



Dawood Hercules



Adding
Dimensions

with Diverse
Business Interests

Quarterly Accounts (Un-Audited) for the
1st Quarter ended March 31, 2012



Company Information

Board of Directors:

Mr. Hussain Dawood	Chairman
Mr. Shahid Hamid Pracha	Chief Executive Officer
Mr. Isar Ahmad	Director
Mr. Javed Akbar	Director
Mr. M. Abdul Aleem	Director
Mr. M. Aliuddin Ansari	Director
Mr. A. Samad Dawood	Director
Mr. Shahzada Dawood	Director
Mr. Parvez Ghias	Director
Mr. Asad Umar	Director

Board Audit Committee:

Mr. M. Abdul Aleem	Chairman
Mr. Isar Ahmad	Member
Mr. Javed Akbar	Member
Mr. Parvez Ghias	Member

Board Compensation Committee:

Mr. Hussain Dawood	Chairman
Mr. M. Aliuddin Ansari	Member
Mr. A. Samad Dawood	Member
Mr. Asad Umar	Member

Company Secretary:

Mr. Shafiq Ahmed

Chief Financial Officer:

Mr. Ali Aamir

Registered Office:

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Karachi-75530
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Fax: +92-21-35693416
Email: shafiq.ahmed@dawoodgroup.com
Web: www.dawoodhercules.com

Bankers:

Bank Al-Habib Limited
Barclays Bank PLC, Pakistan

Auditors:

A.F Ferguson & Co
Chartered Accountants
State Life Building No. 1-C
I.I. Chundrigar Road
Karachi - 74000, Pakistan
Tel: +92 (21) 32426682-6/32426711-5
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Shares Registrar:

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Model Town, Lahore
Tel: +92 (42) 35839182, 35916719
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Tax Consultants:

A.F Ferguson & Co
Chartered Accountants
State Life Building No. 1-C
I.I. Chundrigar Road
Karachi - 74000, Pakistan
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Directors' Report

The Directors are pleased to present their report and the unaudited condensed interim financial information of the Company for the first quarter ended 31 March 2012.

Market overview

With the rise in winter domestic heating demand, the industry continued to face deeper cuts in the supply of natural gas and fertilizer plants on the SNGPL network remained inoperative for most of the first quarter. In addition, the fertilizer industry had to absorb the effects of the Gas Infrastructure Development Surcharge(GIDS) of Rs 197 and Rs 13 per mmbtu on feed and fuel gas respectively, imposed by the Government effective 1st January, 2012.

Urea production declined by 6% from 1.07 million tonnes during the corresponding quarter last year to 1.01 million tonnes in Q1 2012. This represents 64% of the total installed capacity. Country wide urea sales in Q1 2012 were 1.01 million tonnes against 1.23 million tonnes for the same period in 2011 reflecting a decline of 18% despite the large scale urea imports of 0.65 million tonnes by the Government to bridge the anticipated shortfall due to gas curtailment. It is instructive to note that urea offtake has reduced drastically by 0.4 million tonnes in comparison to Q1 of 2011 and this reflects the effects of the previous 15 months' gas crisis. Due to this reduced offtake, the market remained soft and aggregate closing inventory of urea at the end of March was 0.77 million tonnes vs 0.16 million tonnes last year. Prices will therefore remain under pressure going into the Kharif season.

Anticipating further gas shortages during the peak summer months with its resultant adverse impact on domestic urea production, the government has recently authorized additional urea import of 300,000 tonnes during Q2/Q3 2012. Coupled with the high price of urea and low returns expected by farmers from paddy, cotton and potato crops, this does not bode well for the fertilizer industry in Pakistan. Average FOB price of urea in the Middle East was US\$ 391 per tonne in January which increased to US\$ 414 per tonne in March, which was in line with the price and the trend in Pakistan.

For the same reasons outlined above, DAP production and sales in the country also suffered during Q1 2012 and were respectively 87,000 tonnes and 71,000 tonnes or 28% and 56% lower compared to the same period last year. A further 77,000 tonnes was imported which was 64% higher than during Q1 2011 resulting in an oversupplied market. Aggregate closing inventory of DAP was 186,000 tonnes vs 23,000 tonnes last year. This combined with a decline in the international price of DAP from US\$ 625 per tonne CFR Karachi in the first week of January to US\$ 560 per tonne by the end of March, is also likely to have a spillover effect in Q2 & Q3 2012.

Business overview

During the quarter under review, the plant produced 27,810 tonnes of urea which was 20% lower than the 34,535 tonnes produced in the same period last year. This was primarily due to gas curtailment of 70 days during Q1 2012 as compared to 54 days in Q1 2011 which resulted in capacity utilization being reduced from 31% last year to 25% in Q1 2012. A major cost saving step was taken during the quarter by switching over from the main generator to smaller generator sets to meet the power requirement during plant shut-down periods which, along with other energy efficiency measures, helped in reducing gas consumption resulting in substantial cost savings over the same period last year. 25,270 tonnes of urea was sold during the quarter as compared to 51,960 tonnes for the comparative period last year. Apart from lower production, sales were also impacted initially by depleted year end stocks.

Financial performance

Despite significantly lower production and sales volumes versus last year, the gross profit for the quarter was only 5% lower than Q1 2011. This was mainly due to savings in fixed costs and through improved conversion efficiencies. Distribution expenses were 7% lower than the same period last year because a lower volume of sales was dispatched on delivered basis. Administrative and other operating costs increased as the holding company organization was geared up and on account of inflationary impact on costs. Other operating income was 24% higher than last year mainly due to better returns on surplus cash invested in mutual funds and bank deposits. Finance costs were 21% lower than in

Directors' Report

the comparative period last year mainly due to lower profit rate on the long term loan. After adding the share of profit of our Associate, the profit before tax of Rs 1,013 million for Q1 2012 is 57% higher than the Q1 2011 mainly due to an impairment loss of Rs 349 million on short term investments recognized in the same period last year. This has resulted in a higher EPS of Rs 1.81 for the first quarter 2012 versus Rs 1.08 for Q1 2011. On a stand-alone basis the EPS of the holding company at Rs 0.43 for the first quarter was 10% higher than Q1 2011 mainly due to higher dividend from Engro Corporation Limited and better returns on surplus cash invested in mutual funds and bank deposits.

