

Quarterly Accounts
(Un-Audited)
for the 1st Quarter ended
March 31, 2011



DAWOOD
HERCULES
CHEMICALS
LIMITED



Company Information

Board Of Directors:

Mr. Hussain Dawood	Chairman
Mr. Isar Ahmad	Chief Executive Officer
Mr. Javed Akbar	Director
Mr. M. Abdul Aleem	Director
Mr. S.M. Asghar	Director
Mr. A. Samad Dawood	Director
Mr. Shahzada Dawood	Director
Mr. Parvez Ghias	Director
Mr. Shahid Hamid Pracha	Director
Mr. Inam-ur-Rahman	Director

Board Audit Committee:

Mr. M. Abdul Aleem	Chairman
Mr. Javed Akbar	Member
Mr. Parvez Ghias	Member
Mr. Shahid Hamid Pracha	Member

Board Compensation Committee:

Mr. Hussain Dawood	Chairman
Mr. Javed Akbar	Member
Mr. A. Samad Dawood	Member
Mr. Parvez Ghias	Member

Company Secretary:

Mr. Aftab Ahmed Qaiser

Chief Financial Officer:

Mr. Gulzar Saleem

Registered Office:

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(Empress Road), Lahore
Tel: +92 (42) 36301601-07
Fax: +92 (42) 36360343, 36364316
Email: info.dh@dawoodgroup.com
Web: www.dawoodhercules.com

Plant:

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Chichoki Mallian, Sheikhpura
Tel: +92 (42) 37352762-7
Fax: +92 (42) 37313380

Auditors:

M/s. KPMG Taseer Hadi & Co.
Chartered Accountants

Shares Registrar:

M/s. Corplink (Pvt.) Limited
Wings Arcade, 1-K, Commercial
Model Town, Lahore
Tel: +92 (42) 35839182, 35916719
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Legal Advisors:

Hassan & Hassan (Advocates)



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Directors' Review

The Board of Directors is pleased to present the unaudited financial statements of the Company, for the 1st quarter ended 31st March 2011.

1. Market Review

The total urea sales during the first quarter were affected significantly by the prolonged closures of the fertilizer plants on Sui network on account of gas shortages. The sales were 1,222 k tons against 1,414 k tons for the same period last year, a reduction of 14%. The domestic urea production at 1,080 k tons was 8% lower than the same period last year. To fill the gap, the Government imported 240 k tons of urea which arrived towards the end of the Rabi season and formed part of the quarter-end inventory of 263 k tons as against 72 k tons as of 31st March 2010.

2. Business Review

Plant Operations

The fertilizer plants on the SNGPL network have been facing unprecedented gas outages and curtailments this year and this phenomenon has continued into the month of April. As a result, our plant operations have been seriously impacted due to non availability of gas for more than 60 days during the quarter under review. As such, the Company could produce only 34,535 tons of urea with a capacity utilization of 31%. Against this, the production achieved last year in the same period was 92,121 tons with capacity utilization of 83%.

This frequent startup and shutdown, apart from affecting the production and energy efficiencies, can also be harmful for the equipment as well. The management is making all out efforts to secure the necessary gas supply.

Sales

During the 1st quarter 2011, urea sales were constrained by gas curtailment and stoppages with sales of only 51,960 tons of urea as against 89,560 tons last year. The urea inventory at the end of the quarter was less than 5,000 tons.

Financial Performance

Lower production and sales volumes, as stated above, have had their impact on the financial performance of the Company. Further, there was an impairment loss of Rs. 349 million in the carrying value of the short term investments as at 31st March 2011. As a result, the company made an operating profit of Rs. 189 million against Rs. 486 million last year whereas the loss after tax was Rs. 73 million as against a profit of Rs. 193 million for the same quarter last year.

The Group recorded an operating loss of Rs. 261 million as against profit of Rs. 22 million for the similar period last year. After taking into account the share of profit from associate, profit after tax was Rs. 519 million as against profit of Rs. 356 million for the last quarter.

Directors' Review

Earnings per Share

On a standalone basis, there was a loss of Re. 0.61 per share against earnings per share of Rs. 1.45 in the 1st quarter last year. Group earnings per share was Rs. 4.31 for the quarter under review and Rs. 2.96 for the corresponding period last year.

3. Demerger

As stated in the Annual Report 2010, the Honorable Lahore High Court approved the demerger of Dawood Hercules Chemicals Limited and the written Order is now awaited. Upon demerger, which is to be effective retrospectively from 1st January, 2011, all fertilizer assets and liabilities will be transferred to a wholly owned subsidiary viz. DH Fertilizers Limited.

4. Future Prospects

Frequent gas supply stoppages have resulted in increasing uncertainty and are a serious concern for the fertilizer industry in the country, more so for the fertilizer plants on the SNGPL network. Natural gas is a primary raw material for manufacturing urea and fertilizer plants cannot be operated without natural gas. It is important to note that the fertilizer industry is the most efficient user of gas and provides highest value addition. For these reasons and to ensure timely availability of this important agricultural input, fertilizer industry had always been treated up to now as a 'highest priority' gas consumer after the domestic sector. It is earnestly hoped that the Government will restore the fertilizer industry's priority status and adequate supply of gas shall be resumed in the best interests of the country.

The management of your Company continues to explore possibilities of making the operations increasingly energy efficient. Various proposals for energy efficiencies are being evaluated and some of these are expected to be implemented over the next one to two years.

The financial performance of the business will come under increasing strain in the remaining part of the year on account of gas supply uncertainties.

