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COMPANY INFORMATION

Board of Directors

Hussain Dawood
Chairman

Shahzada Dawood
Chief Executive

Isar Ahmad

Javed Akbar

M. Abdul Aleem

S.M. Asghar

A. Samad Dawood

Parvez Ghias

Shahid Hamid Pracha

Inam ur Rahman

Board Audit Committee

M. Abdul Aleem (Chairman)

Javed Akbar

Shahid Hamid Pracha

Inam ur Rahman

Company Secretary

Aftab Ahmed Qaiser

Auditors

KPMG Taseer Hadi & Company
(Chartered Accountants)

Legal Advisors

Hassan & Hassan
(Advocates)

Registered Office

35-A, Shahrah-e-Abdul
Hameed Bin Baadees
(Empress Road), Lahore

Plant

Chichoki Mallian,
Sheikhupura.

Shares Registrar

M/s. Corplink (Pvt.) Ltd.
Wings Arcade,
1-K, Commercial Model Town, Lahore
Tel: +92 42 35839182, 35916719
Fax: +92 42 35869037

DIRECTORS' REVIEW

The Board of Directors is pleased to present the un-audited financial statements of the Company for the 1st Quarter ended 31st March 2010.

1) Market Review:

Country wide off-take of urea for the 1st quarter of the year 2010 was 1,414 thousand tons as against 1,543 thousand tons depicting a reduction of 8% over the last period. However, the domestic production of 1,167 thousand tons of urea is 2% higher than the corresponding period last year. To bridge the gap between demand and supply during the period under review, the Government imported 184 thousand tons of urea as against 373 thousand tons for the comparable period last year. The inventory of urea in the country as of 31st March 2010 was 69 thousand tons as against 38 thousand tons last year.

2) Business Review:

During the period under review, the Company sold 89,560 mt of urea as against 93,010 mt for the same period last year. However, the sales revenue of the Company is approximately 8% higher than that of the last year because of higher selling price of urea as against comparable period last year.

The Company's market share of urea stood at around 6% for the period under review, which is same, as the comparable period last year.

3) Plant Performance:

The Plant remained shut for a total period of 33 days during the 1st quarter of the year 2010 on account of gas curtailment and Annual Turnaround as against 32 days for the comparable period last year. The Company produced 92,121 mt of urea as against 90,397 mt for the same period last year through more efficient plant operations, depicting a capacity utilization of 83% as against 81% last period. Due to gas curtailment in the current period, the Company sustained a production loss of 27,589 mt as against 20,522 mt for the same period last year.

4) Gas Turbine and Heat Recovery Steam Generator (HRSG):

Gas Turbine along with HRSG has been commissioned successfully in January 2010 and tested at 10.6 MW capacity. A daily fuel saving of 1.8 MMSCF is expected after the HRSG has been operated at 46 mt per hour steam production capacity.

5) Financial Performance:

The Company recorded a profit of Rs. 356 million including the share of profit from associate for the 1st quarter of the year 2010, as against the net loss of Rs. 505 million for the same period last year on account of absorption of impairment loss on SNGPL shares and reduction of share of income from associate.

6) Earnings Per Share:

Earnings per share for the 1st quarter of the year 2010 including the share of income from associate stood at Rs. 2.96 as compared to Loss per share of Rs. 4.20 for the same period last year. The main reason for the loss in the 1st quarter of the year 2009 was attributed to the absorption of impairment loss and reduction in the share of income from associate.

7) Future Prospects:

As a result of government's recent decision to curtail the supply of gas by 20% to all fertilizer plants on SNGPL's network and its diversion to the power sector, the gas supply to your Company stands reduced. This sizeable reduction in the gas supply will have a significant adverse effect on production and consequently on the financial health of the Company.

On a national level, gas curtailment of fertilizer industry is likely to lead to a shortage of urea, an important agricultural input. It is hoped that the government will be able to make the necessary arrangements in time to ensure adequate supply for the ensuing crop season.