Investments

The Directors are pleased to inform that, in line with the Company's new vision and mission statement, a strategic opportunity of expanding into the power generation sector was identified and acted upon during Q1 2012. A Share Purchase Agreement (SPA) was signed by the Company and its subsidiary on 23 March 2012 with National Power International Holdings BV to acquire 137.74 million shares representing 11.90% of the issued and subscribed ordinary share capital of Hub Power Company Limited (Hubco) at a price of Rs 31 per share for a total consideration of Rs 4,270 million to be financed partly through surplus funds available with the with both companies and partly through debt as more fully explained in note 8.2.1 of the attached consolidated interim financial statements. The consummation of this transaction is subject to receipt of certain regulatory approvals and is likely to be completed before the end of Q2 2012. This investment will represent the single largest shareholding in Hubco. The Directors believe that, based on the Company's original roots in the manufacturing industry and ownership of energy businesses, it has the requisite experience and understanding of the energy and power sectors, and, besides creating market confidence in the longer term, it can also contribute positively to the future strategic direction of Hubco.

The Directors believe that the Company's substantial investment in its associated company, Engro Corporation Limited, will continue to experience growth in its various business segments and, along with the Hubco investment, provide a healthy stream of returns to partially mitigate the adverse impact of the continuously shrinking supply of natural gas to its fertilizer plant.

Future outlook

The gas supply situation continues to remain uncertain, especially for fertilizer plants on the SNGPL network. The Company continues to make strenuous efforts at various levels in the government and in association with other manufacturers in the industry to ensure an equitable and constant supply and distribution of gas. The Directors wish to reiterate that the fertilizer industry is the most efficient user of gas and provides the highest value addition as a result of which it had always been treated in the past as a "highest priority" gas consumer after the domestic sector. Gas is also the main raw material and hence the industry has no substitute. Unfortunately with the burgeoning circular debt and increasing shortages of electric power supply in the country, the government has decided to divert a large portion of this precious resource to fuel power generation and supply CNG to the transport sector. Given the rising demand for gas and the fast depleting sources, the uncertainty surrounding its supply to the network based fertilizer industry will continue unabated. As a result, future financial performance of the fertilizer business would depend entirely on the actual supply received. Prospects for our increasingly more diverse investments remain good and will help to mitigate sector specific risks.



Hussain Dawood
Chairman



Shahid Hamid Pracha
Chief Executive

Stand - alone Condensed interim balance sheet (Un-audited)

As at 31 March 2012

	Note	(Un-audited) 31 March 2012	(Audited) 31 December 2011
(Rupees in thousand)			
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		4,812,871	4,812,871
Revenue reserves		14,759,728	15,036,168
Fair value reserve on short term investments		3,478	-
		19,576,077	19,849,039
Non current liabilities			
Staff retirement and other service benefits		3,329	6,509
Current liabilities			
Trade and other payables	5	520,083	33,701
Provision for taxation		37,100	78,000
		557,183	111,701
Contingencies and commitments			
	6	-	-
		20,136,589	19,967,249
Assets			
Non current assets			
Property and equipment	7	54,722	42,809
Long term investments	8	18,435,618	18,435,618
		18,490,340	18,478,427
Current assets			
Loans, advances, deposits, prepayments and other receivables		271,015	1,941
Advance income tax		1,758	79,618
Short term investments	9	1,251,602	971,818
Cash and bank balances	10	121,874	435,445
		1,646,249	1,488,822
		20,136,589	19,967,249

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.



Shahid Hamid Pracha
Chief Executive

Karachi: 25 April 2012



M. Abdul Aleem
Director

Stand - alone Condensed interim profit and loss account (Un-audited)

For the first quarter ended 31 March 2012

	First quarter ended 31 March	
	2012	2011
	(Rupees in thousand)	
Dividend income	261,558	217,964
Administrative expenses	(58,385)	(31,696)
Other operating income	38,823	26,771
Impairment on available for sale investments	-	(2,137)
Operating profit	241,996	210,902
Finance cost	(49)	-
Profit before taxation	241,947	210,902
Taxation	(37,100)	(21,800)
Profit after taxation	204,847	189,102
Earnings per share - basic and diluted (rupees)	0.43	0.39

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.



Shahid Hamid Pracha
Chief Executive

Karachi: 25 April 2012



M. Abdul Aleem
Director

Stand - alone Condensed interim statement of comprehensive income (Un-audited)

For the first quarter ended 31 March 2012

	First quarter ended 31 March	
	2012	2011
	(Rupees in thousand)	
Profit after taxation	204,847	189,102
Other comprehensive income		
Adjustment arising from measurement to fair value of available for sale investments	3,478	-
Total comprehensive income for the period	<u>208,325</u>	<u>189,102</u>

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.



Shahid Hamid Pracha
Chief Executive

Karachi: 25 April 2012



M. Abdul Aleem
Director

Stand - alone Condensed Interim cash flow statement (Un-audited)

For the first quarter ended 31 March 2012

	Note	First quarter ended 31 March	
		2012	2011
(Rupees in thousand)			
Cash (used in) / generated from operations	11	(57,587)	(18,352)
Finance cost paid		(49)	-
Taxes paid		(1,758)	(697)
Staff retirement and other service benefits paid		(3,180)	(633)
Net cash (used in) / generated from operating activities		(62,575)	(19,682)
Cash flow from investing activities			
Fixed capital expenditure		(13,453)	(1,348)
Proceeds from sale of property and equipment		904	204
Profit on time deposits		10,673	6,467
Proceeds from disposal of available for sale investments		671,212	-
Short term investments at fair value through profit or loss		(920,253)	(320,000)
Net cash (used in) / generated from investing activities		(250,917)	(314,677)
Cash flow from financing activities			
Dividend paid		(79)	(764)
Net cash (used in) financing activities		(79)	(764)
Net (decrease) / increase in cash and cash equivalents		(313,571)	(335,123)
Cash and cash equivalents at the beginning of period		435,445	383,957
Cash and cash equivalents at the end of period	12	121,874	48,834

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.