On behalf of the Board

Isar Ahmad
Chief Executive

Karachi 25 April 2011

Condensed Interim Profit and Loss Account (Un-audited)

For the First Quarter Ended 31 March 2011

	31 March 2011 (Rs '000)	31 March 2010 (Restated) (Rs '000)
Continuing operations		
Sales - net	1,082,246	1,390,355
Cost of sales	(747,051)	(1,069,833)
Gross profit	335,195	320,522
Distribution expenses	(20,352)	(43,436)
Administrative expenses	(86,103)	(89,198)
Impairment loss	(349,249)	-
Other operating expenses	(3,629)	(210)
Other operating income	313,512	298,564
Operating profit	189,374	486,242
Finance costs	(200,206)	(237,463)
(Loss) / profit before taxation	(10,832)	248,779
Income tax expenses	(62,300)	(55,724)
(Loss) / profit for the period from continuing operation	(73,132)	193,055
(Loss) / profit attributable to owners of the Company	(73,132)	193,055
(Loss) / earnings per share- basic and diluted	(0.61)	1.60

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

Karachi: 25 April 2011

Isar Ahmad
Chief Executive

Shahid H. Pracha
Director

Condensed Interim Statement of Comprehensive Income (Un-audited)

For the First Quarter Ended 31 March 2011

	31 March 2011 (Rs '000)	31 March 2010 (Restated) (Rs '000)
(Loss) / profit for the period	(73,132)	193,055
Other comprehensive income		
Adjustment arising from measurement to fair value of available for sale investments	(135,765)	834,912
	(135,765)	834,912
Total comprehensive (loss) / income for the period	(208,897)	1,027,967

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

Karachi: 25 April 2011

Isar Ahmad
Chief Executive

Shahid H. Pracha
Director

Condensed Interim Balance Sheet (Un-audited)

As at 31 March 2011

	Note	31 March 2011 (Un-audited) (Rs '000)	31 December 2010 (Audited) (Rs '000)
LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
1,000,000,000 ordinary shares of Rs. 10 each		10,000,000	10,000,000
Issued, subscribed and paid up capital		1,203,217	1,203,217
Revenue reserves		18,132,214	18,205,346
Fair value reserve		-	135,765
		19,335,431	19,544,328
NON-CURRENT LIABILITIES			
Long term loans	5	2,521,000	5,042,000
Deferred taxation		262,764	268,464
Staff retirement and other service benefits		50,830	51,590
		2,834,594	5,362,054
CURRENT LIABILITIES			
Current portion - long term loans	5	3,181,500	660,500
Short term financing - secured	6	40,576	45,725
Trade and other payables		783,833	694,717
Accrued mark-up		32,704	232,983
Provision for taxation		68,000	686,000
		4,106,613	2,319,925
CONTINGENCIES AND COMMITMENTS	7		
		26,276,638	27,226,307
ASSETS			
NON- CURRENT ASSETS			
FIXED CAPITAL EXPENDITURE			
Property, plant and equipment	8	1,822,956	1,871,708
Capital work-in-progress		388,264	366,514
		2,211,220	2,238,222
LONG TERM INVESTMENTS	9	19,289,962	19,289,962
LONG TERM LOANS AND ADVANCES		10,875	1,680
CURRENT ASSETS			
Stores, spares and loose tools		994,686	1,073,544
Stock in trade		103,994	216,117
Trade debts		1	2,131
Loans, advances, deposits, prepayments and other receivables		341,124	89,309
Advance income tax		57,096	625,148
Short term investments	10	2,295,193	2,439,931
Cash and bank balances		972,487	1,250,263
		4,764,581	5,696,443
		26,276,638	27,226,307

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

Condensed Interim Cash Flow Statement (Un-audited)

For the First Quarter Ended 31 March 2011

	Note	31 March 2011 (Rs '000)	31 March 2010 (Restated) (Rs '000)
Cash flow from operating activities			
Cash generated from operations	11	568,986	283,857
Finance costs paid		(400,486)	(471,291)
Taxes paid		(117,949)	(48,082)
Staff retirement and other service benefits paid		(4,615)	(4,517)
Increase in long term loans and advances		(9,195)	(209)
Net cash generated from / (used in) operating activities		36,741	(240,242)
Cash flow from investing activities			
Fixed capital expenditure		(24,637)	(237,281)
Proceeds from sale of property, plant and equipment		4,993	2,309
Profit on time deposits		31,040	15,759
Proceeds from disposal of available for sale investments		-	1,243,691
Investment at fair value through profit and loss		(320,000)	-
Dividends received		-	227,241
Net cash (used in) / generated from investing activities		(308,604)	1,251,719
Cash flow from financing activities			
Short term financing		(5,149)	(636,552)
Dividends paid		(764)	(54,983)
Net cash used in financing activities		(5,913)	(691,535)
Net (decrease) / increase in cash and cash equivalents		(277,776)	319,942
Cash and cash equivalents at the beginning of period		1,250,263	278,146
Cash and cash equivalents at the end of period		972,487	598,088

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

Condensed Interim Statement of Changes in Equity (Un-audited)

For the First Quarter Ended 31 March 2011

	Share capital	Revenue reserves			Fair value reserve	Total
		General reserve	Unappropriated profit	Total		
(Rs '000)						
Balance as on 1 January 2010	1,093,834	700,000	16,056,870	16,756,870	3,985	17,854,689
Total comprehensive income for the period	-	-	193,055	193,055	834,912	1,027,967
	1,093,834	700,000	16,249,925	16,949,925	838,897	18,882,656
Final cash dividend @ 10% for the year ended 31 December 2009	-	-	(109,383)	(109,383)	-	(109,383)
Final stock dividend @ 10% for the year ended 31 December 2009	109,383	-	(109,383)	(109,383)	-	-
	109,383	-	(218,766)	(218,766)	-	(109,383)
Balance as on 31 March 2010 (Restated)	1,203,217	700,000	16,031,159	16,731,159	838,897	18,773,273
Balance as on 1 January 2011	1,203,217	700,000	17,505,346	18,205,346	135,765	19,544,328
Total comprehensive income for the period	-	-	(73,132)	(73,132)	(135,765)	(208,897)
Balance as on 31 March 2011	1,203,217	700,000	17,432,214	18,132,214	-	19,335,431