On behalf of the Board

Karachi
April 27, 2010

Shahzada Dawood
Chief Executive

**Condensed Interim Profit and Loss Account (Un-audited)
For the First Quarter Ended 31 March 2010**

	31 Mar 10	31 Mar 09
	(Rupees in thousand)	
Continuing Operations		
Sales - net	1,390,355	1,281,333
Cost of sales	(1,069,833)	(918,437)
Gross profit	320,522	362,896
Other operating income	71,323	14,714
Distribution expenses	(43,436)	(34,278)
Administrative expenses	(89,198)	(68,409)
Impairment loss		(811,675)
Other operating expenses	(210)	(2,552)
Results from operating activities	259,001	(539,304)
Finance costs	(237,463)	(232,780)
Profit / (loss) before share of associate and tax	21,538	(772,084)
Share of profit from associate (net of income tax)	407,883	321,025
Profit / (loss) before Tax	429,421	(451,059)
Income Tax Expenses	(73,824)	(54,300)
Profit / (loss) for the period from continuing operation	355,597	(505,359)
Profit / (loss) attributable to owners of the Company	355,597	(505,359)
Earnings per share- basic and diluted	2.96	(4.20)

The annexed notes 1 to 15 form an integral part of these financial statements.

Karachi
April 27, 2010

Shahzada Dawood
Chief Executive

Isar Ahmad
Director

Condensed Interim Statement of Comprehensive Income (Un-audited)
For the First Quarter Ended 31 March 2010

	31 Mar 10	31 Mar 09
	(Rupees in thousand)	
Profit / (loss) for the period	355,597	(505,359)
Adjustment arising from measurement to fair value of available for sale financial assets	834,912	1,691,801
Other Comprehensive Income net of Tax	<u>834,912</u>	<u>1,691,801</u>
Total Comprehensive Income for the period	<u>1,190,509</u>	<u>1,186,442</u>

The annexed notes 1 to 15 form an integral part of these financial statements.

Karachi
April 27, 2010

Shahzada Dawood
Chief Executive

Isar Ahmad
Director

**Condensed Interim Balance Sheet (Un-audited)
as at 31 March 2010**

LIABILITIES	Note	31 Mar 10 (Un-audited)	31 Dec 09 (Audited)
(Rupees in thousand)			
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	5	1,203,218	1,093,834
Revenue reserves		18,921,725	18,784,895
Fair value reserve		838,897	3,985
		20,963,840	19,882,714
NON CURRENT LIABILITIES			
Long term Loans	6	6,302,500	6,302,500
Deferred taxation		445,600	394,500
Staff retirement and other service benefits		43,676	44,595
		6,791,776	6,741,595
CURRENT LIABILITIES			
Short term financing - secured	7	560,052	1,196,604
Trade and other payables		668,064	648,227
Accrued markup		46,440	280,268
Provision for taxation		22,724	858,000
		1,297,280	2,983,099
CONTINGENCIES AND COMMITMENTS			
	8	29,052,896	29,607,408
ASSETS			
NON- CURRENT ASSETS			
FIXED CAPITAL EXPENDITURE			
Property, plant and equipment	9	1,981,832	1,340,587
Capital work in progress		294,336	734,409
		2,276,168	2,074,996
INVESTMENT IN ASSOCIATE	10	21,723,929	21,543,287
LONG TERM LOANS AND ADVANCES		2,632	2,423
CURRENT ASSETS			
Stores, spares and loose tools		1,144,704	1,303,297
Stock in trade		155,204	83,286
Trade debts		2,146	10,028
Loans, advances, deposits, prepayments and other receivables		106,782	92,724
Advance income tax		9,990	819,908
Short term investments	11	3,033,253	3,399,313
Cash and bank balances		598,088	278,146
		5,050,167	5,986,702
		29,052,896	29,607,408

The annexed notes 1 to 15 form an integral part of these financial statements.