Shahid Hamid Pracha
Chief Executive

Karachi: 25 April 2012



M. Abdul Aleem
Director

Stand - alone Condensed interim statement of changes in equity (Un-audited)

For the first quarter ended 31 March 2012

	Revenue reserves				Fair value reserve	Total
	Share capital	General reserve	Un appropriated profit	Subtotal		
	(Rupees in thousand)					
Balance as at 01 January 2011	1,203,217	700,000	17,505,346	18,205,346	-	19,408,563
Total comprehensive income for the period						
Profit for the period	-	-	189,102	189,102	-	189,102
Other comprehensive income	-	-	-	-	-	-
	-	-	189,102	189,102	-	189,102
Final cash dividend @ 10% for the year ended 31 December 2010	-	-	(120,322)	(120,322)	-	(120,322)
	-	-	(120,322)	(120,322)	-	(120,322)
Balance as at 31 March 2011	<u>1,203,217</u>	<u>700,000</u>	<u>17,574,126</u>	<u>18,274,126</u>	<u>-</u>	<u>19,477,343</u>
Balance as at 01 January 2012	4,812,871	700,000	14,336,168	15,036,168	-	19,849,039
Total comprehensive income for the period						
Profit for the period	-	-	204,847	204,847	-	204,847
Other comprehensive income	-	-	-	-	3,478	3,478
	-	-	204,847	204,847	3,478	208,325
Final cash dividend @ 10% for the year ended 31 December 2011	-	-	(481,287)	(481,287)	-	(481,287)
Balance as at 31 March 2012	<u>4,812,871</u>	<u>700,000</u>	<u>14,059,728</u>	<u>14,759,728</u>	<u>3,478</u>	<u>19,576,077</u>

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.



Shahid Hamid Pracha
Chief Executive

Karachi: 25 April 2012



M. Abdul Aleem
Director

Selected Notes to the Stand - alone condensed interim financial information (Un-audited)

For the first quarter ended 31 March 2012

1 Legal status and operations

Dawood Hercules Corporation Limited (formerly Dawood Hercules Chemicals Limited) ("the Company") is a public limited company incorporated in Pakistan under the Companies Ordinance 1984 and listed on Karachi, Lahore and Islamabad Stock Exchanges. The principal activity of the Company is to manage investments in its subsidiary and associated companies. The registered office of the Company is situated at Dawood Center, M.T. Khan Road, Karachi.

2 Basis of preparation

This condensed interim financial information has been prepared in accordance with the requirements of International Accounting Standard 34 - "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

This condensed interim financial information does not include all the information required for full financial statements and should be read in conjunction with the financial statements as at and for the year ended 31 December 2011.

3 Accounting policies

The accounting policies and methods of computation used in the preparation of this condensed interim financial information are consistent with those applied in the preparation of the annual financial statements of the Company for the year ended 31 December 2011.

4 Accounting estimates

The preparation of this condensed interim financial information requires management to make estimates, assumptions and judgments that affect the application of accounting policies in conformity with approved accounting standards and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognized prospectively commencing from the period of revision.

Significant judgments made by management in applying the Company's accounting policies and key sources of estimation were the same as those applied to the financial statements as at and for the year ended 31 December 2011.

	(Un-audited) 31 March 2012	(Audited) 31 December 2011
	(Rupees in thousand)	
5 Trade and other payables		
Due to associated undertaking	62	-
Unclaimed dividends	19,304	19,383
Dividend payable	481,287	-
Accrued expenses	19,327	14,232
Others	103	86
	<u>520,083</u>	<u>33,701</u>

Selected Notes to the Stand - alone condensed interim financial information (Un-audited)

For the first quarter ended 31 March 2012

6 Contingencies and commitments

6.1 Contingencies

The Company acting as guarantor has issued a corporate guarantee to a syndicate of financial institutions through Meezan Bank Limited acting as investment agent to guarantee upto a maximum of Rs.6,400 million relating to a diminishing Musharika finance facility of Rs.4,800 million availed by the Company's wholly owned subsidiary DH Fertilizers Limited. The corporate guarantee will remain in full force and effect for a period of five years commencing from 27 December 2011.

6.2 Commitments

During the period, the Company along with its wholly owned subsidiary company, DH Fertilizers Ltd, signed a Share Purchase Agreement (SPA) with National Power International Holdings BV (NPIH) for the purchase in aggregate of 137.74 million shares of Hub Power Company Limited (Hubco) at a price of Rs 31/- per share valuing Rs.4,270 million and representing 11.90% of the share capital of Hubco. The Company's portion is 35.48 million shares or 3.07% and consummation of this transaction is conditional upon receipt of certain regulatory approvals.

A condition precedent for signing the SPA required Allied Bank Limited (ABL) to underwrite the full value of the transaction in favour of NPIH, to cover the period from the date of signing the SPA to the date of consummation of the transaction. For this purpose the Company and its subsidiary have signed an Underwriting Facility Agreement (UFA) with ABL which required the Company and its subsidiary to place short-term investments aggregating Rs.2,200 million with ABL's Asset Management Company under a lien marked in favour of ABL. In addition, ABL has been mandated by the Company's subsidiary to raise long-term financing for the balance amount of Rs.2,070 million.

	(Un-audited) 31 March	(Audited) 31 December
Note	2012	2011
	(Rupees in thousand)	
7 Property and equipment		
Net book value as at 1 January	42,814	1,871,708
Less: transferred to DH Fertilizers Limited	-	(1,826,671)
Net book value of assets retained	42,814	45,037
Additions during the period	13,453	7,165
Disposals during the period	(2,099)	(7,251)
	<u>54,168</u>	<u>44,951</u>
Depreciation charged during the period	(1,524)	(6,662)
Depreciation on assets disposed off during the period	2,078	4,520
Net book value as at the reporting date	<u>54,722</u>	<u>42,809</u>
8 Long term investments		
Investment in subsidiary company	8.1 1,615,119	1,615,119
Investment in associate	8.2 <u>16,820,499</u>	<u>16,820,499</u>
	<u>18,435,618</u>	<u>18,435,618</u>

Selected Notes to the Stand - alone condensed interim financial information (Un-audited)