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

Selected Notes to the Condensed Interim Financial Information (Un-audited)

For the First Quarter Ended 31 March 2011

1 Legal status and nature of business

- 1.1 Dawood Hercules Chemicals Limited (the 'Company') is a public limited company. It was incorporated in Pakistan in 1968 under the Companies Act 1913 (now Companies Ordinance, 1984) and listed on Karachi, Lahore and Islamabad Stock Exchanges. The principal activity of the Company is production, purchase and sale of fertilizer. The registered office of the Company is situated at 35-A, Shahrah-e-Abdul Hameed Bin Baadees, Lahore.
- 1.2 The Board of Directors of the Company in their meeting of 16 June 2010 decided to divide the Company into two companies by separating its fertilizer undertaking from the rest of the undertaking that is to be retained in the Company. In this regard, a wholly owned subsidiary namely DH Fertilizers Limited was incorporated on 2 August 2010. The division was to be effected through a Scheme of Arrangement ('Scheme') under Section 284 to 288 of the Companies Ordinance, 1984 whereby:
- the fertilizer undertaking would be transferred and vested in DH Fertilizers Limited against the issuance of ordinary shares of DH Fertilizers Limited to the Company; and
 - the retention of the retained undertaking in the Company and the change of the name of the Company to Dawood Hercules Corporation Limited. Dawood Hercules Corporation Limited would then become a Holding Company and oversee the business of new fertilizer subsidiary.

The de-merger required the approval of the Honorable Lahore High Court. After obtaining the requisite approvals from the creditors and the shareholders of the Company, the Lahore High Court approved the Scheme of Arrangement on 27 January 2011, which came into effect on 1 January 2011 ('Effective Date'). Meanwhile written order from the court is awaited.

In accordance with the Scheme, the fertilizer business including all assets, liabilities, agreements, arrangements and other matters relating to the fertilizer undertaking were automatically transferred to DH Fertilizers Limited on the Effective Date against the issuance of 99,999,994 Ordinary shares of Rs. 10 each, in addition to existing 6, fully paid ordinary shares of Rs. 10 each plus the share premium. Such share premium is to be based on the difference between the net assets value of the fertilizer undertaking less the related fair value reserves/ surplus of the fertilizer undertaking on the effective date over Rs. 1,000,000,000/- being the paid-up face value of DH Fertilizers Limited.

The retained undertaking comprises specific assets and liabilities as of the aforementioned effective dates as identified in the Scheme, which among other items include long term investments, short term investments in mutual funds and all reserves excluding fair value reserves on certain investments transferred to DH Fertilizers Limited.

- 1.3 During the year 2010, the Company changed its accounting policy relating to the measurement of investments in associates as required under IAS-28 "Investment in associate" and IAS -27 "Consolidated and separate financial statements". This change was necessitated because of incorporation of a subsidiary by the Company namely, DH Fertilizers Limited. IAS-28 requires the investment in associates to be measured at cost in the separate financial statements of the Holding Company and accordingly the investment in associates is now measured at cost whereas previously, it was measured under equity method of accounting.

Selected Notes to the Condensed Interim Financial Information (Un-audited)

For the First Quarter Ended 31 March 2011

The change in accounting policy was applied retrospectively in the financial statements for the year ended 31 December 2010 and accordingly comparative information has been restated in accordance with the treatment prescribed by IAS-8 "Accounting policy, change in accounting estimate and errors".

- 2 This condensed interim financial information is un-audited and is being submitted to the members as required by section 245 of the Companies Ordinance, 1984 and the Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges. The condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 'Interim Financial Reporting'. This condensed interim financial information does not include all the information required for annual financial statements and therefore should be read in conjunction with the annual financial statements for the year ended 31 December 2010.
- 3 The accounting policies adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of preceding annual published financial statements of the company for the year ended 31 December 2010.
- 4 The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation were same as those applied to the financial statements for the year ended 31 December 2010.

Provision for Workers Profits Participation Fund is based on profits caused by business and trade and excludes other income in accordance with the law, as advised by the legal advisors of the Company.

5 Long term loans

Participatory redeemable capital represents Islamic Sukuk Certificates issued to banks/ financial institution under musharaka arrangements. The facility is secured by a first charge created by way of hypothecation over the specific fixed assets of the Company up to the extent of Rs. 7.72 billion, comprising various machinery of urea and ammonia plant. The facility carries mark-up at average six months ask side KIBOR plus 120 bps payable half yearly subject to a minimum of 3.5% per annum and a maximum of 25% per annum.

Selected Notes to the Condensed Interim Financial Information (Un-audited)

For the First Quarter Ended 31 March 2011

	Note	31 March 2011 (Un-audited) (Rs '000)	31 December 2010 (Audited) (Rs '000)
Opening balance		5,702,500	6,302,500
Redemption during the period / year under call option		-	(600,000)
Closing balance		5,702,500	5,702,500
Transferred to current portion		(3,181,500)	(660,500)
Closing balance		2,521,000	5,042,000

Term of payment

The principal amount is repayable according to the following schedule:

First tranche due on 18 September 2011	660,500	660,500
Second tranche due on 18 March 2012	2,521,000	2,521,000
Third tranche due on 18 September 2012	2,521,000	2,521,000
	5,702,500	5,702,500

6 Short term financing - secured

Running finance facility	6.1	40,576	45,725
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6.1 This represents utilized portion of short term running finance facilities available from Habib Bank Limited and Habib Metropolitan Bank Limited under mark-up arrangements. This facility aggregates to Rs. 1,148 million (2010: Rs. 1,148 million) and expires on various dates latest by 30 April 2011, carries mark-up at the rate of one month KIBOR plus 150 bps (2010: one month KIBOR plus 150 bps per annum) and 3 months KIBOR plus 75 bps per annum (2010: 3 months KIBOR plus 75 bps per annum) respectively. These facilities are secured by pledge of shares of listed securities held as investments by the Company. The market value of these investments as at 31 March 2011 was Rs. 1,590 million (2010: Rs. 1,658 million).

