سرمایہ کاری کے بارے میں انتظامیہ کا فلسفہ ہے کہ مضبوط بنیادوں والے اور اچھی ساکھ کے مالک اسٹاکس میں سرمایہ لگایا جائے۔

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

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

محمد شمعون چوہدری  
چیف ایگزیکٹو

شبیر حسین ہاشمی  
ڈائریکٹر

مورخہ 23 اگست 2022ء

# INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Dawood Hercules Corporation Limited

## Report on review of Interim Financial Statements

### Introduction

We have reviewed the accompanying unconsolidated condensed interim statement of financial position of Dawood Hercules Corporation Limited as at June 30, 2022 and the related unconsolidated condensed interim statement of profit or loss, unconsolidated condensed interim statement of total comprehensive income, unconsolidated condensed interim statement of changes in equity, and unconsolidated condensed interim statement of cash flows, and notes to the financial statements for the six months period then ended (here-in-after referred to as the 'unconsolidated interim financial statements'). Management is responsible for the preparation and presentation of these unconsolidated interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these unconsolidated interim financial statements based on our review.

The figures of the unconsolidated condensed interim statement of profit or loss and unconsolidated condensed interim statement of total comprehensive income for the quarters ended June 30, 2022 and June 30, 2021 and the notes forming part thereof have not been reviewed, as we are required to review only the cumulative figures for the six months period ended June 30, 2022.

### Scope of Review

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

### Conclusion

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

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



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

Date: August 26, 2022

UDIN Number: RR202210160BF8KUJlpn

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**DAWOOD HERCULES CORPORATION LIMITED**

**Unconsolidated Condensed Interim Financial  
Statements**

FOR THE SIX MONTHS ENDED  
JUNE 30, 2022

# UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2022

	Note	June 30, 2022 (Un-audited)	December 31, 2021 (Audited)
----- (Rupees in '000) -----			
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	5	59,888	61,982
Right-of-use assets		46,352	4,114
Capital work-in-progress		1,921	1,921
Long-term investments	6	23,408,927	23,408,927
Deferred taxation		260,600	-
		<b>23,777,688</b>	23,476,944
<b>CURRENT ASSETS</b>			
Loans, advances, deposits and prepayments		91,251	345,217
Other receivables		217,514	257,026
Short-term investments	7	12,050,703	13,530,767
Cash and bank balances		8,883	4,419
		<b>12,368,351</b>	14,137,429
<b>TOTAL ASSETS</b>		<b>36,146,039</b>	37,614,373
<b>EQUITY</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised share capital		10,000,000	10,000,000
Issued, subscribed and paid-up share capital		4,812,871	4,812,871
Revenue reserves		24,063,047	25,595,066
		<b>28,875,918</b>	30,407,937
<b>LIABILITIES</b>			
<b>NON CURRENT LIABILITIES</b>			
Lease liabilities		35,063	-
Defined benefit liabilities		5,593	6,851
Deferred taxation		-	35,685
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>40,656</b>	42,536
<b>CURRENT LIABILITIES</b>			
Short-term running finance	8	6,074,753	6,494,477
Current portion of lease liabilities		12,371	11,270
Trade and other payables		81,055	135,467
Unclaimed dividend		229,122	224,275
Accrued mark-up		167,470	49,578
Taxation - net		664,694	248,833
<b>TOTAL CURRENT LIABILITIES</b>		<b>7,229,465</b>	7,163,900
<b>TOTAL LIABILITIES</b>		<b>7,270,121</b>	7,206,436
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>36,146,039</b>	37,614,373
<b>CONTINGENCIES AND COMMITMENTS</b>	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 Shamoony Chaudry**  
Chief Executive

**Shabbir Hussain Hashmi**  
Director

# UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS - UNAUDITED

FOR THE QUARTER AND SIX MONTHS PERIOD ENDED JUNE 30, 2022

	Note	Quarter Ended		Six Months Period Ended	
		June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
----- (Rupees in '000) -----					
Return on investments - net	10	<b>1,334,694</b>	3,215,133	<b>1,723,967</b>	3,542,444
Administrative expenses		<b>(53,577)</b>	(259,954)	<b>(127,468)</b>	(464,731)
Gross profit		<b>1,281,117</b>	2,955,179	<b>1,596,499</b>	3,077,713
Other income / (expense) - net		<b>2,306</b>	(402)	<b>4,109</b>	5,142
Operating profit		<b>1,283,423</b>	2,954,777	<b>1,600,608</b>	3,082,855
Finance costs		<b>(169,068)</b>	(1,912)	<b>(312,677)</b>	(91,617)
Profit before taxation		<b>1,114,355</b>	2,952,865	<b>1,287,931</b>	2,991,238
Taxation		<b>(591,800)</b>	(490,942)	<b>(656,001)</b>	(522,320)
<b>Profit after taxation</b>		<b>522,555</b>	2,461,923	<b>631,930</b>	2,468,918
Earnings per share (Rupees) - basic and diluted	11	<b>1.09</b>	5.12	<b>1.31</b>	5.13

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

**Kamran Hanif Jangda**  
Chief Financial Officer

**Mohammad Shamoan Chaudry**  
Chief Executive

**Shabbir Hussain Hashmi**  
Director

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

FOR THE QUARTER AND SIX MONTHS PERIOD ENDED JUNE 30, 2022

	Quarter Ended		Six Months Period Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
	----- (Rupees in '000) -----			
Profit after taxation	<b>522,555</b>	2,461,923	<b>631,930</b>	2,468,918
<b>Other comprehensive income / (loss) for the period</b>				
<i>Items that will not be reclassified to profit or loss</i>				
Remeasurements of post-retirement benefits liability	<b>1,843</b>	(555)	<b>1,843</b>	(555)
Total comprehensive income / (loss) for the period	<b><u>524,398</u></b>	<u>2,461,368</u>	<b><u>633,773</u></b>	<u>2,468,363</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 Shamoan Chaudry**  
Chief Executive

**Shabbir Hussain Hashmi**  
Director

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

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2022

	----- Revenue reserves -----				Total
	Issued, subscribed and paid up share capital	General reserve	Un-appro- priated profit	Sub-total	
	----- (Rupees in '000) -----				
<b>Balance as at January 1, 2021 (Audited)</b>	4,812,871	700,000	25,489,540	26,189,540	31,002,411
<b>Total comprehensive income</b>					
Profit for the period	-	-	2,468,918	2,468,918	2,468,918
Other comprehensive loss	-	-	(555)	(555)	(555)
Total comprehensive income for the period	-	-	2,468,363	2,468,363	2,468,363
<b>Transaction with owners</b>					
Interim cash dividend @ 45% for the year ended December 31, 2021 (Rs 4.5 per ordinary share)	-	-	(2,165,792)	(2,165,792)	(2,165,792)
<b>Balance as at June 30, 2021 (Un-audited)</b>	4,812,871	700,000	25,792,111	26,492,111	31,304,982
<b>Balance as at January 1, 2022 (Audited)</b>	4,812,871	700,000	24,895,066	25,595,066	30,407,937
<b>Total comprehensive Income</b>					
Profit for the period	-	-	631,930	631,930	631,930
Other comprehensive income	-	-	1,843	1,843	1,843
Total comprehensive income for the period	-	-	633,773	633,773	633,773
<b>Transaction with owners</b>					
Interim cash dividend @ 45% for the year ending December 31, 2022 (Rs 4.5 per ordinary share)	-	-	(2,165,792)	(2,165,792)	(2,165,792)
<b>Balance as at June 30, 2022 (Un-audited)</b>	4,812,871	700,000	23,363,047	24,063,047	28,875,918