For the first quarter ended 31 March 2012

	(Un-audited) 31 March	(Audited) 31 December
Note	2012	2011
	(Rupees in thousand)	
8.1	Investment in subsidiary company	
	DH Fertilizers Limited - unquoted 100,000,000 (2011: 100,000,000) ordinary shares of Rs. 10 each Percentage of equity held 100% (2011: 100%)	
	<u>1,615,119</u>	<u>1,615,119</u>
8.1.1	DH Fertilizers Limited is a public limited company incorporated under the Companies Ordinance, 1984 and its principal activity is the production, purchase and sale of fertilizers.	
8.2	Investment in associate	
	Engro Corporation Limited - quoted 170,012,555 (2011: 130,778,890) ordinary shares of Rs. 10 each Percentage of equity held - 33.25% (2011: 33.25%)	
	<u>16,820,499</u>	<u>16,820,499</u>
8.2.1	The Company received 39,233,665 bonus shares from Engro Corporation Limited during the quarter ended 31 March 2012.	
8.2.2	The market value of investment in associate as at 31 March 2012 was Rs 16,879 million (2011: Rs 12,123 million).	
9	Short term investments	
	Available for sale	
	9.1 6,014	2,536
	Financial assets at fair value through profit or loss	
	9.2 <u>1,245,588</u>	<u>969,282</u>
	<u>1,251,602</u>	<u>971,818</u>
9.1	Available for sale	
	Others - quoted	
	Southern Electric Power Company Limited 3,622,900 (2011: 3,622,900) ordinary shares of Rs. 10 each - at cost	
	68,431	68,431
	Percentage of equity held 2.65% (2011 : 2.65%)	
	Cumulative impairment loss	
	<u>(62,417)</u>	<u>(65,895)</u>
	<u>6,014</u>	<u>2,536</u>

Selected Notes to the Stand - alone condensed interim financial information (Un-audited)

For the first quarter ended 31 March 2012

9.2	Financial assets at fair value through profit or loss	Note	(Un-audited)	(Audited)
			31 March	31 December
			2012	2011
(Rupees in thousand)				
	ABL Income Fund			
	18,703,855 (2011: 18,242,324) units of Rs. 10 each		182,759	166,198
	Adjustment arising from measurement to fair value		4,694	16,561
			187,453	182,759
	ABL Cash Fund			
	105,522,231 (2011: 27,952,179) units of Rs. 10 each		1,051,267	250,502
	Adjustment arising from measurement to fair value		6,868	29,707
			1,058,135	280,209
	Meezan Cash Fund-Growth Units			
	Nil (2011: 4,163,996) units of Rs. 50 each		-	187,966
	Adjustment arising from measurement to fair value		-	20,817
			-	208,783
	UBL Liquidity Plus Fund-Class C			
	Nil (2011: 2,960,961) units of Rs. 100 each		-	270,202
	Adjustment arising from measurement to fair value		-	27,329
			-	297,531
			<u>1,245,588</u>	<u>969,282</u>
9.2.1	As at 31 March 2012 financial assets aggregating Rs. 1,100 million (2011: Nil) were held under lien by Allied Bank Limited as security for the Underwriting Facility Agreement referred to in note 6.2 above.			
10	Cash and bank balances			
	With banks in local currency deposit accounts		121,624	435,195
	Cash in hand		250	250
			<u>121,874</u>	<u>435,445</u>
			First quarter ended 31 March	First quarter ended 31 March
11	Cash flow from operating activities		2012	2011
			(Rupees in thousand)	
	Profit before taxation		241,947	210,902
	Adjustment for non cash expenses and other items:			
	Depreciation		1,524	1,337
	Finance cost		49	-
	Profit on sale of property and equipment		(884)	(27)
	Profit on sale of short term investments available for sale		(15,703)	-
	Unrealized gain on investments at fair value through profit and loss		(11,563)	(20,277)
	Impairment loss on available for sale investments		-	2,137
	Dividend income		(261,558)	(217,965)
	Provision for staff retirement and other service benefits		1,689	633
	Profit on time deposits		(10,673)	(6,467)
			<u>(297,118)</u>	<u>(240,629)</u>
	Cash flow from operations before working capital changes carried forward		<u>(55,171)</u>	<u>(29,727)</u>

Selected Notes to the Stand - alone condensed interim financial information (Un-audited)

For the first quarter ended 31 March 2012

	First quarter ended 31 March	First quarter ended 31 March
	2012	2011
	(Rupees in thousand)	
Cash flow from operations before working capital changes brought forward	(55,171)	(29,727)
Working capital changes		
(Increase)/decrease in current assets:		
Loans, advances, deposits, prepayments and other receivables	(7,767)	9,544
Increase/(decrease) in current liabilities:		
Trade and other payables	5,351	1,831
	<u>(2,416)</u>	<u>11,375</u>
Cash (used in) / generated from operations	<u>(57,587)</u>	<u>(18,352)</u>
12 Cash and cash equivalents		
Cash and cash equivalents comprise of :		
Cash and bank balances	<u>121,874</u>	<u>435,445</u>
13 Related party transactions		
Details of transactions with related parties during the period, other than those which have been disclosed elsewhere in this condensed interim financial information, are as follows:		
Subsidiary company		
Reimbursement of expenses made by the Company	255	10,413
Reimbursement of expenses made to the Company	194	-
Associate		
Purchase of goods and services	4,102	2,833
Dividend income	261,558	217,965
Reimbursement of expenses from associates	932	-
Reimbursement of expenses to associates	1,192	-
Other related parties		
Key management personnel compensation	28,495	20,416
Employee retirement benefits	1,716	1,745

14 This condensed interim financial information has been authorized for issue by the Board of Directors of the Company on 25 April 2012.

15 General

Figures have been rounded off to the nearest thousand of rupee, except as stated otherwise.



Shahid Hamid Pracha
Chief Executive

Karachi: 25 April 2012



M. Abdul Aleem
Director

Consolidated condensed interim financial information

For the first quarter ended 31 March 2012

Consolidated condensed interim balance sheet (Un-audited)