7 Contingencies and commitments

7.1 There is no material change in contingencies since the last audited published financial statements for the year ended 31 December 2010.

7.2 Commitments of the Company as at 31 March 2011 were Rs. 43.854 million (2010: Rs. 54.355 million) in respect of stores purchases and Rs. 40.500 million (2010: Rs. 57.500 million) in respect of contracts for capital expenditure.

Selected Notes to the Condensed Interim Financial Information (Un-audited)

For the First Quarter Ended 31 March 2011

	Note	31 March 2011 (Un-audited) (Rs '000)	31 December 2010 (Audited) (Rs '000)
8 Property, plant and equipment			
Opening net book value		1,871,708	1,340,588
Add: Additions during the period / year	8.1	2,886	761,012
Less: Assets disposed off during the period / year		6,977	50,669
		1,867,617	2,050,931
Depreciation charged during the period / year		(47,611)	(207,508)
Depreciation on assets disposed off during the period / year		2,950	28,285
Closing net book value		1,822,956	1,871,708
8.1 Additions during the period			
Plant and machinery		-	705,028
Furniture, fittings and equipment		933	9,524
Data processing equipment		1,277	9,090
Motor vehicles		676	37,370
		2,886	761,012
9 Long term investments			
Investment in subsidiary company	9.1	-	-
Investment in associate	9.2	19,289,962	19,289,962
		19,289,962	19,289,962
9.1 Investment in subsidiary company			
DH Fertilizers Limited- unquoted 6 (2010: Nil) ordinary shares of Rs.10 each		-	-
Percentage of equity held 100% (2010: 100%)		-	-

DH Fertilizers Limited was incorporated on 2 August, 2010 as a public unlisted Company under the Companies Ordinance, 1984 for the transfer and vesting of fertilizer business, as referred to in note 1.2. The issued share capital comprises 6 ordinary shares of Rs. 10 each, held by six directors of the Company as nominees thereof.

Selected Notes to the Condensed Interim Financial Information (Un-audited)

For the First Quarter Ended 31 March 2011

	Note	31 March 2011 (Un-audited) (Rs '000)	31 December 2010 Restated (Audited) (Rs '000)
9.2 Investment in associate			
Engro Corporation Limited 149,978,889 (2010: 124,982,408) ordinary shares of Rs. 10 each		19,289,962	19,289,962
Percentage of equity held - 38.13% (2010: 38.13%)			
During the period, the Company received 24,996,481 (2010: 11,362,037) bonus shares from Engro Corporation Limited			
10 Short term investments			
Available for sale	10.1	1,394,387	1,879,401
Financial assets at fair value through profit and loss account	10.2	900,806	560,530
		2,295,193	2,439,931
10.1 Available for sale			
Related parties - Quoted			
Sui Northern Gas Pipelines Limited			
69,982,155 (2010: 100,442,350) ordinary shares of Rs. 10 each - at cost		4,376,964	6,282,067
Cost of Nil (2010: 30,460,195) shares disposed off during the period		-	(1,905,103)
Cost of 69,982,155 shares of Rs. 10 each - at cost		4,376,964	4,376,964
Percentage of equity held: 12.75% (2010: 12.75%)			
Cumulative impairment loss		(2,505,642)	(2,641,407)
		1,871,322	1,735,557
(Impairment loss) / fair value adjustment for the period		(482,876)	135,765
		1,388,446	1,871,322
Others - Quoted			
Southern Electric Power Company Limited			
3,622,900 (2010: 3,622,900) ordinary shares of Rs.10 each - at cost		68,431	68,431
Percentage of equity held: 2.65% (2010: 2.65%)			
Cumulative Impairment loss		(60,352)	(60,352)
		8,079	8,079
Impairment loss for the period		(2,138)	-
		5,941	8,079
		1,394,387	1,879,401

Selected Notes to the Condensed Interim Financial Information (Un-audited)

For the First Quarter Ended 31 March 2011

	31 March 2011 (Un-audited) (Rs '000)	31 December 2010 (Audited) (Rs '000)
10.2 Financial assets at fair value through profit or loss account		
ABL - Income Fund		
13,124,748 (2010: 2,917,015) units of Rs. 10 each	129,198	27,870
Adjustment arising from measurement to fair value	2,167	1,328
	131,365	29,198
ABL - Cash Fund		
30,860,782 (2010: 24,075,792) units of Rs. 10 each	300,977	240,000
Adjustment arising from measurement to fair value	7,902	977
	308,879	240,977
Meezan Cash Fund - Growth Units		
6,133,934 (2010: 4,199,685) units of Rs. 50 each	300,152	208,979
Adjustment arising from measurement to fair value	6,913	1,174
	307,065	210,153
UBL - Liquidity Plus Fund-Class C		
1,529,178 (2010: 800,447) units of Rs. 100 each	150,202	80,000
Adjustment arising from measurement to fair value	3,295	202
	153,497	80,202
	900,806	560,530

Selected Notes to the Condensed Interim Financial Information (Un-audited)

For the First Quarter Ended 31 March 2011

	31 March 2011 (Un-audited) (Rs '000)	31 March 2010 (Restated) (Un-audited) (Rs '000)
11 Cash generated from operations		
(Loss) / profit before tax	(10,832)	248,779
Adjustment for non cash expenses and other items:		
Depreciation	47,611	34,512
Finance costs	200,206	237,463
Profit on sale of property, plant and equipment	(965)	(712)
Profit on sale of short term investments available for sale	-	(41,223)
Un-realized gain due to fair value adjustment of investment at fair value through profit or loss	(20,277)	(1,495)
Impairment loss on available for sale investments	349,249	-
Dividend income	(249,965)	(227,241)
Provision for staff retirement and other service benefits	3,856	3,598
Profit on time deposits	(31,040)	(15,759)
	298,675	(10,857)
Profit before working capital changes	287,843	237,922
Working capital changes		
(Increase)/decrease in current assets:		
Stocks, stores and spares	190,978	86,675
Trade debts	2,130	7,882
Loans, advances, deposits, prepayments and other receivables	(1,848)	(14,058)
(Decrease)/increase in current liabilities:		
Trade and other payables	89,883	(34,564)
	281,143	45,935
	568,986	283,857