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

**Kamran Hanif Jangda**  
Chief Financial Officer

**Mohammad Shamoan Chaudry**  
Chief Executive

**Shabbir Hussain Hashmi**  
Director

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

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2022

	Note	June 30, 2022	June 30, 2021
----- (Rupees in '000) -----			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from / (used in) operations	12	<b>124,836</b>	(142,838)
Finance cost paid		<b>(193,316)</b>	(151,597)
Income taxes paid		<b>(536,425)</b>	(536,734)
Defined benefit liabilities paid		<b>(2,041)</b>	(3,961)
Interest received on bank deposits and investments		<b>161,968</b>	176,775
Short term investments purchased and redeemed - net		<b>(575,982)</b>	(93,048)
Dividends received		<b>3,381,768</b>	3,167,551
<b>Net cash inflow from operating activities</b>		<b>2,360,808</b>	2,416,148
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		<b>(6,736)</b>	(9,169)
Sale proceeds from disposal of property, plant and equipment		<b>3,806</b>	3,474
<b>Net cash outflow from investing activities</b>		<b>(2,930)</b>	(5,695)
<b>CASH FLOWS ON FINANCING ACTIVITIES</b>			
Long term financings repaid		<b>-</b>	(7,320,000)
Lease rentals paid during the period		<b>(9,022)</b>	(17,920)
Dividend paid		<b>(2,160,945)</b>	(2,162,137)
<b>Net cash outflow on financing activities</b>		<b>(2,169,967)</b>	(9,500,057)
Net decrease during the period in cash and cash equivalents		<b>187,911</b>	(7,089,604)
Cash and cash equivalents at the beginning of the period		<b>(4,590,051)</b>	8,598,636
Cash and cash equivalents at the end of the period	13	<b>(4,402,140)</b>	1,509,032

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

**Kamran Hanif Jangda**  
Chief Financial Officer

**Mohammad Shamoan Chaudry**  
Chief Executive

**Shabbir Hussain Hashmi**  
Director

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

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2022

## 1. THE COMPANY AND ITS OPERATIONS

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

## 2. STATEMENT OF COMPLIANCE AND SIGNIFICANT ACCOUNTING POLICIES

- 2.1 These unconsolidated condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:
- (a) International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 (the Act); and
  - (b) Provisions of and directives issued under the Act.

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

- 2.2 The accounting policies and the methods of computation adopted in the preparation of these unconsolidated condensed interim financial statements are consistent with those applied in the preparation of the Company's unconsolidated audited financial statements for the year ended December 31, 2021 (December 2021 unconsolidated financial statements), except relating to the matter stated in note 2.3 below.
- 2.3 Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.
- 2.4 **New standards, amendments and interpretation to published accounting and reporting standards which became effective during the period ended June 30, 2022:**
- There were certain amendments to accounting and reporting standards which became effective for the Company's accounting during the current period. However, these do not have any significant impact on the Company's financial reporting and, therefore, have not been detailed in these unconsolidated condensed interim financial statements.
- 2.5 **New standards and amendments to published accounting and reporting standards that are not yet effective:**

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

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

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2022

## 2.6 BASIS OF PREPARATION

- 2.6.1 These unconsolidated condensed interim financial statements include the unconsolidated condensed interim statement of financial position as at June 30, 2022, 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 six months period then ended which have been subjected to a review but have not been audited. These unconsolidated condensed interim financial statements also include the unconsolidated condensed interim statement of profit or loss and the unconsolidated condensed interim statement of total comprehensive income for the quarter ended June 30, 2022 which were not subjected to auditor's review.
- 2.6.2 The comparative statement of financial position presented in these unconsolidated condensed interim financial statements as at December 31, 2021 has been extracted from the December 2021 unconsolidated financial statements. The comparative statement of profit or loss, statement of total comprehensive income, statement of changes in equity and statement of cash flows for the six months period ended June 30, 2021 have been extracted from the unconsolidated condensed interim financial statements of the Company for the six months period then ended, which were subjected to review but were not audited.
- 2.6.3 These unconsolidated condensed interim financial statements should be read in conjunction with the unconsolidated audited financial statements of the Company for the year ended December 31, 2021 as these provide an update of previously reported information.

## 3. SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

- 3.1 The preparation of these condensed interim financial statements in conformity with approved accounting and reporting standards for interim reporting requires the use of certain accounting estimates. It also requires management to exercise its judgments in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.
- 3.2 During the preparation of these unconsolidated condensed interim financial statements, significant judgements made by management in applying the Company's accounting policies and key sources of estimation were the same as those applied in the December 2021 financial statements.
- 3.3 The financial risk management objectives and policies are consistent with those disclosed in the December 2021 unconsolidated financial statements.

## 4. SEASONALITY OF OPERATIONS

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

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

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2022

	Note	Unaudited June 30, 2022	Audited December 31, 2021
----- (Rupees in '000) -----			
<b>5. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets (WDV) opening balance - As at January 1		<b>61,982</b>	66,662
Additions during the period / year	5.1	<b>6,736</b>	14,092
		<b>68,718</b>	80,754
Disposals during the period / year (WDV)	5.2	<b>(678)</b>	(197)
Depreciation charge for the period / year		<b>(8,152)</b>	(18,575)
Operating fixed assets (WDV) - closing balance		<b>59,888</b>	61,982
		<b>Unaudited June 30, 2022</b>	<b>Unaudited June 30, 2021</b>
----- (Rupees in '000) -----			
<b>5.1 Additions during the period</b>			
Furniture, fittings and equipment		-	3,211
Vehicles		<b>6,164</b>	166
Data processing equipment		<b>572</b>	5,792
		<b>6,736</b>	9,169
<b>5.2 Disposals during the period - net book value</b>			
Furniture, fittings and equipment		<b>58</b>	5
Vehicle		<b>91</b>	39
Data processing equipment		<b>529</b>	19
		<b>678</b>	63
		<b>Unaudited June 30, 2022</b>	<b>Audited December 31, 2021</b>
----- (Rupees in '000) -----			
<b>6. LONG TERM INVESTMENTS</b>			
Investment in subsidiaries - at cost	6.1	<b>23,408,927</b>	23,408,927
Other investment - at fair value through profit or loss	6.2	-	-
		<b>23,408,927</b>	23,408,927

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

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2022

	Note	Unaudited June 30, 2022	Audited December 31, 2021
----- (Rupees in '000) -----			
<b>6.1 Investment in subsidiaries - at cost</b>			
Engro Corporation Limited (ECL) - quoted			
214,469,810 (December 31, 2021: 214,469,810) ordinary shares of Rs 10 each. Percentage of holding 37.22% (December 31, 2021: 37.22%)	6.1.1 & 6.1.2	<b>23,308,927</b>	23,308,927
Empiric AI (Private) Limited (EMPAK) - unquoted			
10,000,000 (December 31, 2021: 10,000,000) Ordinary shares of Rs 10 each Percentage of holding 100% (December 31, 2021: 100%)	6.1.3	<u>100,000</u> <b>23,408,927</b>	<u>100,000</u> 23,408,927

6.1.1 The market value of investment in ECL as at June 30, 2022 was Rs 55,138 million (December 31, 2021: Rs 58,426 million).

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

Bank	As at June 30, 2022			As at December 31, 2021		
	Number of shares pledged	Face value of pledged shares	Market value of pledged shares	Number of shares pledged	Face value of pledged shares	Market value of pledged shares
----- (Rupees in '000) -----						
<b>"Pledged in favour of Fatima Fertilizer Company Limited against potential liabilities of DH Fertilizer Limited"</b>						
Meezan Bank Limited - as agent	<b>10,491,800</b>	<b>104,918</b>	<b>2,697,337</b>	10,491,800	104,918	2,858,176

6.1.3 Subsequent to the period, the Company has subscribed to the proposed right issue of the EMPAK comprising of 37,500,000 ordinary shares of Rs 10 each while retaining 100% holding.