As at 31 March 2012

	Note	(Un-audited) 31 March 2012	(Audited) 31 December 2011
(Rupees in thousand)			
Liabilities			
Share capital & 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		4,812,871	4,812,871
Revenue reserves		20,885,776	20,495,916
Others		(153,865)	(180,731)
Fair value reserve		397,338	-
		25,942,120	25,128,056
Non-current liabilities			
Long term loan	5	4,800,000	4,800,000
Deferred taxation		926,181	869,117
Staff retirement and other service benefits		48,460	53,059
		5,774,641	5,722,176
Current liabilities			
Short term finances - secured	6	-	-
Trade and other payables		1,151,272	641,025
Accrued mark-up		165,656	8,614
Provision for taxation		88,100	466,000
		1,405,028	1,115,639
Contingencies & commitments			
	7	33,121,789	31,965,871
Assets			
Non-current assets			
Property, plant and equipment	8	2,059,334	2,093,015
Capital work-in-progress		57,487	23,619
Long term investment	9	25,338,349	24,701,636
Long term loan & advances		1,549	2,200
		27,456,719	26,820,470
Current assets			
Stores, spares and loose tools		791,739	800,608
Stock in trade		199,825	151,267
Trade debts		2,977	2,686
Loans, advances, deposits, prepayments and other receivables		329,697	71,682
Advance income tax		25,786	437,322
Short term investments	10	4,007,907	2,951,088
Cash and bank balances		307,139	730,748
		5,665,070	5,145,401
		33,121,789	31,965,871

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



Shahid Hamid Pracha
Chief Executive

Karachi: 25 April 2012



M. Abdul Aleem
Director

Consolidated condensed interim profit and loss account (Un-audited)

For the first quarter ended 31 March 2012

	Note	First quarter ended 31 March	
		2012	2011
		(Rupees in thousand)	
Sales - net		819,282	1,082,246
Cost of sales		(500,933)	(747,051)
Gross profit		318,349	335,195
Distribution expenses		(13,453)	(20,352)
Administrative expenses		(110,890)	(86,109)
Impairment loss		-	(349,249)
Other operating expenses		(7,991)	(3,629)
Other operating income		77,798	62,985
Profit / (loss) from operating activities		263,813	(61,159)
Finance costs		(157,300)	(200,206)
Profit / (loss) before share of associate		106,513	(261,365)
Share of profit from associate (net of tax)	9	906,820	908,579
Profit before taxation		1,013,333	647,214
Taxation		(142,186)	(128,189)
Profit after taxation		871,147	519,025
Earnings per share- basic and diluted (rupees)		1.81	1.08

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



Shahid Hamid Pracha
Chief Executive

Karachi: 25 April 2012



M. Abdul Aleem
Director

Consolidated condensed interim statement of comprehensive income (Un-audited)

For the first quarter ended 31 March 2012

	First quarter ended 31 March	
	2012	2011
	(Rupees in thousand)	
Profit after taxation	871,147	519,025
Other comprehensive income		
Adjustment arising from measurement to fair value of available for sale investments	397,338	(135,765)
Share of other comprehensive income of associate	29,851	49,284
Deferred tax impact of other comprehensive income of associate	(2,985)	(4,928)
	26,866	44,356
Other comprehensive income, net of tax	424,204	(91,409)
Total comprehensive income for the period	1,295,351	427,616

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



Shahid Hamid Pracha
Chief Executive

Karachi: 25 April 2012



M. Abdul Aleem
Director

Consolidated condensed interim cash flow statement (Un-audited)

For the first quarter ended 31 March 2012

	Note	First quarter ended 31 March	
		2012	2011
		(Rupees in thousand)	
Cash flow from operating activities	11	242,061	568,986
Cash generated from operations			
Finance costs paid		(49)	(400,486)
Taxes paid		(56,082)	(117,949)
Staff retirement and other service benefits paid		(7,995)	(4,615)
Increase in long term loans and advances		651	(9,195)
Net cash generated from / (used in) operating activities		178,586	36,741
Cash flow from investing activities			
Fixed capital expenditure		(55,098)	(24,637)
Proceeds from sale of property, plant and equipment		6,307	4,993
Profit on time deposits		16,366	31,040
Proceeds from disposal of available for sale investments		671,212	-
Investment at fair value through profit and loss		(1,279,303)	(320,000)
Dividends received		38,400	-
Net cash (used in)/ generated from investing activities		(602,116)	(308,604)
Cash flow from financing activities			
Short term financing		-	(5,149)
Dividends paid		(79)	(764)
Net cash (used in) from financing activities		(79)	(5,913)
Net (decrease) / increase in cash and cash equivalents		(423,609)	(277,776)
Cash and cash equivalents at the beginning of period		730,748	1,250,263
Cash and cash equivalents at the end of period		307,139	972,487

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



Shahid Hamid Pracha
Chief Executive

Karachi: 25 April 2012



M. Abdul Aleem
Director

Consolidated condensed interim statement of changes in equity (Un-audited)

For the first quarter ended 31 March 2012

	R e v e n u e r e s e r v e s				Others	Fair value reserve	Total
	Share capital	General reserve	Un appropriated profit	Subtotal			
	(Rupees in thousand)						
Balance as at 01 January 2011	1,203,217	700,000	20,632,823	21,332,823	(312,225)	135,765	22,359,580
Total comprehensive income for the period	-	-	519,025	519,025	44,356	(135,765)	427,616
Balance as at 31 March 2011	<u>1,203,217</u>	<u>700,000</u>	<u>21,151,848</u>	<u>21,851,848</u>	<u>(267,869)</u>	<u>-</u>	<u>22,787,196</u>
Balance as at 01 January 2012	4,812,871	700,000	19,795,916	20,495,916	(180,731)	-	25,128,056
Total comprehensive income for the period	-	-	871,147	871,147	26,866	397,338	1,295,351
Final cash dividend @ 10% for the year ended 31 December 2011	-	-	(481,287)	(481,287)	-	-	(481,287)
Balance as at 31 March 2011	<u>4,812,871</u>	<u>700,000</u>	<u>20,185,776</u>	<u>20,885,776</u>	<u>(153,865)</u>	<u>397,338</u>	<u>25,942,120</u>

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



Shahid Hamid Pracha
Chief Executive

Karachi: 25 April 2012



M. Abdul Aleem
Director

Selected notes to the consolidated condensed interim financial information (Un-audited)

For the first quarter ended 31 March 2012

1 Legal status and nature of business

1.1 Dawood Hercules Corporation Limited (formerly Dawood Hercules Chemicals Limited) - the holding company, is a public limited company incorporated in Pakistan under the Companies Ordinance, 1984 listed on Karachi, Lahore and Islamabad Stock Exchanges. The principal activity of the holding company is to manage investments in its subsidiary and associated companies, while the subsidiary company is engaged in the production, purchase and sale of fertilizer. The registered office of the holding company is situated at Dawood Centre M.T Khan Road Karachi.