Karachi
April 27, 2010

Shahzada Dawood
Chief Executive

Isar Ahmad
Director

**Condensed Interim Cash Flow Statement (Un-audited)
For the First Quarter Ended 31 March 2010**

	Note	31 Mar 10 (Rupees in thousand)	31 Mar 09
Cash flow from operating activities			
Cash generated from operations	12	283,857	659,362
Finance costs paid		(471,291)	(475,209)
Taxes paid		(48,082)	(229,544)
Staff retirement and other service benefits paid		(4,517)	(3,908)
(Increase) in long term loans and advances		(209)	(6,973)
Net cash (outflow) from operating activities		<u>(240,242)</u>	<u>(56,272)</u>
Cash flow from investing activities			
Fixed capital expenditure		(237,281)	(428,872)
Proceeds from sale of property, plant and equipment		2,309	-
Profit on time deposits		15,759	7,373
Proceeds from disposal of available for sale investments		1,243,691	235,804
Investment at fair value through profit and loss		-	(418,925)
Dividends received		227,241	162,315
Net cash inflow/(outflow) from investing activities		<u>1,251,719</u>	<u>(442,305)</u>
Cash flow from financing activities			
Short term financing		(636,552)	(4,977)
Dividends paid		(54,983)	-
Net cash (outflow) from financing activities		<u>(691,535)</u>	<u>(4,977)</u>
Net increase /(decrease) in cash and cash equivalents		<u>319,942</u>	<u>(503,554)</u>
Cash and cash equivalents at the beginning of period		278,146	933,938
Cash and cash equivalents at the end of period		<u>598,088</u>	<u>430,384</u>

The annexed notes 1 to 15 form an integral part of these financial statements.

Karachi
April 27, 2010

Shahzada Dawood
Chief Executive

Isar Ahmad
Director

**Condensed Interim Statement of Changes in Equity (Un-audited)
For the First Quarter Ended 31 March 2010**

	Share Capital	Revenue Reserves			Fair Value Reserve	Total
		General reserve	Unappropriated Profit	Total		
(Rupees in thousand)						
Balance as on 01 January 2009	1,093,834	700,000	19,715,395	20,415,395	(4,126,574)	17,382,655
Comprehensive income for the period	-	-	(505,359)	(505,359)	1,691,801	1,186,442
Balance as on 31 March 2009	<u>1,093,834</u>	<u>700,000</u>	<u>19,210,036</u>	<u>19,910,036</u>	<u>(2,434,773)</u>	<u>18,569,097</u>
Balance as on 01 January 2010	1,093,834	700,000	18,084,895	18,784,895	3,985	19,882,714
Comprehensive income for the period	-	-	355,597	355,597	834,912	1,190,509
	<u>1,093,834</u>	<u>700,000</u>	<u>18,440,492</u>	<u>19,140,492</u>	<u>838,897</u>	<u>21,073,223</u>
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	109,384	-	(109,384)	(109,384)	-	-
	<u>109,384</u>	<u>-</u>	<u>(218,767)</u>	<u>(218,767)</u>	<u>-</u>	<u>(109,383)</u>
Balance as on 31 March 2010	<u>1,203,218</u>	<u>700,000</u>	<u>18,221,725</u>	<u>18,921,725</u>	<u>838,897</u>	<u>20,963,840</u>

The annexed notes 1 to 15 form an integral part of these financial statements.

Karachi
April 27, 2010

Shahzada Dawood
Chief Executive

Isar Ahmad
Director

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
For the First Quarter Ended 31 March 2010**

- 1** Dawood Hercules Chemicals Limited is a public limited company. It was incorporated in Pakistan in 1968 under the Companies Act 1913 (now 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.
- 2** This 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 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 2009.
- 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 2009.
- 4** The preparation of condensed interim financial statements 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 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 2009.

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 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

31-Mar-10 (Un-audited) No. of Shares	31-Dec-09 (Audited)		31-Mar-10 (Un-Audited) (Rupees in thousand)	31-Dec-09 (Audited)
13,900,000	13,900,000	Ordinary shares of Rs. 10 each fully paid in cash	139,000	139,000
106,421,779	95,483,436	Ordinary shares of Rs. 10 each issued as bonus shares	1,064,218	954,834
<u>120,321,779</u>	<u>109,383,436</u>		<u>1,203,218</u>	<u>1,093,834</u>

6 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.