Selected Notes to the Condensed Interim Financial Information (Un-audited)

For the First Quarter Ended 31 March 2011

12 Related party transactions

The related parties comprise subsidiary and associated companies, related group companies, directors of the Company, companies where directors also hold directorship, and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Significant transactions during the period were as follows:

	31 March 2011 (Un-audited) (Rs '000)	31 March 2010 (Un-audited) (Rs '000)
Subsidiary Company		
Expenses incurred/mark-up receivable on behalf of subsidiary	568	-
Associated company		
Sale of goods and services	3,600	3,600
Purchase of goods and services	266,378	547,266
Dividend income	249,965	227,241
Reimbursement of expenses from associate	165	51
Reimbursement of expenses to associate	10	49
Finance cost	31,732	-
Other related parties		
Key management personnel compensation	91,596	77,730
Gratuity funds	3,855	3,792
Provident funds	6,967	6,355

All transactions with related parties have been carried out on commercial terms and conditions, in accordance with accounting policy. No buying and selling commission has been paid to any related party.

13 The condensed interim financial information was authorised for issue on 25 April 2011 by the Board of Directors of the Company.

14 General

All financial information is presented in Pak Rupee and has been rounded to the nearest thousand.

Consolidated Condensed Interim Financial Information

Consolidated Condensed Interim Profit and Loss Account (Un-audited)

For the First Quarter Ended 31 March 2011

	Note	31 March 2011 (Rs '000)	31 March 2010 (Restated) (Rs '000)
Continuing operations			
Sales - net		1,082,246	1,390,355
Cost of sales		(747,051)	(1,069,833)
Gross profit		335,195	320,522
Distribution expenses		(20,352)	(43,436)
Administrative expenses		(86,109)	(89,198)
Impairment loss		(349,249)	-
Other operating expenses		(3,629)	(210)
Other operating income		62,985	71,323
Operating profit		(61,159)	259,001
Finance costs		(200,206)	(237,463)
(Loss) / profit before share of associate and tax		(261,365)	21,538
Share of profit from associate (net of tax)	9	908,579	407,883
Profit before tax		647,214	429,421
Income tax expenses		(128,189)	(73,824)
Profit for the period from continuing operation		519,025	355,597
Profit attributable to owners of the Company		519,025	355,597
Earnings per share- basic and diluted		4.31	2.96

The annexed notes 1 to 14 form an integral part of this condensed financial information.

Consolidated Condensed Interim Statement of Comprehensive Income (Un-audited)

For the First Quarter Ended 31 March 2011

	31 March 2011 (Rs '000)	31 March 2010 (Restated) (Rs '000)
Profit for the period	519,025	355,597
Other comprehensive income		
Adjustment arising from measurement to fair value of available for sale investments	(135,765)	834,912
Share of other comprehensive income of associate	49,284	43,370
Deferred tax impact of other comprehensive income of associate	(4,928)	(4,337)
	44,356	39,033
Other comprehensive income, net of tax	(91,409)	873,945
Total Comprehensive income for the period	427,616	1,229,542

The annexed notes 1 to 14 form an integral part of this condensed financial information.

Consolidated Interim Balance Sheet (Un-audited)

As at 31 March 2011

	Note	31 March 2011 (Un-audited) (Rs '000)	31 December 2010 (Audited) Restated (Rs '000)
LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
1,000,000,000 ordinary shares of Rs. 10 each		10,000,000	10,000,000
Issued, subscribed and paid up capital		1,203,217	1,203,217
Revenue reserves		21,583,979	21,020,598
Fair value reserve		-	135,765
		22,787,196	22,359,580
NON-CURRENT LIABILITIES			
Long term loans	5	2,521,000	5,042,000
Deferred taxation		647,025	581,908
Staff retirement and other service benefits		50,830	51,590
		3,218,855	5,675,498
CURRENT LIABILITIES			
Current portion - long term loans	5	3,181,500	660,500
Short term financing - secured	6	40,576	45,725
Trade and other payables		783,833	694,717
Accrued mark-up		32,704	232,983
Provision for taxation		68,000	686,000
		4,106,613	2,319,925
CONTINGENCIES AND COMMITMENTS	7		
		30,112,664	30,355,003
ASSETS			
NON-CURRENT ASSETS			
FIXED CAPITAL EXPENDITURE			
Property, plant and equipment	8	1,822,956	1,871,708
Capital work-in-progress		388,264	366,514
		2,211,220	2,238,222
INVESTMENT IN ASSOCIATE	9	23,132,677	22,424,779
LONG TERM LOANS AND ADVANCES		10,875	1,680
CURRENT ASSETS			
Stores, spares and loose tools		994,686	1,073,544
Stock in trade		103,994	216,117
Trade debts		1	2,131
Loans, advances, deposits, prepayments and other receivables		334,435	83,188
Advance income tax		57,096	625,148
Short term investments	10	2,295,193	2,439,931
Cash and bank balances		972,487	1,250,263
		4,757,892	5,690,322
		30,112,664	30,355,003

The annexed notes 1 to 14 form an integral part of this condensed financial information.