	Unaudited June 30, 2020	Audited December 31, 2019
----- (Rupees in '000) -----		
<b>6.2 At amortised cost</b>		
<b>Other investment - at fair value through profit or loss</b>		
e2e Business Enterprises (Private) Limited - unquoted [23,770,701 (December 31, 2021: 23,770,701) ordinary shares of Rs 10 each]	<b>237,707</b>	237,707
Less: Accumulated impairment	<b>(237,707)</b>	(237,707)
	<u>-</u>	<u>-</u>

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

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

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2022

	Note	Unaudited June 30, 2022	Audited December 31, 2021
----- (Rupees in '000) -----			
<b>7. SHORT-TERM INVESTMENTS</b>			
<b>At amortized cost</b>			
- Term Deposit Receipts (TDRs)	7.1 & 7.2	<b>518,007</b>	1,918,007
<b>At fair value through profit or loss</b>			
- Market Treasury bills (T-Bills)	7.3	<b>1,163,723</b>	599,379
- Pakistan Investment Bonds (PIBs)	7.4	<b>1,513,234</b>	1,521,602
- Quoted shares	7.5	<b>8,855,739</b>	9,491,779
		<b>11,532,696</b>	11,612,760
		<b>12,050,703</b>	13,530,767

- 7.1 These carry profit at rates ranging from 10.25% to 15.20% per annum (December 31, 2021: from 6.75% to 11% per annum).
- 7.2 As of June 30, 2022, the Company held TDR amounting to Rs 18 million with a commercial bank carrying profit at the rate of 10.25% per annum. The TDR is due to mature on April 4, 2023. The Bank has marked lien over this TDR against Corporate Credit Card facilities.
- 7.3 These carry profit at rates ranging from 14.2% to 14.9% per annum (December 31, 2021: 10.18% per annum). This includes a T-Bill amounting to Rs 400 million carrying profit rate of 14.35% per annum, which has been lien against running finance facility obtained as disclosed in note 8.1.4 to these unconsolidated condensed interim financial statements.
- 7.4 These securities have original tenor of 3 years and are maturing on June 19, 2023. The yield on these securities is 15.4% per annum (December 31, 2021: 11.83% per annum). These securities have been lien against the running finance facility obtained as disclosed in note 8.1.1 and 8.1.4 to these unconsolidated condensed interim financial statements. The Company as part of its investment portfolio has classified it as short term investment.
- 7.5 The market value of investments which have been pledged with financial institutions as security against financing facilities (refer note 8) are as follows:

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

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2022

	As at June 30, 2022			As at December 31, 2021		
	Number of shares pledged	Face value of pledged shares	Market value of pledged shares	Number of shares pledged	Face value of pledged shares	Market value of pledged shares
	------(Rupees in '000) -----			------(Rupees in '000) -----		
<b>Bank AL Habib Limited - note 8.1.1</b>						
MCB Bank Limited	6,215,430	62,154	764,374	6,215,430	62,154	953,136
United Bank Limited	6,076,125	60,761	687,392	6,076,125	60,761	829,877
The Hub Power Company Limited	5,304,466	53,045	361,605	2,419,215	24,192	172,587
Oil & Gas Development Company Limited	4,500,000	45,000	354,015	-	-	-
Pakistan Petroleum Limited	3,000,000	30,000	202,530	-	-	-
Lucky Cement Limited	300,000	3,000	137,712	1,000,000	10,000	679,280
Fauji Fertilizer Company Limited	1,027,438	10,274	113,244	1,027,438	10,274	103,011
Engro Fertilizer Limited	1,000,000	10,000	88,640	-	-	-
Pakistan State Oil Company Limited	500,000	5,000	85,920	2,346,941	23,469	426,885
Fauji Cement Company Limited	4,735,500	47,355	67,102	6,735,500	67,355	123,731
Bank Al-Falah Limited	2,000,000	20,000	64,000	-	-	-
Mari Petroleum Company Limited	-	-	-	69,000	690	114,142
Indus Motor Company Limited	-	-	-	76,950	770	94,572
			2,926,534			3,497,221
<b>MCB Bank Limited - note 8.1.3</b>						
United Bank Limited	5,000,000	50,000	565,650	5,500,000	55,000	751,190
Maple Leaf Cement Factory Limited	2,900,000	29,000	79,315	7,011,500	70,115	252,063
Pioneer Cement Limited	918,500	9,185	55,413	1,368,500	13,685	121,454
Systems Limited	254,299	2,543	83,883	79,500	795	60,407
Meezan Bank Limited	-	-	-	3,568,912	35,689	478,627
Oil & Gas Development Company Limited	-	-	-	4,607,800	46,078	397,192
Habib Bank Limited	-	-	-	2,982,600	29,826	347,831
Interloop Limited	-	-	-	2,025,752	20,258	147,252
The Hub Power Company Limited	-	-	-	2,419,216	24,192	172,587
Pakistan Petroleum Limited	-	-	-	3,706,540	37,065	292,965
			784,261			3,021,568
<b>Habib Bank Limited - note 8.1.4</b>						
United Bank Limited	18,500,000	185,000	2,092,905	-	-	-
MCB Bank Limited	8,040,070	80,401	988,768	-	-	-
Meezan Bank Limited	3,243,912	32,439	366,497	-	-	-
Mari Petroleum Company Limited	119,896	1,199	208,588	-	-	-
The Hub Power Company Limited	2,419,216	24,192	164,918	-	-	-
Lucky Cement Limited	300,000	3,000	137,712	-	-	-
Bank Al-Falah Limited	3,661,113	36,611	117,156	-	-	-
Fauji Fertilizer Company Limited	986,544	9,865	108,737	-	-	-
Pakistan State Oil Company Limited	500,000	5,000	85,920	-	-	-
Pakistan Petroleum Limited	706,540	7,065	47,699	-	-	-
Engro Fertilizer Limited	109,699	1,097	9,724	-	-	-
Oil & Gas Development Company Limited	107,800	1,078	8,481	-	-	-
Pakistan Oilfields Limited	20,000	200	8,116	-	-	-
			4,345,219			-
<b>United Bank Limited - note 8.1.2</b>						
MCB Bank Limited	-	-	-	5,202,840	52,028	797,856
Kohinoor Textile Mills Limited	-	-	-	710,500	7,105	49,323
Bank Alfalah Limited	-	-	-	2,000,000	20,000	69,200
			-			916,379

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

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2022

	Note	June 30, 2022 Unaudited	December 31, 2021 Audited
----- (Rupees in '000) -----			
8.	<b>SHORT-TERM RUNNING FINANCE</b>		
	8.1.1		
		-	
	Running finance under mark-up arrangements	<u>6,074,753</u>	<u>6,494,477</u>
	8.1.4		

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, 2021: Rs 3,000 million) was obtained under mark-up arrangements from Bank Al Habib Limited. The amount which remained unutilised as at June 30, 2022 was Rs 248.543 million (December 31, 2021: Rs 22.346 million). The facility is secured by way of pledge of shares and lien over PIBs as more fully explained in notes 7.5 and 7.4 to these unconsolidated condensed interim financial statements. Rate of mark-up applicable to the facility is three months KIBOR plus 10 basis points per annum. The facility will expire on September 30, 2022.

8.1.2 Short-term running finance facility of Rs 2,500 million (December 31, 2021: Rs 2,500 million) was obtained under mark-up arrangements from United Bank Limited. The amount which remained unutilised as at June 30, 2022 was Rs 2,500 (December 31, 2021: Rs 983.772 million). The facility is secured by way of pledge of shares and lien over other securities. Rate of mark-up applicable to the facility is one month KIBOR plus 10 basis points per annum. The facility will expire on November 1, 2022.

8.1.3 Short-term running finance facility of Rs 3,000 million (December 2021: Rs 3,000 million) was obtained under mark-up arrangements from MCB Bank Limited. The amount which remained unutilised as at June 30, 2022 was Rs 2,500 million (2020: Rs 1,000.882 million). The facility is secured by way of pledge of shares as more fully explained in note 7.5 to these unconsolidated condensed interim financial statements. 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 has expired on June 30, 2022.