1.2 The group consists of :

The holding company: Dawood Hercules Corporation Limited (formerly Dawood Hercules Chemicals Limited); and

Subsidiary company: DH Fertilizers Limited is an unquoted public limited company incorporated under the Companies Ordinance, 1984 and is a wholly owned subsidiary of the holding company. The company is engaged in the business of production, purchase and sale of fertilizers and its registered office is situated at 35 A, Shahrah-e- Abdul Hameed Bin Badees (Empress Road), Lahore.

2 Basis of preparation

This consolidated condensed interim financial information is un-audited and has been prepared in accordance with the requirements of International Accounting Standard (IAS) 34 -'Interim Financial Reporting' and provisions and directives issued under the Companies Ordinance 1984 (Ordinance). In case where the requirements differ, the provisions of or directives issued under the Ordinance have been followed.

This condensed interim consolidated financial information is being submitted to the shareholders in accordance with Section 245 of the Ordinance and should be read in conjunction with the consolidated financial statements as at and for the year ended 31 December 2011.

3 Accounting policies

The accounting policies and methods of computation adopted for the preparation of this consolidated condensed interim financial information are consistent with those applied in the preparation of consolidated financial statements of the group as at and for the year ended 31 December 2011.

4 Accounting Estimates

The preparation of consolidated condensed interim financial information requires management to make estimates, assumptions and judgments that affect the application of accounting policies in conformity with the approved accounting standards and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experiences and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognized prospectively commencing from the period of revision.

Significant judgments made by management in applying the group's accounting policies and key sources of estimations were the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2011.

Selected notes to the consolidated condensed interim financial information (Un-audited)

For the first quarter ended 31 March 2012

	(Un-audited) 31 March 2012	(Audited) 31 December 2011
	(Rupees in thousand)	
5 Long term loan		
Diminishing musharaka	<u>4,800,000</u>	<u>4,800,000</u>

This represents a long term finance facility obtained by the subsidiary company from a consortium of banks led by Meezan Bank Limited for a period of 5 years inclusive of a grace period of 2 years starting from 27 December 2011. The musharaka investment share of the banks will be purchased by the subsidiary company in six equal semi annual installments in arrears. The first musharaka buyout will be due at the end of the 30th month from the date of drawdown. This finance facility is secured by a first charge equal to the bank musharaka share plus 25% margin on specific movable assets of the subsidiary company and a corporate guarantee by the holding company. The profit is payable semi annually in arrears at the rate of six months ask side KIBOR plus 110 bps starting from 26 June 2012.

6 Short term finances - secured

6.1 Short term running finance facilities aggregating Rs 898 million have been provided to the subsidiary company under markup arrangements by Habib Bank Limited (2011: 398 million) and Habib Metropolitan Bank Limited (2011: Rs Nil) and are expiring on 30 April 2012 and 30 September 2012 respectively. These facilities carry markup at the rate of one month KIBOR plus 100 bps (2011: one month KIBOR plus 100 bps) and three months KIBOR plus 75 bps (2011: Nil). In addition, Habib Metropolitan Bank Limited has provided an import financing facility of Rs 1,500 million to the subsidiary company (2011: Nil) carrying a markup rate of three months KIBOR plus 50 bps and expiring on 30 September 2012. The running finance and import finance facilities provided by Habib Bank Limited and Habib Metropolitan Bank Limited are secured by pledge of 20 million shares of SNGPL (2011: 20 million SNGPL shares) and 35 million shares of SNGPL and 19.2 million shares of ECL (2011: Nil) respectively held by the subsidiary company. The aggregate market value of these investments as at 31 March 2012 was Rs 3,064 million (2011: Rs 314 million).

7 Contingencies and commitments

7.1 Contingencies

There were no material contingencies as at 31 March 2012.

7.2 Commitments

7.2.1 During the period, the group signed a Share Purchase Agreement (SPA) with National Power International Holdings BV (NPIH) for the purchase in aggregate of 137.74 million shares of Hub Power Company Limited (Hubco) at a price of Rs 31/- per share valuing Rs.4,270 million and representing 11.90% of the share capital of Hubco. The holding company's portion is 35.48 million shares or 3.07% and consummation of this transaction is conditional upon receipt of certain regulatory approvals.

A condition precedent for signing the SPA required Allied Bank Limited (ABL) to underwrite the full value of the transaction in favor of NPIH, to cover the period from the date of signing the SPA to the date of consummation of the transaction. For this purpose the group has signed an Underwriting Facility Agreement (UFA) with ABL which required the Company and its subsidiary to place short-term investments aggregating Rs.2,200 million with ABL's Asset Management Company under a lien marked in favor of ABL. In addition, ABL has been mandated by the subsidiary company to raise long-term financing for the balance amount of Rs.2,070 million.

7.2.2 Commitments of the group as at 31 March 2012 were Rs. 162 million (2011: 246 million) in respect of stores purchases and Rs. 2,366 million (2011: Rs. Nil) in respect of purchase of DAP.

Selected notes to the consolidated condensed interim financial information (Un-audited)

For the first quarter ended 31 March 2012

		(Un-audited) 31 March	(Audited) 31 December
	Note	2012	2011
(Rupees in thousand)			
8	Property, plant and equipment		
	Opening net book value	2,093,015	1,871,708
	Add: Additions during the period / year	8.1 21,231	434,538
	Less: Assets disposed off during the period / year	(12,624)	(30,844)
		<u>2,101,622</u>	<u>2,275,402</u>
	Depreciation charged during the period / year	(53,392)	(193,847)
	Depreciation on assets disposed off during the period/year	11,104	11,460
	Closing net book value	<u>2,059,334</u>	<u>2,093,015</u>
8.1	Additions during the period		
	Plant & machinery	185	318,264
	Catalyst	-	87,062
	Furniture, fittings & office equipment	-	1,679
	Data processing equipment	307	2,753
	Vehicles	20,739	24,780
		<u>21,231</u>	<u>434,538</u>
9	Investment in associated company		
	Engro Corporation Limited (ECL)		
	149,978,890 (2011: 124,982,408) ordinary shares of Rs. 10 each	<u>24,701,636</u>	<u>22,424,778</u>
	Share of post acquisition profits	906,820	2,980,632
	Share of other comprehensive income (net of tax)	29,851	146,106
		<u>25,638,307</u>	<u>25,551,516</u>
	Less: dividend received during the period	(299,958)	(849,880)
	194,972,557 (2011: 149,978,889) ordinary shares of Rs. 10 each (Percentage of equity held - 38.13% (2011: 38.13%))	<u>25,338,349</u>	<u>24,701,636</u>
9.1	Market value of investment in ECL as at 31 March 2012 was Rs. 19,357 million (2011: Rs. 24,223 million).		
9.2	The group received 44,993,667 (2011: 24,996,481) bonus shares from ECL during the quarter ended 31 March 2012.		
9.3	Financial results of ECL for the period from 1 October 2011 to 31 December 2011 have been used for the purpose of application of equity method of accounting for consolidation purposes due to non availability of financial statements for the three months ended 31 March 2012.		
9.4	As at 31 March 2012, 19.2 million ordinary shares of ECL (2011: Nil) were pledged by the subsidiary company as security against various short-term finance facilities.		