Karachi: 25 April 2011
Isar Ahmad
Chief Executive

Shahid H. Pracha
Director

Consolidated Condensed Interim Cash Flow Statement (Un-audited)

For the First Quarter Ended 31 March 2011

	Note	31 March 2011 (Rs '000)	31 March 2010 (Restated) (Rs '000)
Cash flow from operating activities			
Cash generated from operations	11	568,986	283,857
Finance costs paid		(400,486)	(471,291)
Taxes paid		(117,949)	(48,082)
Staff retirement and other service benefits paid		(4,615)	(4,517)
Increase in long term loans and advances		(9,195)	(209)
Net cash generated from / (used in) operating activities		36,741	(240,242)
Cash flow from investing activities			
Fixed capital expenditure		(24,637)	(237,281)
Proceeds from sale of property, plant and equipment		4,993	2,309
Profit on time deposits		31,040	15,759
Proceeds from disposal of available for sale investments		-	1,243,691
Investment at fair value through profit and loss		(320,000)	-
Dividends received		-	227,241
Net cash (used in)/ generated from investing activities		(308,604)	1,251,719
Cash flow from financing activities			
Short term financing		(5,149)	(636,552)
Dividends paid		(764)	(54,983)
Net cash used in from financing activities		(5,913)	(691,535)
Net (decrease) / increase in cash and cash equivalents		(277,776)	319,942
Cash and cash equivalents at the beginning of period		1,250,263	278,146
Cash and cash equivalents at the end of period		972,487	598,088

The annexed notes 1 to 14 form an integral part of this condensed financial information.

Consolidated Condensed Interim Statement of Changes in Equity (Un-audited)

For the First Quarter Ended 31 March 2011

	Revenue reserves					Fair value reserve	Total
	Share capital	General reserve	Unappropriated profit	Share of other Comprehensive income (net of tax)	Total		
	(Rs '000)						
Balance as on 01 January 2010 (Restated)	1,093,834	700,000	18,084,894	(226,036)	18,558,858	3,985	19,656,677
Total comprehensive income for the period	-	-	355,597	39,033	394,630	834,912	1,229,542
Final cash dividend @ 10% for the year ended 31 December 2009	-	-	(109,383)	-	(109,383)	-	(109,383)
Final stock dividend @ 10% for the year ended 31 December 2009	109,383	-	(109,383)	-	(109,383)	-	-
	109,383	-	(218,766)	-	(218,766)	-	(109,383)
Balance as on 31 March 2010 (Restated)	1,203,217	700,000	18,221,725	(187,003)	18,734,722	838,897	20,776,836
Balance as on 01 January 2011 (Restated)	1,203,217	700,000	20,632,823	(312,225)	21,020,598	135,765	22,359,580
Total comprehensive income for the period	-	-	519,025	44,356	563,381	(135,765)	427,616
Balance as on 31 March 2011	1,203,217	700,000	21,151,848	(267,869)	21,583,979	-	22,787,196

The annexed notes 1 to 14 form an integral part of this condensed financial information.

Selected Notes to the Consolidated Condensed Interim Financial Information (Un-audited)

For the First Quarter Ended 31 March 2011

1 Legal status and nature of business

- 1.1 Dawood Hercules Chemicals Limited (the Holding Company) is a public limited company. It was incorporated in Pakistan in 1968 under the Companies, Act 1913 (now the Companies Ordinance, 1984) and is listed on Karachi, Lahore and Islamabad Stock Exchanges. The principal activity of the Company is production, purchase and sale of fertilizer. The registered office of the Company is situated at 35-A, Shahrah-e-Abdul Hameed Bin Baadees, Lahore.
- 1.2 The Dawood Group consists of Dawood Hercules Chemicals Limited (the 'Holding Company', 'DHCL') and DH Fertilizers Limited, it's wholly owned subsidiary company. DHCL and DH Fertilizers Limited are collectively referred to as ('the Group') in this consolidated condensed interim financial information.

DH Fertilizers Limited is a public unlisted company incorporated on 2nd August 2010 in Pakistan under the Companies Ordinance, 1984, for the transfer and vesting of fertilizer business as referred to in note 1.3. As at 31 December 2010, the issued share capital comprised six ordinary shares of Rs. 10 each, held by six directors of the Holding Company as nominees thereof.

- 1.3 The Board of Directors of DHCL in their meeting of 16 June 2010 decided to divide the Holding Company into two companies by separating its fertilizer undertaking from the rest of the undertaking that is to be retained in the Holding Company. In this regard, a wholly owned subsidiary namely DH Fertilizers Limited was incorporated on 2 August 2010. The division was to be effected through a Scheme of Arrangement ('Scheme') under Section 284 to 288 of the Companies Ordinance, 1984 whereby
- (a) the fertilizer undertaking would be transferred and vested in DH Fertilizers Limited against the issuance of ordinary shares of DH Fertilizers Limited to the Holding Company; and
 - (b) the retention of the retained undertaking in the Holding Company and the change of the name of the Holding Company to Dawood Hercules Corporation Limited would then become a Holding Company and oversee the business of new fertilizer subsidiary.

The de-merger required the approval of the Honorable Lahore High Court. After obtaining the requisite approvals from the creditors and the shareholders of the Holding Company, the Lahore High Court approved the Scheme of Arrangement on 27 January 2011, which came into effect on 1 January 2011 ('Effective Date'). Meanwhile written order from the court is awaited.

In accordance with the Scheme, the fertilizer business including all assets, liabilities, agreements, arrangements and other matters relating to the fertilizer undertaking were automatically transferred to DH Fertilizers Limited on the Effective Date against the issuance of 99,999,994 Ordinary shares of Rs. 10 each, in addition to existing 6, fully paid ordinary shares of Rs. 10 each plus the share premium. Such share premium is to be based on the difference between the net assets value of the fertilizer undertaking less the related fair value reserves/ surplus of the fertilizer undertaking on the effective date over Rs. 1,000,000,000/- being the paid-up face value of DH Fertilizers Limited.

Selected Notes to the Consolidated Condensed Interim Financial Information (Un-audited)

For the First Quarter Ended 31 March 2011

The retained undertaking comprises specific assets and liabilities as of the aforementioned effective dates as identified in the Scheme, which among other items include long term investments, short term investments in mutual funds and all reserves excluding fair value reserves on certain investments transferred to DH Fertilizers Limited.