8.1.4 Short-term running finance facility of Rs 4,900 million (December 31, 2021: Nil) was obtained during the period under mark-up arrangements from Habib Bank Limited. The amount which remained unutilised as at June 30, 2022 was Rs 1,759 million (December 31, 2021: Rs Nil). The facility is secured by way of pledge of shares and lien over PIBs and T-Bills as more fully explained in notes 7.3 to 7.5 to these unconsolidated condensed interim financial statements. Rate of mark-up applicable to the facility is three months KIBOR plus 10 basis points per annum. The facility will expire on December 31, 2022.

## 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 2021 unconsolidated financial statements, except for the year facts and the matters disclosed in the notes 9.2 and 9.3 below.

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

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

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2022

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

With respect to tax on inter corporate dividend and capital gain, the management and the tax consultant of the Company believe that there are meritorious grounds available to defend the foregoing demand. Consequently, no provision has been recorded in these unconsolidated condensed interim financial statements.

- 9.3 During the year ended December 31, 2020, the Company received an income tax demand amounting to Rs 201.196 million in relation to the tax year 2019. Out of such demand, an amount of Rs 92 million seemed an apparent error for which a rectification application was submitted to the tax authorities and order against the same was issued on December 16, 2020 by the authorities in favour of the Company granting complete credit of Rs 92 million. The remaining demand of Rs 109 million was made to the Company as the taxation authorities were of the view that the Company's interest income did not meet the criteria of the 'income from business' and should be treated as 'income from other sources'. As a result of which the common expenses incurred by the Company could not be allocated to 'income from other sources' resulting in increased tax liability. However, the Company is of the view that earning interest / money market income is one of the principal revenue streams of the Company and should be treated as 'income from business'. An appeal was filed by the Company before the Commissioner Inland Revenue (Appeals).

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

	Note	Quarter Ended		Six Months Period Ended	
		June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
----- (Rupees in '000) -----					
<b>10. RETURN ON INVESTMENTS - net</b>					
Dividend income	10.1	2,825,435	3,078,631	3,381,768	3,167,551
Interest income	10.2	81,216	56,162	161,968	176,775
Others	10.3	(1,571,957)	80,340	(1,819,769)	198,118
		<u>1,334,694</u>	<u>3,215,133</u>	<u>1,723,967</u>	<u>3,542,444</u>
<b>10.1 Dividend income</b>					
Subsidiary - Engro Corporation Limited		2,573,638	3,002,577	2,788,108	3,002,577
Other investments in quoted shares		<u>251,797</u>	<u>76,054</u>	<u>593,660</u>	<u>164,974</u>
		<u>2,825,435</u>	<u>3,078,631</u>	<u>3,381,768</u>	<u>3,167,551</u>
<b>10.2 Interest income</b>					
Income on T-Bills		17,635	9,155	21,630	64,630
Return on TDRs		13,542	6,548	32,082	35,796
Income on PIBs		40,299	28,651	90,624	56,832
Profit on savings accounts		283	7,175	525	11,080
Income on loan to EMPAK		<u>9,457</u>	<u>4,633</u>	<u>17,107</u>	<u>8,437</u>
		<u>81,216</u>	<u>56,162</u>	<u>161,968</u>	<u>176,775</u>

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

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2022

	Quarter Ended		Six Months Period Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
	----- (Rupees in '000) -----			
<b>10.3 Others</b>				
Gain on sale of quoted shares	7,870	16,893	54,020	49,482
Unrealised (loss) / gain on quoted shares	(1,571,459)	86,812	(1,865,421)	172,001
Unrealised loss on Pakistan Investment Bonds (PIBs)	(8,368)	(23,365)	(8,368)	(23,365)
	<u>(1,571,957)</u>	<u>80,340</u>	<u>(1,819,769)</u>	<u>198,118</u>

	Quarter Ended		Six Months Period Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
	----- (Rupees in '000) -----			
<b>11. EARNINGS PER SHARE</b>				
Profit for the period after taxation	<u><b>522,555</b></u>	<u>2,461,923</u>	<u><b>631,930</b></u>	<u>2,468,918</u>
	----- (Number of shares) -----			
Weighted average number of ordinary shares outstanding during the period	<u><b>481,287,116</b></u>	<u>481,287,116</u>	<u><b>481,287,116</b></u>	<u>481,287,116</u>
	----- (Rupees) -----			
Earnings per share - basic and diluted	<u><b>1.09</b></u>	<u>5.12</u>	<u><b>1.31</b></u>	<u>5.13</u>

11.1 There were no convertible dilutive potential ordinary shares outstanding as at June 30, 2022 and June 30, 2021.

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

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2022

	Note	Six months period ended	
		June 30, 2022 (Un-audited)	June 30, 2021 (Un-audited)
		----- (Rupees in '000) -----	
<b>12. CASH GENERATED FROM / (USED IN) OPERATIONS</b>			
Profit before taxation		<b>1,287,931</b>	2,991,238
Adjustments for non cash expenses and other items:			
Depreciation on property, plant and equipment		<b>8,152</b>	9,073
Depreciation on right-of-use assets		<b>6,840</b>	13,867
Finance cost		<b>312,677</b>	91,617
Return on investments		<b>(1,723,967)</b>	(3,542,444)
Provision for staff retirement and other service benefits		<b>2,626</b>	5,018
Gain on disposal of operating fixed assets		<b>(3,128)</b>	(3,411)
Gain on termination of lease arrangement		<b>(5,361)</b>	-
Working capital changes	12.1	<b>239,066</b>	292,204
Cash generated from / (used in) operations		<b>124,836</b>	(142,838)
<b>12.1 Working capital changes</b>			
Decrease / (increase) in current assets			
Loans, advances, deposits and prepayments		<b>253,966</b>	(20,356)
Other receivables		<b>39,512</b>	(5,147)
		<b>293,478</b>	(25,503)
(Decrease) / increase in trade and other payables		<b>(54,412)</b>	317,707
		<b>239,066</b>	292,204
<b>13. CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances		<b>8,883</b>	209,032
Short term running finance	8.	<b>(6,074,753)</b>	-
Short term investments		<b>1,663,730</b>	1,300,000
		<b>(4,402,140)</b>	1,509,032
<b>14. FAIR VALUE OF FINANCIAL INSTRUMENTS</b>			
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.		

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

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2022

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) and discounting of future cash flows using market rate for PIBs / T-Bills (Level II). The estimated fair value of other financial instruments is considered not significantly different from the book value due to the underlying short term / current nature.

14.1 During the period, there were no transfers between level 1 and level 2 fair value measurements, and no transfers into and out of 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.

15.2 Transactions with related parties are as follows:

	<b>Six months period ended</b>	
	<b>June 30,</b>	<b>June 30,</b>
	<b>2022</b>	<b>2021</b>
	<b>(Un-audited)</b>	<b>(Un-audited)</b>
	----- (Rupees in '000) -----	
<b>Subsidiaries</b>		
Reimbursement of expenses made to the Company	<b>5,538</b>	3,254
Reimbursement of expenses made by the Company	<b>89,110</b>	59,387
Dividend income	<b>2,788,108</b>	3,002,577
Sale of goods and services	<b>2,343</b>	257
Purchase of goods and services	-	4,386
Advances and deposits	-	42,801
Accrued Profit on loan / advances / markup on delayed payment	<b>17,280</b>	8,437
<b>Associated undertaking</b>		
Purchase of services	<b>4,691</b>	24,245
Sale of services	<b>6,734</b>	6,192
Reimbursement of expenses made to associates	<b>17,189</b>	5,932
Reimbursement of expenses made by associates	<b>41,888</b>	33,135
Donation	<b>146</b>	5,720
Dividend Income	<b>6,103</b>	-
Dividend paid	<b>649,683</b>	649,683
Accrued Profit on Loan / Markup on delayed payment	<b>884</b>	846
<b>Other related parties</b>		
Purchase of services	<b>809</b>	1,215
Contribution to staff gratuity fund	<b>2,068</b>	-
Contribution to staff provident fund	<b>3,743</b>	-
<b>Key management personnel</b>		
Salaries and other short term employee benefits	<b>37,947</b>	201,212
Directors' fee	<b>11,000</b>	11,000
Post retirement benefit plans	<b>3,045</b>	-

# CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2022

## 16. CORRESPONDING FIGURES

16.1 In order to comply with the requirements of International Accounting Standards 34 - 'Interim Financial Reporting', the unconsolidated condensed interim statement of financial position has been compared with the balances of annual financial statements 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, have 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 of the Company on August 23, 2022.