7 SHORT TERM FINANCING - SECURED

	Note	31-Mar-10 (Un-Audited) (Rupees in thousand)	31-Dec-09 (Audited)
Running finance facility	7.1	60,052	122,324
Murabaha finance facility	7.2	400,000	400,000
Murabaha finance facility	7.3	100,000	674,280
		<u>560,052</u>	<u>1,196,604</u>

7.1 This represents utilized portion of short term running finance facility available from Habib Bank Limited under markup arrangements. The facility aggregates to Rs. 398 million and expires on 31 December 2010, carries mark-up at the rate of one month Kibor plus 150 bps. The facility is secured by pledge of shares held as investments and first hypothecation charge of Rs. 427 million on finished goods, stores and spares.

7.2 This represents balance amount of short term Murabaha finance facility availed from Meezan Bank Limited to subscribe to the right issue of Engro Corporation Limited (Formerly Engro Chemical Pakistan Limited). The facility expires on 19 May 2010 and carries markup @ 6 months KIBOR plus 40 bps. It is secured against pledge of shares.

7.3 This represents balance amount of short term Murabaha finance facility availed from Bank Al-Habib Limited for import of DAP Fertilizer. The facility carries mark up @ 3 months average KIBOR + 50 bps payable in monthly installments and expires on 08 April 2010. This facility is secured against pledge of shares.

8 CONTINGENCIES & COMMITMENTS

8.1 There is no material change in contingencies since the last audited published financial statements for the year ended 31 December 2009.

8.2 Commitments of the Company as at 31 March 2010 were Rs. 105 million (2009: Rs. 159 million) in respect of stores purchases and Rs. 160 million (2009: Rs. 254 million) in respect of contracts for capital expenditure.

	31-Mar-10 Note (Un-audited)	31-Dec-09 (Audited)
	(Rupees in thousand)	
9 PROPERTY, PLANT AND EQUIPMENT		
Opening net book value	1,340,587	1,328,780
Additions during the period/year	9.1 677,354	166,319
Assets disposed off during the period/year	(4,129)	(14,032)
	2,013,812	1,481,067
Depreciation charged during the period/year	(34,512)	(149,784)
Depreciation on assets disposed off during the period/year	2,532	9,304
Closing net book value	1,981,832	1,340,587
9.1 Additions during the period		
Plant and machinery	667,579	61,153
Furniture, fittings and equipment	1,898	15,575
Data processing equipment	2,363	11,673
Motor vehicles	5,514	77,918
	677,354	166,319

10 INVESTMENT IN ASSOCIATE	31-Mar-10 (Un-audited)	31-Dec-09 (Audited)
	(Rupees in thousand)	
Engro Corporation Limited (Formerly Engro Chemical Pakistan Limited)		
113,620,371 (2009: 81,157,408) ordinary shares of Rs. 10 each	21,543,287	19,205,628
Cost of right shares acquired during the period Nil (2009: 32,462,963)	-	1,623,148
Add: Bonus shares received during the period - 11,362,037 (2009: Nil)	-	-
Share of post acquisition profits	407,883	1,331,307
Percentage of equity held - 38.13% (2009: 38.13%)	21,951,170	22,160,083
Less: Dividend received during the period	(227,241)	(616,796)
	<u>21,723,929</u>	<u>21,543,287</u>

10.1 Financial results of Engro Corporation Limited (Formerly Engro Chemical Pakistan Limited) for the period from 1st October 2009 to 31 December 2009 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 2010.