Consequent to restructuring of its businesses by Dawood Hercules Chemicals Limited, effective 1 January 2011, the entire trading operations of fertilizers business of DHCL i.e. production, purchase, import and sale of fertilizers from DHCL will be transferred to DH Fertilizers Limited.

- 2 This consolidated condensed interim financial information is un-audited and is being submitted to members as required by section 245 of the Companies Ordinance, 1984 and the listing regulations of Karachi, Lahore and Islamabad Stock Exchanges. The consolidated condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 -'Interim Financial Reporting'. This consolidated condensed interim financial information does not include all the information required for annual financial statements and therefore should be read in conjunction with the annual financial statements for the year ended 31 December 2010.

These consolidated financial statements include the financial statements of DHCL and its subsidiary DH Fertilizers Limited. The assets and liabilities of subsidiary company have been consolidated on a line by line basis and the carrying value of investment held by the parent company is eliminated against parent company's share in paid up capital of the subsidiary. Material intra-group balances and transactions have been eliminated.

- 3 The accounting policies adopted for the preparation of this consolidated condensed interim financial information are the same as those applied in the preparation of preceding annual published consolidated financial statements of the Group for the year ended 31 December 2010.
- 4 The preparation of consolidated condensed interim financial information requires management to make judgments, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by the management in applying the Group's accounting policies and the key sources of estimation were same as those applied to the consolidated financial statements for the year ended 31 December 2010.

Provision for Workers Profits Participation Fund is based on profits caused by business and trade and excludes other income in accordance with the law, as advised by the legal advisors of the Company.

Selected Notes to the Consolidated Condensed Interim Financial Information (Un-audited)

For the First Quarter Ended 31 March 2011

5 Long term loans

Participatory redeemable capital represents Islamic Sukuk Certificates issued to banks/ financial institution under musharaka arrangements. The facility is secured by a first charge created by way of hypothecation over the specific fixed assets of the Company up to the extent of Rs. 7.72 billion, comprising various machinery of urea and ammonia plant. The facility carries mark-up at average six months ask side KIBOR plus 120 bps payable half yearly subject to a minimum of 3.5% per annum and a maximum of 25% per annum.

	Note	31 March 2011 (Un-audited) (Rs '000)	31 December 2010 (Audited) (Rs '000)
Opening balance		5,702,500	6,302,500
Redemption during the period / year under call option		-	(600,000)
Closing balance		5,702,500	5,702,500
Transferred to current portion		(3,181,500)	(660,500)
Closing balance		2,521,000	5,042,000

Term of payment

The principal amount is repayable according to the following schedule:

First tranche due on 18 September 2011	660,500	660,500
Second tranche due on 18 March 2012	2,521,000	2,521,000
Third tranche due on 18 September 2012	2,521,000	2,521,000
	5,702,500	5,702,500

6 Short term financing - secured

Running finance facility	6.1	40,576	45,725
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6.1 This represents utilized portion of short term running finance facilities available from Habib Bank Limited and Habib Metropolitan Bank Limited under mark-up arrangements. This facility aggregates to Rs. 1,148 million (2010: Rs. 1,148 million) and expires on various dates latest by 30 April 2011, carries mark-up at the rate of one month KIBOR plus 150 bps (2010: one month KIBOR plus 150 bps per annum) and 3 months KIBOR plus 75 bps per annum (2010: 3 months KIBOR plus 75 bps per annum) respectively. These facilities are secured by pledge of shares of listed securities held as investments by the Group. The market value of these investments as at 31 March 2011 was Rs. 1,590 million (2010: Rs. 1,658 million).

Selected Notes to the Consolidated Condensed Interim Financial Information (Un-audited)

For the First Quarter Ended 31 March 2011

7 Contingencies and commitments

- 7.1 There is no material change in contingencies since the last audited published financial statements for the year ended 31 December 2010.
- 7.2 Commitments of the Group as at 31 March 2011 were Rs. 43,854 million (2010: Rs. 54,355 million) in respect of stores purchases and Rs. 40,500 million (2010: Rs. 57,500 million) in respect of contracts for capital expenditure.

	Note	31 March 2011 (Un-audited) (Rs '000)	31 December 2010 (Audited) (Rs '000)
8 Property, plant and equipment			
Opening net book value		1,871,708	1,340,588
Add: Additions during the period / year	8.1	2,886	761,012
Less: Assets disposed off during the period / year		6,977	50,669
		1,867,617	2,050,931
Depreciation charged during the period / year		(47,611)	(207,508)
Depreciation on assets disposed off during the period/year		2,950	28,285
Closing net book value		1,822,956	1,871,708

8.1 Additions during the period

Plant and machinery	-	705,028
Furniture, fittings and equipment	933	9,524
Data processing equipment	1,277	9,090
Motor vehicles	676	37,370
	2,886	761,012

Selected Notes to the Consolidated Condensed Interim Financial Information (Un-audited)

For the First Quarter Ended 31 March 2011

	31 March 2011 (Un-audited) (Rs '000)	31 December 2010 (Audited) Restated (Rs '000)
9 INVESTMENT IN ASSOCIATE		
Engro Corporation Limited (formerly Engro Chemical Pakistan Limited)		
124,982,408 (2010: 113,620,371) ordinary shares of Rs. 10 each	22,424,779	21,292,135
Share of post acquisition profits	908,579	1,955,580
Share of other comprehensive income (net of tax)	49,284	(95,766)
	23,382,642	23,151,949
Less: Dividend received during the period	(249,965)	(727,170)
149,978,889 (2010: 124,982,408) ordinary shares of Rs. 10 each	23,132,677	22,424,779
Percentage of equity held - 38.13% (2010: 38.13%)		

9.1 Market value of investments in associate Rs. 25,719 million (2010: Rs. 24,223 million).

9.2 During the period, the Group has received 24,996,481 (2010: 11,362,037) bonus shares from Engro Corporation Limited.

9.3 Financial results of Engro Corporation Limited (Formerly Engro Chemical Pakistan Limited) for the period from 1 October 2010 to 31 December 2010 have been used for the purpose of application of equity method due to non availability of financial statements for the three months ended 31 March 2011.