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

The Board of Directors in its meeting held on August 23, 2022 approved an interim cash dividend of Rs 4.5 per share amounting to Rs 2,166 million for the six months period ended June 30, 2022. (Rs 4.5 per share amounting to Rs 2,166 million for the six months period ended June 30, 2021). These unconsolidated condensed interim financial statements do not recognise the proposed interim dividend from unappropriated profit as it has been declared subsequent to the reporting date.

**Kamran Hanif Jangda**  
Chief Financial Officer

**Mohammad Shamooun Chaudry**  
Chief Executive

**Shabbir Hussain Hashmi**  
Director

**DAWOOD HERCULES CORPORATION LIMITED**

**Consolidated Condensed Interim Financial  
Statements**

FOR THE SIX MONTHS ENDED  
JUNE 30, 2022

# CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2022

	Note	Consolidated	
		Unaudited June 30, 2022	Audited December 31, 2021
----- (Rupees in '000) -----			
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	<b>304,427,805</b>	282,231,580
Right-of-use assets		<b>12,415,976</b>	9,831,346
Intangible assets		<b>6,929,802</b>	6,931,587
Long term investments		<b>34,905,031</b>	34,217,070
Deferred taxation		<b>367,893</b>	80,346
Financial asset at amortized cost		<b>3,087,914</b>	3,592,784
Derivative financial Instrument		<b>382,307</b>	92,805
Net investment in lease		<b>49,792,733</b>	45,203,623
Long term loans, advances and other receivables		<b>3,040,545</b>	2,616,236
		<b>415,350,006</b>	384,797,377
<b>Current assets</b>			
Stores, spares and loose tools		<b>10,533,217</b>	9,310,131
Stock-in-trade		<b>42,056,077</b>	31,513,007
Trade debts		<b>59,351,961</b>	59,597,915
Loans, advances, deposits and prepayments		<b>7,320,264</b>	4,778,751
Other receivables		<b>31,568,052</b>	25,829,784
Accrued Income		<b>1,574,609</b>	647,250
Contract asset		<b>190,559</b>	5,452,510
Current portion of net investment in lease		<b>4,871,371</b>	4,004,522
Short term investments		<b>84,490,657</b>	95,902,818
Cash and bank balances		<b>47,038,563</b>	40,867,935
		<b>288,995,330</b>	277,904,623
<b>TOTAL ASSETS</b>		<b>704,345,336</b>	662,702,000

**Kamran Hanif Jangda**  
Chief Financial Officer

**Mohammad Shamooun Chaudry**  
Chief Executive

**Shabbir Hussain Hashmi**  
Director

# CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2022

	Note	Unaudited June 30, 2022	Audited December 31, 2021
----- (Rupees in '000) -----			
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		4,812,871	4,812,871
Revaluation reserve on business combination		1,665	1,665
Maintenance reserve		60,117	60,117
Exchange revaluation reserve		481,849	349,398
Hedging reserve		22,783	22,894
Remeasurment of investments		84,474	14,609
General reserve		700,000	700,000
Unappropriated profit		63,820,275	65,468,300
Remeasurment of post-employment benefits		(43,278)	(45,121)
		<b>65,127,885</b>	66,571,862
		<b>69,940,756</b>	71,384,733
Non-controlling interest		<b>180,528,294</b>	182,605,571
<b>Total Equity</b>		<b>250,469,050</b>	253,990,304
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings		142,435,729	139,818,216
Government grants		1,404,152	1,079,703
Deferred taxation		18,386,234	16,292,334
Lease liabilities		60,268,806	53,163,136
Deferred liabilities		3,191,471	2,852,686
Long term provision		6,380,427	8,172,253
Staff retirement and other service benefits		5,593	-
		<b>232,072,412</b>	221,378,328
<b>Current liabilities</b>			
Trade and other payables		106,380,584	96,365,013
Accrued interest / mark-up		1,877,127	1,416,397
Current portion of :			
- borrowings		24,776,335	23,110,031
- Government grants		326,445	183,624
- lease liabilities		7,147,252	6,131,558
- deferred liabilities		533,967	736,953
- long tem provision		21,053,619	18,510,399
Taxes payable		23,470,528	9,548,913
Contract Liability		85,647	-
Short term borrowings		34,927,175	29,764,791
Unclaimed dividends		1,225,195	1,565,689
		<b>221,803,874</b>	187,333,368
<b>Total Liabilities</b>		<b>453,876,286</b>	408,711,696
<b>Contingencies and Commitments</b>	6		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>704,345,336</b>	662,702,000

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

**Kamran Hanif Jangda**  
Chief Financial Officer

**Mohammad Shamooun Chaudry**  
Chief Executive

**Shabbir Hussain Hashmi**  
Director

# CONSOLIDATED CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UNAUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2022

(Amounts in thousand except for earnings per share)

	Quarter Ended		Six Months Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
	----- (Rupees) -----			
Net sales	<b>89,210,508</b>	68,547,286	<b>177,579,448</b>	139,420,835
Cost of sales	<b>(62,204,592)</b>	(45,642,371)	<b>(123,381,220)</b>	(91,720,763)
<b>Gross profit</b>	<b>27,005,916</b>	22,904,915	<b>54,198,228</b>	47,700,072
Selling and distribution expenses	<b>(1,536,920)</b>	(1,807,098)	<b>(3,425,574)</b>	(3,463,622)
Administrative expenses	<b>(3,153,288)</b>	(1,885,185)	<b>(4,956,986)</b>	(3,431,968)
Remeasurement Loss on Provision for GIDC	<b>(1,001,520)</b>		<b>(1,001,520)</b>	
Reversal of ECL on subsidy receivable from GOP	<b>(389,173)</b>	-	<b>(389,173)</b>	164,417
	<b>20,925,015</b>	19,212,632	<b>44,424,975</b>	40,968,899
Other income	<b>4,406,407</b>	3,465,694	<b>8,569,872</b>	6,233,263
Other operating expenses	<b>(3,752,099)</b>	(2,048,467)	<b>(6,430,839)</b>	(3,176,306)
Finance cost	<b>(7,052,947)</b>	(4,364,696)	<b>(12,331,786)</b>	(8,050,022)
Share of income from associates & joint ventures	<b>283,790</b>	858,632	<b>1,272,119</b>	1,877,288
<b>Profit before taxation</b>	<b>14,810,166</b>	17,123,795	<b>35,504,341</b>	37,853,122
Taxation	<b>(14,961,487)</b>	(3,484,760)	<b>(20,933,550)</b>	(9,372,331)
<b>Profit for the period</b>	<b>(151,321)</b>	13,639,035	<b>14,570,791</b>	28,480,791
Profit attributable to:				
- continuing operations	<b>(151,321)</b>	9,529,988	<b>14,570,791</b>	28,480,791
Loss from discontinued operations	<b>(167)</b>	-	<b>71</b>	(436)
	<b>(151,488)</b>	9,529,988	<b>14,570,862</b>	28,480,355
Profit attributable to:				
- Owners of the Holding Company	<b>(2,528,497)</b>	2,715,019	<b>517,767</b>	5,716,272
- Non-controlling interest	<b>2,377,009</b>	11,087,997	<b>14,053,095</b>	22,764,083
	<b>(151,488)</b>	13,803,016	<b>14,570,862</b>	28,480,355
Earnings per share - basic and diluted	<b>(5.16)</b>	5.64	<b>1.08</b>	11.88