Selected notes to the consolidated condensed interim financial information (Un-audited)

For the first quarter ended 31 March 2012

	Note	(Un-audited) 31 March 2012	(Audited) 31 December 2011
(Rupees in thousand)			
10	Short term investments		
	Available for sale	10.1	1,554,264
	Financial assets at fair value through profit and loss account	10.2	1,156,926
			<u>2,453,643</u>
			<u>2,951,088</u>
10.1	Available for sale Related parties - quoted		
	Sui Northern Gas Pipelines Limited (SNGPL) (held by the subsidiary company) 73,481,262 (2011: 73,481,262) ordinary shares of Rs. 10 each - at cost	10.1.1	4,376,964
	Percentage of equity held: 12.75% (2011: 12.75%) Cumulative impairment loss		4,376,964
			<u>(3,222,574)</u>
			<u>1,154,390</u>
	Fair value adjustment during the period		393,860
			<u>1,548,250</u>
	Others - quoted		
	Southern Electric Power Company Limited (held by the holding company) 3,622,900 (2011: 3,622,900) ordinary shares of Rs.10 each - at cost		68,431
	Percentage of equity held: 2.65% (2011: 2.65%) Opening cumulative impairment loss		68,431
			<u>(65,895)</u>
			2,536
	Fair value adjustment/(impairment loss) during the period		8,079
			<u>3,478</u>
			<u>(5,543)</u>
			<u>2,536</u>
			<u>1,156,926</u>
10.1.1	As at 31 March 2012, 55 million ordinary shares of SNGPL (2011: 20 million) were pledged as security against various short-term finance facilities availed by the subsidiary company.		

Selected notes to the consolidated condensed interim financial information (Un-audited)

For the first quarter ended 31 March 2012

	(Un-audited) 31 March 2012	(Un-audited) 31 March 2011
(Rupees in thousand)		
11. Cash generated from operations		
Profit before tax	1,013,333	647,214
Adjustment for non cash expenses and other items:		
Depreciation	53,392	47,611
Finance costs	157,300	200,206
Profit on sale of property, plant and equipment	(4,788)	(965)
Profit on sale of short term investments available for sale	(15,703)	-
Un-realized gain due to fair value adjustment of investment at fair value through profit or loss	(35,689)	(20,277)
Impairment loss on available for sale investments	-	349,249
Share of profit from associate, net of tax	(906,820)	(908,579)
Provision for staff retirement and other service benefits	5,086	3,856
Profit on time deposits	(16,366)	(31,040)
	<u>(763,588)</u>	<u>(359,939)</u>
Profit before working capital changes	<u>249,745</u>	<u>287,275</u>
Working capital changes		
(Increase)/decrease in current assets:		
Stocks, stores and spares	(39,689)	190,978
Trade debts	(292)	2,130
Loans, advances, deposits, prepayments and other receivables	3,169	(1,280)
(Decrease)/increase in current liabilities:		
Trade and other payables	29,128	89,883
	<u>(7,684)</u>	<u>281,711</u>
	<u>242,061</u>	<u>568,986</u>

Selected notes to the consolidated condensed interim financial information (Un-audited)

For the first quarter ended 31 March 2012

12 Related party transactions

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

	(Un-audited) 31 March	(Un-audited) 31 March
	2012	2011
	(Rupees in thousand)	
Associates		
Sale of goods and services	9,999	3,600
Purchase of goods and services	366,351	266,378
Dividend income	299,958	249,965
Reimbursement of expenses from related parties	1,649	165
Reimbursement of expenses to related parties	1,194	10
Finance costs	68,587	31,732
Markup received	3,332	-
Other related parties		
Key management personnel compensation	103,297	96,385
Contributions to employees retirement benefits	11,280	10,872

13 This consolidated condensed interim financial information was authorized for issue by the Board of Directors on 25 April 2012.

14 General

Figures have been rounded to the nearest thousand rupee, except as stated otherwise.