9.4 Comparative figures have been restated to incorporate the effect of Company's share of other comprehensive income of associate as required under the provision of IAS 1 (Revised) "Presentation of financial statements". Retrospective effect of the Company's share of other comprehensive income of associate has also been incorporated as required by IAS 8 "Accounting policies, changes in accounting estimates and errors". There was no impact on the profit and earnings per share due to the said restatements, however the revenue reserves as at 31 December 2010 have decreased by Rs. 312 million.

Selected Notes to the Consolidated Condensed Interim Financial Information (Un-audited)

For the First Quarter Ended 31 March 2011

	Note	31 March 2011 (Un-audited) (Rs '000)	31 December 2010 (Audited) (Rs '000)
10 Short term investments			
Available for sale	10.1	1,394,387	1,879,401
Financial assets at fair value through profit and loss account	10.2	900,806	560,530
		2,295,193	2,439,931
10.1 Available for sale			
Related parties - Quoted			
Sui Northern Gas Pipelines Limited			
69,982,155 (2010: 100,442,350) ordinary shares of Rs. 10 each - at cost		4,376,964	6,282,067
Cost of Nil (2010: 30,460,195) shares disposed of during the year		-	(1,905,103)
Cost of 69,982,155 shares of Rs. 10 each - at cost		4,376,964	4,376,964
Percentage of equity held: 12.75% (2010: 12.75%)		(2,505,642)	(2,641,407)
Cumulative Impairment loss		1,871,322	1,735,557
(Impairment loss) / fair value adjustment during the period		(482,876)	135,765
		1,388,446	1,871,322
Others - Quoted			
Southern Electric Power Company Limited			
3,622,900 (2010: 3,622,900) ordinary shares of Rs.10 each - at cost		68,431	68,431
Percentage of equity held: 2.65% (2010: 2.65%)		(60,352)	(60,352)
Opening cumulative Impairment loss		8,079	8,079
Impairment loss during the period		(2,138)	-
		5,941	8,079
		1,394,387	1,879,401

Selected Notes to the Consolidated Condensed Interim Financial Information (Un-audited)

For the First Quarter Ended 31 March 2011

	31 March 2011 (Un-audited) (Rs '000)	31 December 2010 (Audited) (Rs '000)
10.2 Financial assets at fair value through profit or loss account		
ABL - Income Fund		
13,124,748 (2010: 2,917,016) units of Rs. 10 each	129,198	27,870
Adjustment arising from measurement to fair value	2,167	1,328
	131,365	29,198
ABL - Cash Fund		
30,860,783 (2010: 24,075,792) units of Rs. 10 each	300,977	240,000
Adjustment arising from measurement to fair value	7,902	977
	308,879	240,977
Meezan Cash Fund - Growth Units		
6,133,934 (2010: 4,199,685) units of Rs. 50 each	300,152	208,979
Adjustment arising from measurement to fair value	6,913	1,174
	307,065	210,153
UBL - Liquidity Plus Fund-Class C		
1,529,179 (2010: 800,447) units of Rs. 100 each	150,202	80,000
Adjustment arising from measurement to fair value	3,295	202
	153,497	80,202
	900,806	560,530

Selected Notes to the Consolidated Condensed Interim Financial Information (Un-audited)

For the First Quarter Ended 31 March 2011

	31 March 2011 (Un-audited) (Rs '000)	31 December 2010 (Audited) Restated (Rs '000)
11 Cash generated from operations		
Profit before tax	647,214	429,421
Adjustment for non cash expenses and other items:		
Depreciation	47,611	34,512
Finance costs	200,206	237,463
Profit on sale of property, plant and equipment	(965)	(712)
Profit on sale of short term investments available for sale		(41,223)
Un-realized gain due to fair value adjustment of investment at fair value through profit or loss	(20,277)	(1,495)
Impairment loss on available for sale investments	349,249	-
Share of profit from associate, net of tax	(908,579)	(407,883)
Provision for staff retirement and other service benefits	3,856	3,598
Profit on time deposits	(31,040)	(15,759)
	(359,939)	(191,499)
Profit before working capital changes	287,275	237,922
Working capital changes		
(Increase)/decrease in current assets:		
Stocks, stores and spares	190,978	86,675
Trade debts	2,130	7,882
Loans, advances, deposits, prepayments and other receivables	(1,280)	(14,058)
(Decrease)/increase in current liabilities:		
Trade and other payables	89,883	(34,564)
	281,711	45,935
	568,986	283,857

Selected Notes to the Consolidated Condensed Interim Financial Information (Un-audited)

For the First Quarter Ended 31 March 2011

12 Related party transactions

The related parties comprise subsidiary and associated companies, related group companies, directors of the Company, companies where directors also hold directorship, and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Significant transactions during the period were as follows:

	31 March 2011 (Un-audited) (Rs '000)	31 December 2010 (Audited) (Rs '000)
Associated company		
Sale of goods and services	3,600	3,600
Purchase of goods and services	266,378	547,266
Dividend income	249,965	227,241
Reimbursement of expenses from associate	165	51
Reimbursement of expenses to associate	10	49
Finance costs	31,732	-
Other related parties		
Key management personnel compensation	91,596	77,730
Gratuity funds	3,855	3,792
Provident funds	6,967	6,355

All transactions with related parties have been carried out on commercial terms and conditions, in accordance with accounting policy. No buying and selling commission has been paid to any related party.

- 13 The consolidated condensed interim financial information was authorised for issue on 25 April 2011 by the Board of Directors of the Company.

14 General

All financial information is presented in Pak Rupee and has been rounded to the nearest thousand.



DAWOOD
HERCULES
CHEMICALS
LIMITED