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

**Kamran Hanif Jangda**  
Chief Financial Officer

**Mohammad Shamooun Chaudry**  
Chief Executive

**Shabbir Hussain Hashmi**  
Director

# CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2022

	Quarter Ended June 30, 2022	June 30, 2021	Six Months Ended June 30, 2022	June 30, 2021
<b>Profit for the period</b>				
				----- (Rupees in '000) -----
	<b>(151,488)</b>	13,803,016	<b>14,570,862</b>	28,480,355
<b>Other comprehensive income</b>				
<b>Items that may be reclassified subsequently to profit or loss</b>				
- Unrealized (loss) / gain on remeasurement of investment Classified at FV through OCI	<b>204,011</b>	5,188	<b>187,707</b>	5,188
Fair Value gain on derivative financial instrument	-	103,264	-	103,264
<b>Hedging reserve - cash flow hedges</b>				
- Losses arising during the period	<b>(73,166)</b>	-	-	-
- Reclassification adjustments for losses included in profit or loss	<b>(218)</b>	(218)	<b>(433)</b>	(433)
	<b>(73,384)</b>	(218)	<b>(433)</b>	(433)
Fair value gain on remeasurement of short term investments classified as FVOCI	-	-	-	-
<b>Share of other comprehensive income of associate</b>	-	-	-	-
<b>Revaluation reserve on business combination</b>	-	1,345	-	(3,906)
<b>Exchange differences on translation of foreign operations</b>	-	-	-	-
	<b>341,699</b>	71,363	<b>355,861</b>	(32,909)
	<b>341,699</b>	72,708	<b>355,861</b>	(36,815)
<b>Income tax relating to:</b>				
- Hedging reserve - cash flow hedges	-	-	-	-
- Revaluation reserve on business combination	-	367	-	2,047
	-	367	-	2,047
<b>Items that will not be reclassified to profit or loss</b>				
Remeasurement of post employment benefits obligation	<b>1,843</b>	(555)	<b>1,843</b>	(555)
	<b>474,169</b>	180,754	<b>544,978</b>	72,696
Total comprehensive income for the period	<b>322,681</b>	13,983,770	<b>15,115,840</b>	28,553,051
Total comprehensive income attributable to:				
- Discontinued operations	<b>(167)</b>	-	<b>71</b>	(436)
- Continuing operations	<b>322,848</b>	13,983,770	<b>15,115,769</b>	28,553,487
	<b>322,681</b>	13,983,770	<b>15,115,840</b>	28,553,051
Total comprehensive income attributable to:				
- Owners of the Holding Company	<b>(2,463,501)</b>	2,782,065	<b>721,815</b>	5,743,503
- Non-controlling interest	<b>2,786,182</b>	11,201,705	<b>14,394,025</b>	22,809,548
	<b>322,681</b>	13,983,770	<b>15,115,840</b>	28,553,051

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

**Kamran Hanif Jangda**  
Chief Financial Officer

**Mohammad Shamooun Chaudry**  
Chief Executive

**Shabbir Hussain Hashmi**  
Director

# CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2022

	----- Attributable to owners of the Holding Company -----											Sub total	Non-con- trolling interest	Total
	Share capital	Revaluation reserve on business combination	Maintenance reserve	Exchange revaluation reserve	----- Capital reserves -----			----- Revenue reserves -----						
Hedging reserve					Remeasure- ment of investment	General reserve	Un-appropri- ated profit	Remeasure- ment of post employment benefits - Actuarial (loss) / income	Derivative Financial Instrument	Remeasure- ment of post employment benefits - Actuarial gain / (loss)				
	(Rupees in '000)													
<b>Balance December 31, 2020 (audited) / January 01, 2021</b>	4,812,871	1,665	60,117	254,541	(11,428)	-	700,000	61,516,861	-	-	(32,978)	67,301,649	164,359,927	231,661,576
<b>Total comprehensive income / (loss) for the six months ended June 30, 2021 (unaudited)</b>														
Profit for the period	-	-	-	-	-	-	-	5,716,272	-	-	-	5,716,272	22,764,083	28,480,355
Other comprehensive income	-	(235)	-	(12,249)	(96)	1,931	-	-	1,931	38,435	(555)	27,231	45,465	72,696
	-	(235)	-	(12,249)	(96)	1,931	-	5,716,272	1,931	38,435	(555)	5,743,503	22,809,548	28,553,051
<b>Transaction with owners</b>														
Dividend by subsidiaries allocable to Non-Controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	(11,105,265)	(11,105,265)
Interim cash dividend @ 20% for the year ended December 31, 2021 (Rs 2 per ordinary share)	-	-	-	-	-	-	-	(2,165,792)	-	-	-	(2,165,792)	-	(2,165,792)
	-	-	-	-	-	-	-	(2,165,792)	-	-	-	(2,165,792)	(11,105,265)	(13,271,057)
<b>Balance as at June 30, 2021 (unaudited)</b>	4,812,871	1,430	60,117	242,292	(11,524)	1,931	700,000	65,067,341	1,931	38,435	(33,533)	70,879,360	176,064,210	246,943,570
<b>Balance December 31, 2021 (audited) / January 01, 2022</b>	4,812,871	1,665	60,117	349,398	22,894	14,609	700,000	65,468,300	-	-	(45,121)	71,384,733	182,605,571	253,990,304
<b>Total Comprehensive income / (loss) for the six months ended June 30, 2022 (unaudited)</b>														
Profit for the period	-	-	-	-	-	-	-	517,767	-	-	-	517,767	14,053,095	14,570,862
Other comprehensive income	-	-	-	132,451	(111)	69,865	-	-	-	-	1,843	204,048	340,930	544,978
	-	-	-	132,451	(111)	69,865	-	517,767	-	-	1,843	721,815	14,394,025	15,115,840
<b>Transaction with owners</b>														
Dividend by subsidiaries allocable to Non-Controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	(16,471,302)	(16,471,302)
Interim cash dividend @ 20% for the year ending December 31, 2022 (Rs 2 per ordinary share)	-	-	-	-	-	-	-	(2,165,792)	-	-	-	(2,165,792)	-	(2,165,792)
	-	-	-	-	-	-	-	(2,165,792)	-	-	-	(2,165,792)	(16,471,302)	(18,637,094)
<b>Balance as at June 30, 2022</b>	4,812,871	1,665	60,117	481,849	22,783	84,474	700,000	63,820,275	-	-	(43,278)	69,940,756	180,528,294	250,469,050