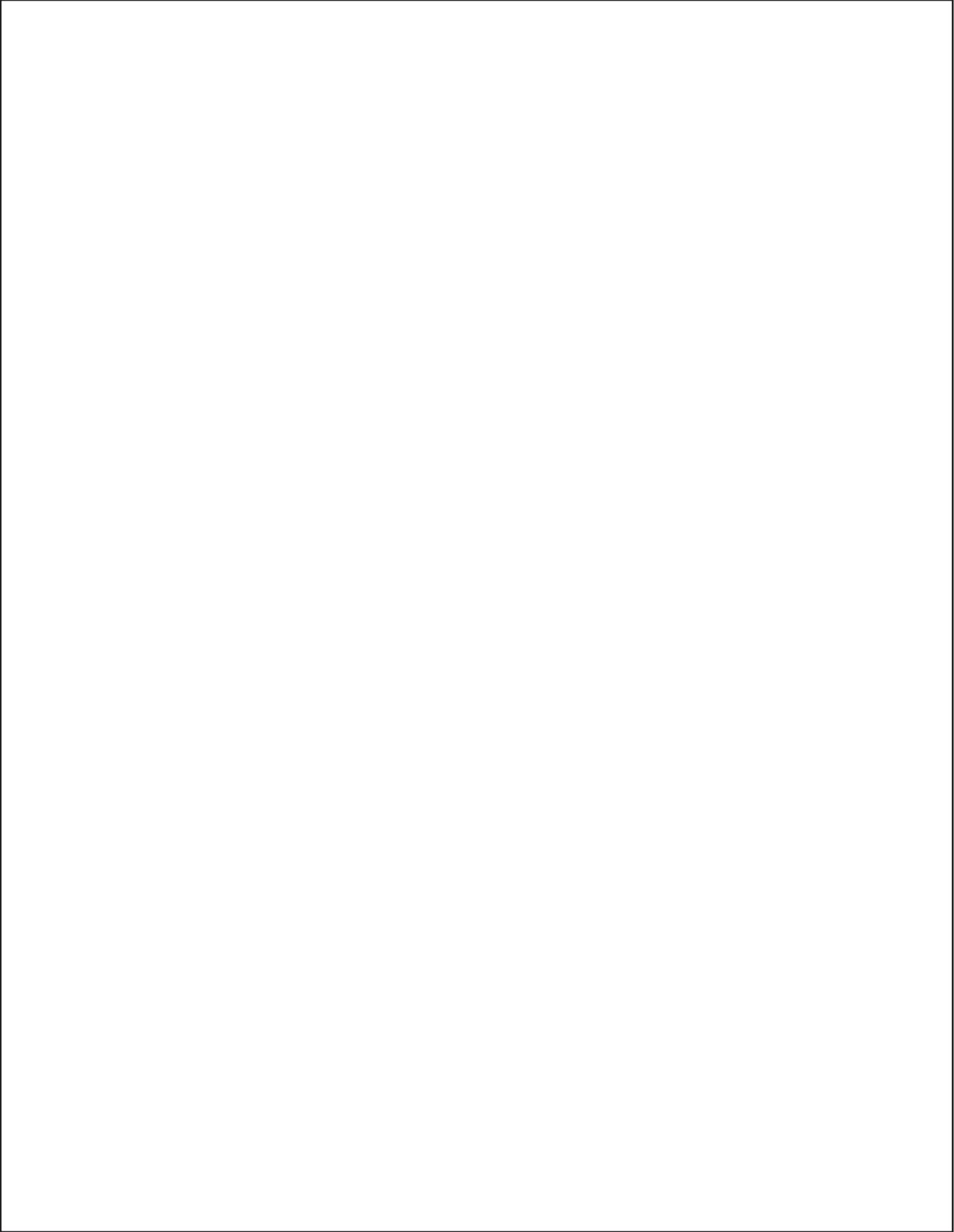


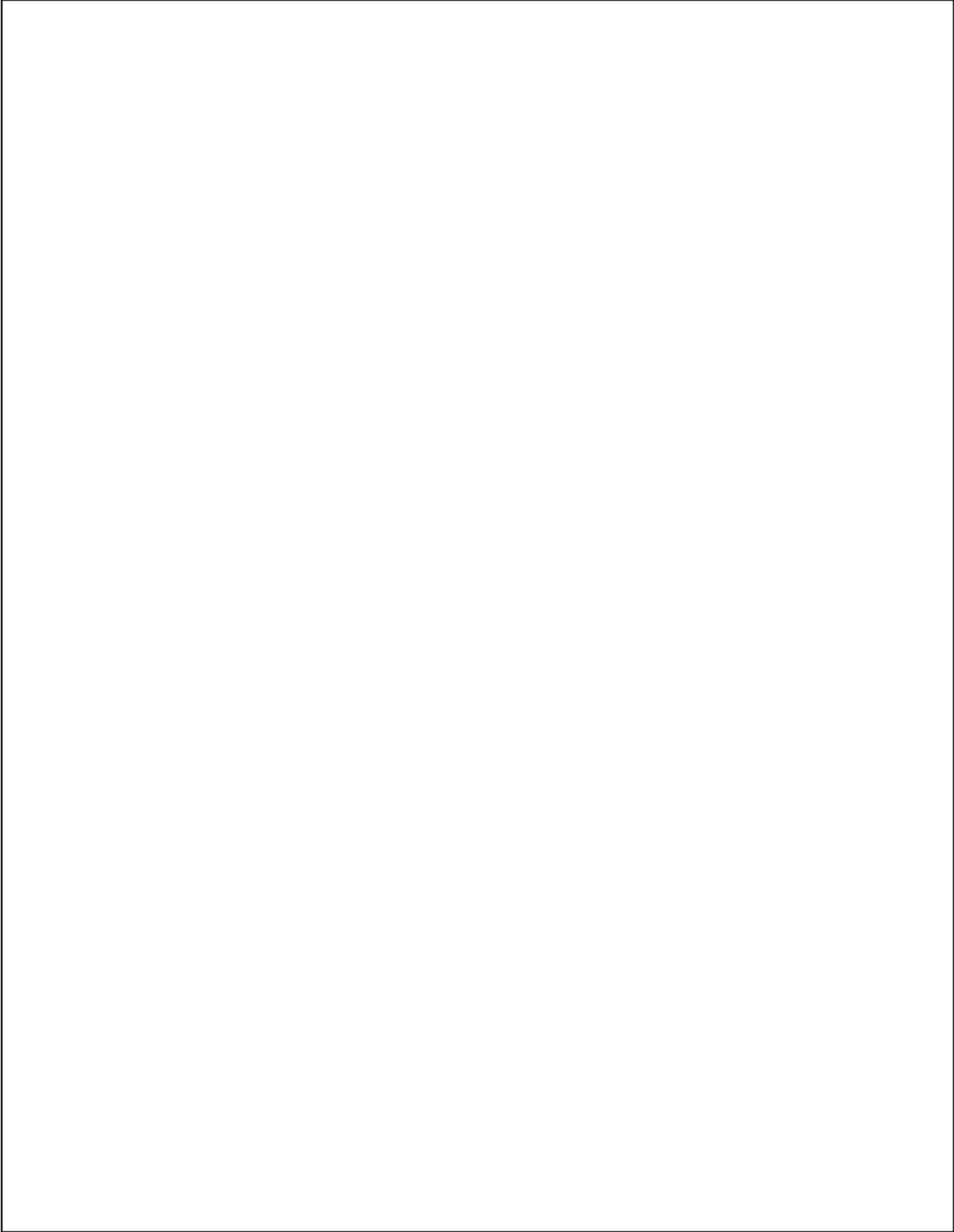
Shahid Hamid Pracha
Chief Executive

Karachi: 25 April 2012



M. Abdul Aleem
Director







Dawood Hercules



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