11 SHORT TERM INVESTMENTS	31-Mar-10 (Un-audited)	31-Dec-09 (Audited)
	(Rupees in thousand)	
Available for sale	2,973,251	2,505,426
Financial assets at fair value through profit and loss account	60,002	893,887
	<u>3,033,253</u>	<u>3,399,313</u>
11.1 Available for sale		
Related parties - quoted		
Sui Northern Gas Pipelines Limited		
Opening carrying value of 100,442,350 (2009: 100,442,350) ordinary shares of Rs. 10 each	2,490,971	6,282,067
Cost of 14,801,900 (2009: Nil) shares disposed during the period	(367,087)	-
	<u>2,123,884</u>	<u>6,282,067</u>
Adjustment arising from measurement at fair value:	833,282	
Impairment loss	-	(3,791,096)
Closing carrying value of 85,640,450 (2009: 100,442,350) share of Rs. 10 each	2,957,166	2,490,971
Percentage of equity held 15.60% (2009: 18.29%)		
Others - quoted		
Southern Electric Power Company Limited		
3,622,900 (2009: 6,270,000) ordinary shares of Rs. 10 each at carrying cost	14,455	18,120
Cost of Nil (2009: 2,647,100) shares disposed during the period	-	(7,650)
	<u>14,455</u>	<u>10,470</u>
Adjustment arising from measurement to fair value	1,630	3,985
Closing carrying value of 3,622,900 (2009: 3,622,900) share of Rs. 10 each	16,085	14,455
Percentage of equity held : below 10% (2009: below 10%)	<u>2,973,251</u>	<u>2,505,426</u>

11.2 Financial assets at fair value through profit or loss account classified as held for trading	31-Mar-10 (Un-audited)	31-Dec-09 (Audited)
	(Rupees in thousand)	
ABL - Income Fund		
5,008,735.9151 (2009:29,611,770.2888) units of Rs. 10 each	48,859	288,458
Adjustment arising from measurement to fair value	1,258	7,935
	50,117	296,393
Meezan Cash Fund - Growth Units		
66,181.1050 (2009: 5,655,874.2274) units of Rs. 50 each	3,357	293,808
Adjustment arising from measurement to fair value	81	3,012
	3,438	296,820
UBL - Liquidity Plus Fund-Class C		
64,246.1632 (2009: 2,929,825.0073) units of Rs. 100 each	6,291	296,800
Adjustment arising from measurement to fair value	156	3,874
	6,447	300,674
	<u>60,002</u>	<u>893,887</u>

12 CASH GENERATED FROM OPERATIONS	31-Mar-10 (Rupees in thousand)	31-Mar-09
Profit/(loss) before taxation	429,421	(451,059)
Adjustment for non cash expenses and other items:		
Depreciation	34,512	32,310
Finance costs	237,463	232,780
Profit on sale of property, plant and equipment	(712)	-
Profit on sale of short term investments available for sale	(41,223)	(2,052)
Un-realized gain due to fair value adjustment of investment at fair value through profit or loss	(1,495)	(1,251)
Impairment loss on available for sale investments	-	811,675
Share of profit from associate, net of tax	(407,883)	(321,025)
Provision for staff retirement and other service benefits	3,598	2,976
Profit on time deposits	(15,759)	(7,373)
	(191,499)	748,040
Profit before working capital changes	<u>237,922</u>	<u>296,981</u>
Working capital changes		
(Increase)/decrease in current assets:		
Stocks, stores and spares	86,675	31,895
Trade debts	7,882	1,500
Loans, advances, deposits, prepayments and other receivables	(14,058)	(29,279)
(Decrease)/increase in current liabilities:		
Trade and other payables	(34,564)	358,265
	45,935	362,381
	<u>283,857</u>	<u>659,362</u>

13 RELATED PARTY TRANSACTIONS

The Company in the normal course of business carries out transactions with various associated undertakings and related parties. Significant transactions during the period were as follows:

	31-Mar-10	31-Mar-09
	(Rupees in thousand)	
Associates		
Sales of goods and services	3,600	-
Purchase of goods and services	547,266	477,652
Dividend Income	227,241	162,315
Other related parties		
Key management personnel compensation	77,728	58,507
Employees' retirement benefits	10,123	8,493

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.

14 The condensed interim financial statements were authorised for issue on 27 April 2010 by the Board of Directors of the Company.

15 GENERAL

15.1 Corresponding figures have been re-arranged and re-classified, where ever necessary for the purpose of comparison and for better presentation, the effect of which is not material.

15.2 Figures have been rounded off to the nearest thousand of rupees.

Karachi
April 27, 2010

Shahzada Dawood
Chief Executive

Isar Ahmad
Director

For Comments and Feedback
creativeunit@dawoodgroup.com