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

**Kamran Hanif Jangda**  
Chief Financial Officer

**Mohammad Shamoony Chaudry**  
Chief Executive

**Shabbir Hussain Hashmi**  
Director

# CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2022

	Note	Six Months Ended	
		June 30, 2022	June 30, 2021
----- (Rupees in '000) -----			
<b>Cash flows from operating activities</b>			
Cash generated from operations	8	<b>45,924,396</b>	24,592,594
Retirement and other service benefits paid		<b>(10,901)</b>	(165,752)
Finance cost paid		<b>(9,451,255)</b>	(5,205,551)
Taxes paid		<b>(5,205,714)</b>	(3,462,557)
Proceeds from net investment in lease		<b>2,089,444</b>	1,446,461
Finance cost paid on lease liability		<b>(1,073,185)</b>	(1,776,650)
Finance income received on net investment in lease		<b>2,941,811</b>	2,484,394
Repayment of lease liability		<b>(2,329,264)</b>	(2,075,206)
Deferred income		<b>286,887</b>	16,755
Interest received on bank deposits		<b>896</b>	932
Bank Balance held as margin		<b>17,720</b>	60,130
Long term loans and advances - net		<b>(424,309)</b>	(82,899)
Net cash generated from operating activities		<b>32,766,526</b>	15,832,651
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment (PPE)		<b>(17,709,171)</b>	(9,664,567)
Sale proceeds on disposal of PPE		<b>75,136</b>	42,210
Income on deposits / other financial assets		<b>4,823,672</b>	2,575,328
Investment in associated company		<b>-</b>	(181,771)
Short term investment purchased and redeemed - net		<b>(35,206,062)</b>	36,660,674
Dividends received		<b>1,116,110</b>	3,775,051
Net cash generated from / (utilised in) investing activities		<b>(46,900,315)</b>	33,206,925
<b>Cash flows from financing activities</b>			
Proceeds from/repayment of borrowings - net		<b>(11,662,574)</b>	(13,127,181)
Lease rentals paid during the period		<b>(958,506)</b>	(834,862)
Repayment of loan by joint venture		<b>-</b>	-
Unclaimed dividend paid		<b>-</b>	-
Dividends paid		<b>(18,977,588)</b>	(16,288,533)
Net cash generated from / (utilised in) financing activities		<b>(31,598,668)</b>	(30,250,576)
Net increase/(decrease) in cash and cash equivalents		<b>(45,732,457)</b>	18,789,000
Effect of exchange rate changes on cash and cash equivalents		<b>1,183,744</b>	(92,733)
Cash and cash equivalents at beginning of the period		<b>87,131,332</b>	60,110,571
Cash and cash equivalents at end of the period	9	<b>42,582,619</b>	78,806,838

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

**Kamran Hanif Jangda**  
Chief Financial Officer

**Mohammad Shamoan Chaudry**  
Chief Executive

**Shabbir Hussain Hashmi**  
Director

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

FOR THE SIX MONTHS ENDED JUNE 30, 2022

## 1. LEGAL STATUS AND OPERATIONS

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

1.2 The "Group" consists of:

**Ultimate Parent Company:** Dawood Hercules Corporation Limited;

**Holding Company:** Dawood Hercules Corporation Limited;

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

	%age of direct holding	
	June 30, 2022	December 31, 2021
- Empiric AI (Private) Limited (EMPAK)	100	-
- Engro Corporation Limited (ECL)	37.22	37.22

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

	%age of direct holding	
	June 30, 2022	December 31, 2021
- Engro Energy Limited	100	100
- Engro Eximp Agriproducts (Private) Limited	100	100
- Engro Connect (Private) Limited	100	100
- Engro Eximp FZE	100	100
- Engro Infiniti (Private) Limited	100	100
- Engro Fertilizers Limited	56.27	56.27
- Engro Polymer and Chemicals Limited	56.19	56.19
- Elengy Terminal Pakistan Limited	56	56

**Joint Venture Company:**

- Engro Vopak Terminal Limited	50	50
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**Associated Company:**

- FrieslandCampina Engro Pakistan Limited	39.9	39.9
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# NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2022

## 2. BASIS FOR PREPARATION

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

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

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

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

2.3 During the preparation of these consolidated condensed interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation and uncertainty were the same as those that apply to the consolidated financial statements of the Group for the year ended December 31, 2021.

2.4 These consolidated condensed interim financial statements do not include all the information required for consolidated annual financial statements and therefore should be read in conjunction with the audited consolidated annual financial statements of the Group for the year ended December 31, 2021.

## 3. BASIS OF CONSOLIDATION

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

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

3.3 The Group's interest in jointly controlled and associated entities i.e. Engro Vopak Terminal Limited, FrieslandCampina Engro Pakistan Limited, Sindh Engro Coal Mining Company Limited, GEL Utility Limited and SiddiqueSons Energy 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, 2020, except for the following:

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

FOR THE SIX MONTHS ENDED JUNE 30, 2022

	<b>Unaudited June 30 2022</b>	<b>Audited December 31, 2021</b>
	----- (Rupees in '000) -----	
<b>5. PROPERTY, PLANT AND EQUIPMENT</b>		
Operating assets, at net book value	<b>276,599,981</b>	258,072,258
Capital work in progress - Expansion and other projects	<b>23,640,599</b>	20,749,665
Capital spares and standby equipments	<b>4,187,225</b>	3,409,657
	<b><u>304,427,805</u></b>	<u>282,231,580</u>

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

	<b>Unaudited June 30 2022</b>	<b>Unaudited June 30, 2021</b>
	----- (Rupees in '000) -----	
Land	<b>5,988</b>	-
Plant and machinery	<b>14,284,570</b>	11,940,432
Building and civil works including pipelines	<b>5,536,669</b>	2,257,865
Furniture, fixture and equipment	<b>2,727,153</b>	2,010,876
Catalyst	-	-
Vehicles	<b>275,891</b>	429,302
Aircraft	<b>2,875,687</b>	-
Dredging	<b>179,095</b>	-
	<b><u>25,885,053</u></b>	<u>16,638,475</u>

5.2 During the period, operating assets costing Rs. 577,074 (June 30, 2021: Rs. 319,982), having net book value of Rs. 493,223 (June 30, 2021: Rs. 139,218) were disposed / written-off for Rs. 75,136 (June 30, 2021: Rs.21,998).

## 6. CONTINGENCIES AND COMMITMENTS

### 6.1 Contingencies

As at June 30, 2022, there is no material change in the status of matters reported as contingencies in audited financial statements of the Group for the year ended December 31, 2021, except for the matter disclosed below:

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

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

FOR THE SIX MONTHS ENDED JUNE 30, 2022

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

With respect to tax on inter corporate dividend and capital gain, the management and the tax consultant of the 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, 2020, the Holding Company received an income tax demand amounting to Rs 201.196 million in relation to the tax year 2019. Out of such demand, an amount of Rs 92 million seemed an apparent error for which a rectification application was submitted to the tax authorities and order against the same was issued on December 16, 2020 by the authorities in favour of the Holding Company granting complete credit of Rs 92 million. The remaining demand of Rs 109 million was made to the Holding Company as the taxation authorities were of the view that the Holding Company's interest income did not meet the criteria of the 'income from business' and should be treated as 'income from other sources'. As a result of which the common expenses incurred by the Holding Company could not be allocated to 'income from other sources' resulting in increased tax liability. However, the Holding Company is of the view that earning interest / money market income is one of the principal revenue streams of the Holding Company and should be treated as 'income from business'. An appeal was filed by the Holding Company before the Commissioner Inland Revenue (Appeals).

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

## 6.2 Commitments

Commitments in respect of open purchase orders and capital and revenue expenditure including contracted but not incurred amount to Rs. 22,217,965 (December 31, 2021: Rs 14,777,771).

## 7. EARNINGS PER SHARE - BASIC AND DILUTED

	----- (Unaudited) -----			
	Quarter Ended		Six Months Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
	----- (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)	<b>2,079,295</b>	547,261	<b>1,796,831</b>	2,148,776
			----- (Number in '000) -----	
Weighted average number of ordinary shares	<b>481,287</b>	481,287	<b>481,287</b>	481,287

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

FOR THE SIX MONTHS ENDED JUNE 30, 2022

	----- (Unaudited) ----- Six Months Ended	
	June 30, 2022	June 30, 2021
	----- (Rupees in '000) -----	
<b>8. CASH GENERATED FROM OPERATIONS</b>		
Profit before taxation	<b>35,504,412</b>	37,853,122
Adjustment for non-cash charges and other items:		
Depreciation and amortization	<b>7,746,571</b>	7,581,134
Gain on disposal / write off of property, plant and equipment	<b>419,944</b>	20,719
Rent concession on lease liability	<b>(12,729)</b>	(12,504)
Gain on termination of lease	<b>(5,361)</b>	-
Impairment loss	<b>36,105</b>	(162,985)
Provision for retirement and other service benefits	<b>154,136</b>	115,497
Provisions, net	<b>902,005</b>	(2,898,180)
Income on deposits / other financial assets	<b>(5,621,296)</b>	(4,080,579)
Share of income from joint venture and associated companies	<b>(1,272,119)</b>	(1,877,288)
Dividend income	<b>1,064,141</b>	(164,974)
Finance cost	<b>10,315,020</b>	6,297,442
Stock-in-trade / stores and spares written-off	<b>35,474</b>	-
Finance income on net investment in lease	<b>(2,941,811)</b>	(2,484,394)
Finance cost on lease liability	<b>2,016,766</b>	1,776,650
Exchange loss / (gain) on lease liability	<b>7,283,434</b>	(661,405)
Exchange (gain) / loss on net investment in lease	<b>(7,545,400)</b>	681,457
(Gain) / Loss on foreign currency translations	<b>1,951,635</b>	(193,596)
Working capital changes (note 8.1)	<b>(4,106,531)</b>	(17,197,522)
	<b>45,924,396</b>	24,592,594
<b>8.1 Working capital changes</b>		
(Increase) / decrease in current assets		
- Stores, spares and loose tools	<b>(1,241,245)</b>	(745,893)
- Stock-in-trade	<b>(10,520,536)</b>	(10,433,237)
- Trade debts	<b>257,484</b>	(8,259,862)
- Loans, advances, deposits and prepayments	<b>(2,259,313)</b>	(413,313)
- Other receivables - net	<b>(348,879)</b>	(3,359,031)
	<b>(14,112,489)</b>	(23,211,336)
Decrease in current liabilities		
- Trade and other payables, including other service benefits - net	<b>10,005,958</b>	6,013,814
	<b>(4,106,531)</b>	(17,197,522)
<b>9. CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b>47,038,563</b>	30,864,671
Short term investments	<b>30,471,231</b>	58,357,088
Short term borrowings	<b>(34,927,175)</b>	(10,414,921)
	<b>42,582,619</b>	78,806,838

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

FOR THE SIX MONTHS ENDED JUNE 30, 2022

## 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.

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

### 10.2 Fair value estimation

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2)

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

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	----- (Rupees in '000) -----			
<b>Assets</b>				
Financial assets at fair value through profit and loss	-	<b>26,448,920</b>	-	26,448,920
Financial assets through other comprehensive income	72,080	<b>11,185,839</b>	-	11,257,919

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

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

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

FOR THE SIX MONTHS ENDED JUNE 30, 2022

## 11. TRANSACTIONS WITH RELATED PARTIES

Related party comprise, joint venture companies, associates, other companies with common directors, retirement benefit funds, directors and key management personnel. Details of transactions with related parties during the period, other than those which have been disclosed elsewhere in these consolidated condensed interim financial statements, are as follows:

	----- (Unaudited) ----- Six Months Ended	
	June 30, 2022	June 30, 2021
	----- (Rupees in '000) -----	
<b>Associated companies and joint ventures</b>		
Purchases and services	<b>23,731,448</b>	23,750,193
Services rendered / sale of goods	<b>6,734</b>	6,192
Dividends received	<b>613,603</b>	607,500
Dividend paid	<b>1,153,812</b>	504,129
Contribution for Corporate Social Responsibility	<b>120,197</b>	120,197
Payment against EPC contract	-	-
Interest on borrowing	<b>1,103,780</b>	1,102,896
Reimbursements from associates	<b>556,659</b>	520,703
Reimbursements to associates	<b>91,006</b>	106,952
Loan received	-	-
Loan paid	<b>547,301</b>	547,301
Share capital issued	-	-
Donations	<b>146</b>	5,720
Accrued Profit on Loan / Markup on delayed payment	<b>846</b>	846
<b>Key Management Personnel</b>		
Remuneration paid to key management personnel / directors	<b>740,654</b>	900,874
Reimbursements to key management personnel	<b>1,226</b>	1,226
Dividend paid	<b>525,739</b>	441,978
Profit on Engro Rupiya Certificates	-	-
Directors' fees	<b>55,465</b>	55,465
<b>Contribution for retirement benefits</b>	<b>421,675</b>	415,864

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

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

FOR THE SIX MONTHS ENDED JUNE 30, 2022

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

	----- (Unaudited) -----			
	Quarter Ended		Six Months Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
<b>Revenue</b>	----- (Rupees in '000) -----			
Fertilizer	<b>38,323,193</b>	25,915,534	<b>75,136,271</b>	55,359,257
Polymer	<b>22,277,064</b>	14,824,639	<b>45,403,932</b>	30,496,098
Terminal	<b>3,996,644</b>	3,105,473	<b>7,647,143</b>	6,269,360
Power and mining	<b>20,089,156</b>	21,584,658	<b>41,029,237</b>	42,907,241
Connectivity and telecom	<b>2,062,047</b>	1,186,259	<b>3,640,782</b>	1,992,020
Other operations	<b>25,565,404</b>	3,880,039	<b>35,864,433</b>	11,046,122
Elimination - net	<b>(23,103,000)</b>	(2,043,578)	<b>(31,142,350)</b>	(8,750,881)
Consolidated	<b>89,210,508</b>	68,453,024	<b>177,579,448</b>	139,319,217
<b>Profit for the period</b>				
Fertilizer	<b>7,148,862</b>	6,633,216	<b>14,821,721</b>	15,293,409
Polymer	<b>5,521,000</b>	4,177,713	<b>11,776,798</b>	9,920,765
Terminal	<b>1,103,286</b>	850,248	<b>2,284,384</b>	1,964,791
Power and mining	<b>2,216,047</b>	3,958,756	<b>6,774,373</b>	8,135,106
Connectivity and telecom	<b>6,197</b>	232,077	<b>49,477</b>	(106,962)
Other operations	<b>9,356,655</b>	5,859,674	<b>17,659,257</b>	9,680,969
Elimination - net	<b>(10,541,881)</b>	(4,385,075)	<b>(17,861,669)</b>	(6,927,174)
Consolidated	<b>14,810,166</b>	17,326,609	<b>35,504,341</b>	37,960,904
			<b>Unaudited</b>	<b>Audited</b>
			<b>June 30,</b>	<b>December 31,</b>
			<b>2022</b>	<b>2021</b>
			----- (Rupees in '000) -----	
<b>Assets</b>				
Fertilizer			<b>141,961,632</b>	132,818,383
Polymer			<b>80,134,600</b>	77,985,743
Terminal			<b>70,106,142</b>	64,339,032
Power and mining			<b>266,292,371</b>	250,094,260
Connectivity and telecom			<b>47,489,562</b>	44,859,768
Other operations			<b>157,178,876</b>	150,026,791
Elimination - net			<b>(58,817,847)</b>	(57,421,977)
Consolidated			<b>704,345,336</b>	662,702,000

## 13. SEASONALITY

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

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

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

FOR THE SIX MONTHS ENDED JUNE 30, 2022

## 14. NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE

14.1 The Board of Directors of the Holding Company in its meeting held on August 23, 2022 has approved an interim cash dividend of Rs. 4.5 per share for the year ending December 31, 2022 (2021: Rs. 4.5 per share). This consolidated condensed interim financial information does not include the effect of the said interim dividend.

## 15. CORRESPONDING FIGURES

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

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

## 16. DATE OF AUTHORIZATION

This consolidated condensed interim financial information is authorized for issue on August 23, 2022 by the Board of Directors of the Holding Company.

**Kamran Hanif Jangda**  
Chief Financial Officer

**Mohammad Shamoon Chaudry**  
Chief Executive

**Shabbir Hussain Hashmi**  
Director



Dawood Hercules

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